FORM 8-K

Current report filing

Filing Date: **2003-01-03** | Period of Report: **2002-12-20**
SEC Accession No. 0000950129-03-000015

(HTML Version on secdatabase.com)

FILER

GRANT PRIDECO INC

CIK:**1097313**| IRS No.: **760312499** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **001-15423** | Film No.: **03501789**
SIC: **3533** Oil & gas field machinery & equipment

Mailing Address
1450 LAKE ROBBINS DRIVE
SUITE 600
THE WOODLANDS TX 77038

Business Address
1450 LAKE ROBBINS DRIVE
SUITE 600
THE WOODLANDS TX 77038
2812978500

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

FORM 8-K

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

DATE OF REPORT (Date of earliest event reported): DECEMBER 20, 2002

GRANT PRIDECO, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	001-15423	76-0312499
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)
1330 POST OAK BLVD., SUITE 2700		77095
(Address of principal executive offices)		(Zip Code)

Registrant's telephone number, including area code: (832) 681-8000

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On December 20, 2002, Grant Prideco, Inc. ("Grant Prideco" or the

"Company") completed the acquisition of the ReedHycalog drill bits business from Schlumberger Technology Corporation. ReedHycalog, based principally in Houston, Texas, is a global leader in drill bit technology, manufacturing, sales and service to the worldwide oil and gas industry. Consideration for the acquisition included approximately $260 million cash (subject to a post-closing adjustment), 9,731,834 shares of Grant Prideco common stock, and the assumption of approximately $5 million of liabilities. The acquisition was completed pursuant to a Purchase Agreement dated as of October 25, 2002, among Schlumberger Technology Corporation and Grant Prideco, Inc. incorporated herein by reference as Exhibit 2.1 to this Current Report on Form 8-K. The Company intends to utilize the ReedHycalog drill bits business in a similar manner as the seller.

In addition to the shares of Grant Prideco stock included in the purchase price, which the Company has agreed to register under the Securities Act of 1933 pursuant to a Registration Rights Agreement with Schlumberger, financing for the acquisition (and for Grant Prideco's general corporate purposes) was provided through a new credit facility of approximately $240 million (replacing the Company's prior credit facility) from a syndicate of lenders led by Deutche Bank Trust Corporation (see Item 5 below) and a private placement of $175 million of 9% Senior Notes due 2009. Approximately $95 million was borrowed under the new credit facility for purposes of financing in part the cash portion of the purchase price.

The foregoing is qualified by reference to Exhibit 2.1 and 4.1 through and 4.5 to this Current Report on Form 8-K, which are incorporated herein by reference.

ITEM 5. OTHER EVENTS

In connection with the ReedHycalog acquisition, Grant Prideco replaced its existing credit facility with a new four year $240 million senior secured credit facility with a syndicate of U.S. and foreign banks led by Deutche Bank Trust Corporation, and including Transamerica Business Capital Corporation, GE Capital Public Finance, Inc., Whitney National Bank, GMAC Business Credit, LLC, Foothill Capital Corporation, U.S. Bank National Association, The CIT Group/Business Credit, Inc., Fleet Capital Corporation, LaSalle Business Credit, Inc., Southwest Bank of Texas, N.A., JPMorgan Chase Bank and Merrill Lynch Business Capital. The senior credit facility is comprised of a $50 million term loan consisting of a $47 million U.S. term loan and a $3 million Canadian term loan, and a $190 million revolving credit facility consisting of a $183 million U.S. revolving facility and a $7 million Canadian revolving facility. The senior credit facility is secured by substantially all of the Company's U.S. assets and a portion of its Canadian assets.

The foregoing is qualified by reference to Exhibits 4.6 through 4.9 to this Current Report on Form 8-K, which are incorporated herein by reference.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(a) Financial statements of businesses acquired.

The audited financial statements of the Drill Bits Business of Schlumberger Limited as of December 31, 2001, 2000 and 1999 and for the years ended December 31, 2001, 2000 and 1999 and the unaudited financial statements of the Drill Bits Business of Schlumberger Limited as of

September 30, 2002 and for the nine months ended September 30, 2002 and 2001 specified in Rule 3-05(b) of Regulation S-X will be filed by amendment to this Current Report on Form 8-K no later than sixty days after the date on which this Current Report on Form 8-K is required to be filed.

(b) Pro forma financial information.

The pro forma financial statements required pursuant to Article 11 of Regulation S-X will be filed by amendment to this Current Report on Form 8-K no later than sixty days after the date on which this Current Report on Form 8-K is required to be filed.

(c) Exhibits.

2.1	Purchase Agreement dated as of October 25, 2002, among Schlumberger Technology Corporation and Grant Prideco, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on November 13, 2002, File No. 1-15423).
4.1	Registration Rights Agreement dated as of December 20, 2002, by and among Schlumberger Technology Corporation and Grant Prideco, Inc.
4.2	Indenture relating to 9% Senior Notes due 2009 dated as of December 4, 2002, between Grant Prideco Escrow Corp. and Wells Fargo Bank, N.S., as trustee.
4.3	Form of 9% Senior Notes due 2009 (included as part of Exhibit 4.2)
4.4	Supplemental Indenture dated as of December 20, 2002, among Grant Prideco, Inc., Grant Prideco Escrow Corp., certain of Grant Prideco, Inc.'s subsidiaries, and Wells Fargo Bank, N.A., as trustee.
4.5	Registration Rights Agreement dated as of December 4, 2002, among Grant Prideco, Inc., certain subsidiary guarantors named therein and Deutsche Bank Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as initial purchasers.

4.6 Credit Agreement, dated as of December 19, 2002, among Grant Prideco, Inc., certain of its subsidiaries, the Lenders party thereto, Deutsche Bank Trust Company Americas, as US Agent, Deutsche Bank AG, Canada Branch, as Canadian Agent, Transamerica Business Capital Corporation, as Documentation Agent, JPMorgan Chase Bank, as Co-Syndication Agent, and Merrill Lynch Capital, as Co-Syndication Agent. Certain schedules and exhibits to this Credit Agreement have not been filed with this exhibit. The Company agrees to furnish supplementally any omitted schedule or exhibit to the SEC upon request.

4.7 Security Agreement, dated as of December 19, 2002, among Grant Prideco, Inc., certain of its subsidiaries and Deutsche Bank Trust Company Americas, as agent. Certain schedules and exhibits to this Security Agreement have not been filed

with this exhibit. The Company agrees to furnish supplementally any omitted schedule or exhibit to the SEC upon request.

4.8 Amended and Restated Security Agreement, dated as of December 19, 2002 between Grant Prideco Canada Ltd. and Deutsche Bank AG, Canada Branch, as agent.

4.9 Security Agreement, dated as of December 19, 2002, between Grant Prideco Canada Ltd. and Deutsche Bank AG, Canada Branch, as agent. Certain schedules and exhibits to this Security Agreement have not been filed with this exhibit. The Company agrees to furnish supplementally any omitted schedule or exhibit to the SEC upon request.

4.10 Form of Subsidiary Guarantee by certain of Grant Prideco, Inc.'s subsidiaries in favor of Deutsche Bank Trust Company Americas, as agent.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf

by the undersigned hereunto duly authorized.

Date: January 3, 2003

GRANT PRIDECO, INC.

By: /s/ Philip A. Choyce

Philip A. Choyce
Vice President and General Counsel

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
2.1	Purchase Agreement dated as of October 25, 2002, among Schlumberger Technology Corporation and Grant Prideco, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on November 13, 2002, File No. 1-15423).
4.1	Registration Rights Agreement dated as of December 20, 2002, by and among Schlumberger Technology Corporation and Grant Prideco, Inc.
4.2	Indenture relating to 9% Senior Notes due 2009 dated as of December 4, 2002, between Grant Prideco Escrow Corp. and Wells Fargo Bank, N.S., as trustee.
4.3	Form of 9% Senior Notes due 2009 (included as part of Exhibit 4.2)
4.4	Supplemental Indenture dated as of December 20, 2002, among Grant Prideco, Inc., Grant Prideco Escrow Corp., certain of Grant Prideco, Inc.'s subsidiaries, and Wells Fargo Bank, N.A., as trustee.
4.5	Registration Rights Agreement dated as of December 4,

2002, among Grant Prideco, Inc., certain subsidiary guarantors named therein and Deutsche Bank Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as initial purchasers.

4.6 Credit Agreement, dated as of December 19, 2002, among Grant Prideco, Inc., certain of its subsidiaries, the Lenders party thereto, Deutsche Bank Trust Company Americas, as US Agent, Deutsche Bank AG, Canada Branch, as Canadian Agent, Transamerica Business Capital Corporation, as Documentation Agent, JPMorgan Chase Bank, as Co-Syndication Agent, and Merrill Lynch Capital, as Co-Syndication Agent. Certain schedules and exhibits to this Credit Agreement have not been filed with this exhibit. The Company agrees to furnish supplementally any omitted schedule or exhibit to the SEC upon request.

4.7 Security Agreement, dated as of December 19, 2002, among Grant Prideco, Inc., certain of its subsidiaries and Deutsche Bank Trust Company Americas, as agent. Certain schedules and exhibits to this Security Agreement have not been filed with this exhibit. The Company agrees to furnish supplementally any omitted schedule or exhibit to the SEC upon request.

4.8 Amended and Restated Security Agreement, dated as of December 19, 2002 between Grant Prideco Canada Ltd. and Deutsche Bank AG, Canada Branch, as agent.

4.9 Security Agreement, dated as of December 19, 2002, between Grant Prideco Canada Ltd. and Deutsche Bank AG, Canada Branch, as agent. Certain schedules and exhibits to this Security Agreement have not been filed with this exhibit. The Company agrees to furnish supplementally any omitted schedule or exhibit to the SEC upon request.

4.10 Form of Subsidiary Guarantee by certain of Grant Prideco, Inc.'s subsidiaries in favor of Deutsche Bank Trust Company Americas, as agent.

EXHIBIT 4.1

REGISTRATION RIGHTS AGREEMENT

BY AND AMONG

SCHLUMBERGER TECHNOLOGY CORPORATION

AND

GRANT PRIDECO, INC.

DECEMBER 20, 2002

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT dated as of December 20, 2002, among Grant Prideco, Inc., a Delaware corporation (the "Company"), Schlumberger Technology Corporation, a Texas corporation ("Seller").

WITNESSETH:

WHEREAS, pursuant to a Purchase Agreement, dated as of October 25, 2002 (the "Purchase Agreement"), by and among the Company and the Holders (as hereafter defined), the Holders acquired 9,731,834 shares of Common Stock (as hereafter defined).

WHEREAS, the parties hereto desire to set forth the rights of the Holders (as hereinafter defined) and the obligations of the Company with respect to the registration of the Registrable Securities (as hereafter defined) pursuant to the Securities Act (as hereafter defined); and

WHEREAS, the execution and delivery of this Agreement by the parties hereto is a condition to the obligations of each of the Holders and the Company under the Purchase Agreement;

NOW, THEREFORE, in consideration of the covenants and agreements of the Holders and the Company contained herein and in the Purchase Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Purchase Agreement. For purposes of this Agreement the following terms shall have the following meanings:

Section 1.1 Affiliate. "Affiliate" of any Person means any entity that controls, is controlled by, or is under common control with such Person. As used herein, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through ownership of voting securities or other interests, by contract or otherwise.

Section 1.2 Common Stock. "Common Stock" means the shares of common stock, par value $0.01 per share, of the Company.

Section 1.3 Continuously Effective. "Continuously Effective," with respect to a specified Registration Statement, means that such Registration Statement shall not cease to be effective and available for transfers of Registrable Securities in accordance with the method of

distribution set forth therein during the period specified, subject to applicable blackout periods, in the relevant provision of this Agreement.

Section 1.4 Exchange Act. "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations thereunder.

Section 1.5 Holders. "Holders" means, collectively, Seller and its affiliates (other than the Company) who from time to time own Registrable Securities or any transferee of a Holder entitled to the benefits of this Agreement; each of such entities separately is sometimes referred to herein as a "Holder."

Section 1.6 Maximum Number. "Maximum Number" when used in connection with an underwritten offering, shall mean the maximum number of shares of Common Stock (or amount of other Registrable Securities) that the Underwriters' Representative has informed the Company and the Holders may be included as part of such offering without materially and adversely affecting the success or pricing of such offering.

Section 1.7 Person. "Person" shall mean any natural person, firm, individual, corporation, partnership, limited liability company, joint venture, business trust, association, trust, company or other organization or entity, whether incorporated or unincorporated.

Section 1.8 Prospectus. "Prospectus" means the prospectus included in a Registration Statement, as amended or supplemented by any prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement and by all other amendments and supplements to the prospectus, including post-effective amendments and all material incorporated by reference in such prospectus.

Section 1.9 Purchase Agreement. "Purchase Agreement" has the meaning set forth in the recitals of this Agreement.

Section 1.10 Registrable Securities. "Registrable Securities" means, collectively, (i) the shares of Common Stock acquired by the Holders pursuant to the Purchase Agreement (the "Shares"), (ii) any stock or other securities (of the Company or any other issuer) into which or for which the Shares may hereafter be changed, converted or exchanged, (iii) any other securities issued or distributed in respect of the Shares by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, reorganization, merger, consolidation or otherwise, and (iv) any other successor securities received in respect of any of the foregoing (i) through (iii).

Section 1.11 Registration Expenses. "Registration Expenses" means any and all out-of-pocket expenses incident to performance of or compliance with this Agreement, including, without limitation, (i) all SEC and securities exchange registration and filing fees, (ii) all fees and expenses of complying with securities or blue sky laws (including fees and disbursements of counsel for any underwriters in connection with blue sky qualifications of the Registrable Securities) or relating to the National Association of Securities Dealers, Inc. (the "NASD"), (iii)

all printing, messenger and delivery expenses, (iv) all fees and expenses

incurred in connection with the listing of the Registrable Securities on any securities exchange pursuant to Section 7(h), (v) the fees and disbursements of counsel for the Company and of its independent public accountants, (vi) all expenses in connection with the preparation, printing and filing of the Registration Statement, any preliminary Prospectus or final Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to any Holders, underwriters and dealers and all expenses incidental to delivery of the Registrable Securities, (vii) subject to the limitations set forth in Section 8, the reasonable fees and disbursements of counsel, other than the Company's counsel, selected by the Holders of the Registrable Securities being registered, (viii) the reasonable fees and expenses of any special experts retained in connection with the requested registration, (ix) any internal expenses of the Company and cost of Company employees, (x) the expenses incurred in connection with making "roadshow" presentations and holding meetings with potential investors to facilitate the distribution and sale of Registrable Securities, but shall not include with respect to Registrable Securities sold by the Holders (a) underwriting discounts and commissions and transfer taxes, if any, and (b) any fees and disbursements of underwriters customarily paid by the issuers or sellers of securities.

Section 1.12 Registration Statement. "Registration Statement" means any registration statement of the Company which covers Registrable Securities pursuant to the provisions of this Agreement, including the Prospectus, amendments and supplements to such registration statements including post-effective amendments, and all exhibits and all material incorporated by reference in such Registration Statement.

Section 1.13 Related Securities. "Related Securities" means any securities of the Company similar or identical to any of the Registrable Securities including, without limitation, Common Stock and all options, warrants, rights and other securities convertible into, or exchangeable or exercisable for Common Stock (other than any of the foregoing to be offered or sold to officers, directors or employees as compensation).

Section 1.14 Securities Act. "Securities Act" means the Securities Act of 1933, as amended from time to time, and the rules and regulations thereunder.

Section 1.15 SEC. "SEC" means the Securities and Exchange Commission.

Section 1.16 Underwritten Registration or Underwritten Offering. "Underwritten Registration or Underwritten Offering" shall mean a registration in which securities of the Company are sold to one or more underwriters for reoffering to the public.

Section 1.17 Underwriters' Representative. "Underwriters' Representative" when used in connection with an Underwritten Offering, shall mean the managing underwriter of such offering, or, in the case of a co-managed underwriting, the managing underwriter designated as the Underwriters' Representative by the co-managers.

ARTICLE II

SECURITIES SUBJECT TO THIS AGREEMENT

The securities entitled to the benefits of this Agreement are the Registrable Securities. For the purposes of this Agreement, Registrable Securities will cease to be Registrable Securities when (i) a Registration Statement covering such Registrable Securities has been declared effective under the Securities Act and they have been disposed of pursuant to such effective Registration Statement, (ii) such Registrable Securities are distributed to the public pursuant to Rule 144 (or any similar provision then in force) under the Securities Act, or (iii) such Registrable Securities shall have ceased to be outstanding.

ARTICLE III

REGISTRATION UNDER THE SECURITIES ACT

Section 3.1 Required Registration.

(a) The Company shall file a "shelf" registration statement with the SEC covering all of the Registrable Securities (the "Shelf Registration Statement") as soon as practicable and in no event more than 30 days after the Closing Date and the Company shall use its commercially reasonable efforts to have such Shelf Registration Statement declared effective by the SEC as soon as practicable thereafter, but in no event later than the 120th day after the Closing Date. The Company agrees to use its commercially reasonable efforts to keep such Shelf Registration Statement Continuously Effective until such time as (i) all of the Registrable Securities have been sold by the Holders or (ii) this Agreement terminates in accordance with Section 11.3, including, if necessary, by filing with the SEC a post-effective amendment or a supplement to the Shelf Registration Statement or the related prospectus or any document incorporated therein by reference or by filing any other required document or otherwise supplementing or amending the Shelf Registration Statement, if required by the rules, regulations, or instructions applicable to the registration form used by the Company for such Shelf Registration Statement or by the Securities Act, the Exchange Act, any state securities or blue sky laws, or any rules and regulations thereunder.

(b) In addition, if for any reason, the Shelf Registration Statement is not kept Continuously Effective, in addition to any other claims the Holders may have for breach of contract, the Holders shall have the right to request in writing (a "Request") (which Request shall specify the Registrable Securities intended to be disposed of by such Holders and the

intended method of distribution thereof, which may include sales for cash or dispositions upon exchange or conversion of securities or dispositions for any form of consideration or no consideration) that the Company register such portion of such Holders' Registrable Securities as shall be specified in the Request (a "Demand Registration") by filing with the SEC, as soon as

practicable thereafter, but not later than the 30th day after the receipt of such a Request by the Company, a registration statement (a "Demand Registration Statement") covering such Registrable Securities, and the Company shall use its commercially reasonable efforts to have such Demand Registration Statement declared effective by the SEC as soon as practicable thereafter, but in no event later than the 120th day after the receipt of such a Request. The Company agrees to use its commercially reasonable efforts to keep such Demand Registration Statement Continuously Effective for the period specified in the Request, as extended by the length of any Suspension Period (as defined in Section 7) with respect thereto (or for such shorter period which will terminate when all of the Registrable Securities covered by such Demand Registration Statement shall have been sold pursuant thereto), including, if necessary, by filing with the SEC a post-effective amendment or a supplement to the Demand Registration Statement or the related prospectus or any document incorporated therein by reference or by filing any other required document or otherwise supplementing or amending the Demand Registration Statement, if required by the rules, regulations or instructions applicable to the registration form used by the Company for such Demand Registration Statement or by the Securities Act, the Exchange Act, any state securities or blue sky laws, or any rules and regulations thereunder; provided that such period during which the Demand Registration Statement shall remain Continuously Effective shall, in the case of an Underwritten Offering, be extended for such period (if any) as the underwriters shall reasonably require, including to satisfy, in the judgment of counsel to the underwriters, any prospectus delivery requirements imposed by applicable law.

The Company shall not be obligated to effect more than three (3) Demand Registrations pursuant to Requests. For purposes of the preceding sentence, a Demand Registration shall not be deemed to have been effected, (i) unless a Demand Registration Statement with respect thereto has become effective, (ii) if after such Demand Registration Statement has become effective, the offer, sale or distribution of Registrable Securities thereunder is prevented by any stop order, injunction or other order or requirement of the SEC or other Governmental Entity for any reason not attributable to any Holder and such effect is not thereafter eliminated, or (iii) if the conditions to closing specified in the underwriting agreement entered into in connection with such Registration are not satisfied or waived, other than by reason of a failure on the part of any Holder. If the Company shall have complied with its obligations under this Agreement, a right to a Demand Registration pursuant to

this Section 3(a) shall be deemed to have been satisfied upon the earlier of (x) the date as of which all of the Registrable Securities included therein shall have been sold or distributed pursuant to the Demand Registration Statement, and (y) the date as of which such Demand Registration shall have been Continuously Effective for the period specified in the preceding paragraph following the effectiveness of such Demand Registration Statement.

Any Request made pursuant to this Section 3.1 shall be addressed to the attention of the Secretary of the Company, and shall specify (a) the number of Registrable Securities to be Registered, (b) the intended method of distribution thereof and the requested period of effectiveness, and (c) that the request is for a Demand Registration pursuant to this Section 3(a).

(c) The Company may not include in a Demand Registration pursuant to Section 3.1 hereof, shares of Common Stock for the account of the Company or any subsidiary of the Company, but, if and to the extent required by a contractual obligation existing on the date hereof, may, subject to compliance with Section 3.1(d), include shares of Common Stock for the account of any other Person who holds shares of Common Stock entitled to be included therein; provided, however, that, except to the extent modified with the consent of the

Holders, if the Underwriters' Representative of any offering described in this Section 3.1 shall have informed the Holders in writing that in its judgment there is a Maximum Number of shares of Common Stock that all Holders and any other Persons desiring to participate in such Registration may include in such offering, then the Company shall include in such Demand Registration all Registrable Securities requested to be included in such Registration by the Holders together with up to such additional number of shares of Common Stock that any other Persons entitled to participate in such Registration desire to include in such Registration up to the Maximum Number that the Underwriters' Representative has informed the Holders may be included in such Registration without materially and adversely affecting the success or pricing of such offering; provided that the number of shares of Common Stock to be offered for the account of all such other Persons participating in such Registration shall be reduced in a manner determined by the Company in its sole discretion.

(d) No Holder may participate in any underwritten offering under Section 3.1 hereof and no other Person shall be permitted to participate in any such offering pursuant to Section 3.1 hereof unless it completes and executes all customary questionnaires, powers of attorney, custody agreements, underwriting agreements, and other customary documents required under the customary terms of such underwriting arrangements. In connection with any underwritten offering under Section 3.1 hereof, each participating Holder

and the Company and each other Person shall be a party to the underwriting agreement with the underwriters and may be required to make certain customary representations and warranties and provide certain customary indemnifications for the benefit of the underwriters; provided that the Holders shall not be required to make representations and warranties with respect to the Company and its Subsidiaries or their business and operations and shall not be required to agree to any indemnity or contribution provisions less favorable to them than as are set forth herein.

Section 3.2 Incidental Registration.

(a) Notwithstanding the fact that all of the Registrable Securities may be registered under the Shelf Registration Statement, if at any time the Company proposes to register any Related Securities under the Securities Act (other than in connection with any acquisition or business combination transaction and other than in connection with stock options and other stock-based employee benefit plans and compensation) either in connection with a primary offering for cash for the account of the Company, a secondary offering or a combined primary and secondary offering, the Company will each time it intends to effect such a registration, give written notice (a "Company Notice") to all Holders of Registrable Securities at least 20 business days prior to the initial filing of a registration statement with the SEC pertaining thereto, informing such Holders of its intent to file such registration statement and of the Holders' right to request the registration of the Registrable Securities held by the Holders. Upon the written request of the Holders made within 15 business days after any such Company Notice is given (which request shall specify the Registrable Securities intended to be disposed of by such Holder and, unless the applicable registration is intended to effect a primary offering of Common Stock for cash for the account of the Company, the intended method of distribution thereof), the Company will use its commercially reasonable efforts to effect the registration under the Securities Act of all Registrable Securities which the Company has been so requested to register by the Holders to the extent required to permit the disposition (in accordance with the

intended methods of distribution thereof or, in the case of a registration which is intended to effect a primary offering for cash for the account of the Company, in accordance with the Company's intended method of distribution) of the Registrable Securities so requested to be registered, including, if necessary, by filing with the SEC a post-effective amendment or a supplement to the registration statement filed by the Company or the related prospectus or any document incorporated therein by reference or by filing any other required document or otherwise supplementing or amending the registration statement filed by the Company, if required by the rules, regulations or instructions applicable

to the registration form used by the Company for such registration statement or by the Securities Act, any state securities or blue sky laws, or any rules and regulations thereunder; provided, however, that if, at any time after giving written notice of its intention to register any securities and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register or to delay such registration of the securities, the Company shall give written notice of such determination to each Holder of Registrable Securities and, thereupon, (A) in the case of a determination not to register, the Company shall be relieved of its obligation to register any Registrable Securities in connection with such registration (but not from its obligation to pay the Registration Expenses incurred in connection therewith), and (B) in the case of a determination to delay such registration, the Company shall be permitted to delay registration of any Registrable Securities requested to be included in such registration statement for the same period as the delay in registering such other securities.

The registration rights granted pursuant to the provisions of this Section 3.2 shall be in addition to the registration rights granted pursuant to the other provisions of Article III.

(b) If, in connection with a Registration Statement pursuant to this Section 3.2, the Underwriters' Representative of the offering registered thereon shall inform the Company and the Holders in writing that in its opinion there is a Maximum Number of shares of Common Stock that may be included therein; then (a) in the event such Registration Statement relates to an offering initiated by the Company of Common Stock being offered for the account of the Company, the Company may include in such registration the number of shares it proposes to offer and, if such number is less than the Maximum Number, then the number of shares of Common Stock requested to be included by any Person other than the Company (including the Holders) may be reduced, pro rata in proportion to the respective number of shares of Common Stock owned by such Persons, to the extent necessary to reduce the respective total number of shares of Common Stock requested to be included in such offering to the Maximum Number of shares of Common Stock recommended by such Underwriters' Representative and (b) in the event such a Registration Statement is initiated by any Person other than the Company, except to the extent modified with the consent of the Holders, the number of shares of Common Stock requested to be included by such Person and any other Person (including the Holders) may be reduced pro rata in proportion to the respective number of shares of Common Stock owned by such Persons, to the extent necessary to reduce the respective total number of shares of Common Stock requested to be included in such offering to the Maximum Number.

ARTICLE IV

BLACKOUT PERIOD

Section 4.1 General. Subject to the provisions in Section 4.2, the Company shall be entitled to elect that a Registration Statement not be usable, or that the filing thereof be delayed beyond the time otherwise required, for a reasonable period of time, but not in excess of 60 days (a "Blackout Period"), if the Company determines in good faith that the registration and distribution of Registrable Securities (or the use or filing of the Registration Statement or related Prospectus) would interfere with any pending material financing, acquisition, corporate reorganization or any other material corporate development involving the Company or any of its subsidiaries or would require premature disclosure thereof and promptly gives the Holders of Registrable Securities written notice of such determination, and to the extent practicable an approximation of the anticipated delay; provided, however, that the aggregate number of days included in all Blackout Periods, when taken together with any Suspension Periods (as defined in Section 7), during any consecutive 12 months shall not exceed 90 days.

Section 4.2 Specific Blackout Procedures. All Registrable Securities sold or distributed under a Demand Registration shall be made in accordance with the following provisions:

(a) Underwritten Offerings. With respect to an Underwritten Offering, the provisions of Section 4.1 shall apply to the delaying by the Company of (i) the filing of a Registration Statement and (ii) causing a Registration Statement to become effective. Once an underwriting agreement as contemplated by Section 7(i) has been entered into in connection with the Underwritten Offering, the terms of such underwriting agreement and Section 3.1, and not the provisions of Section 4.1, shall govern the continued effectiveness and use of the Registration Statement as it relates to such Underwritten Offering. However, if the underwriting agreement did not contain provisions for blackout periods, Section 4.1 would continue to apply.

(b) Other Offerings. With respect to an offering other than an Underwritten Offering, the procedures of this Section 4.2(b) shall supplement Section 4.1 with respect to sales after the effectiveness of the Registration Statement. The Holders can assume that there is not a Blackout Period and that the Registration Statement is current unless they have received a written notice to the contrary from the Company.

ARTICLE V

SELECTION OF UNDERWRITERS

If any offering pursuant to a Demand Registration Statement is an underwritten offering, the Holders will select a managing underwriter or underwriters to administer the offering, in its sole discretion after consultation with the Company. In such event, the Company may select a co-manager in its sole discretion after consultation with the Holders. In any incidental registration pursuant to Section 3.2, the Company will select a

managing underwriter or

underwriters to administer the offering, in its sole discretion after consultation with the Holders.

ARTICLE VI

HOLDBACK AGREEMENT

(a) If so requested by the Underwriters' Representative in connection with an offering of any Registrable Securities, the Company shall agree not to effect any sale or distribution of shares of Common Stock, without the prior written consent of the Underwriters' Representative (other than as a part of such offering or in connection with any acquisition or business combination transaction and other than in connection with stock options and employee benefit plans and compensation) during the 7-day period prior to, and during the 90-day period beginning on, the date such registration statement is declared effective under the Securities Act by the SEC and shall use its commercially reasonable efforts to obtain and enforce similar agreements from any other Persons if requested by the Underwriters' Representative; provided that the Company or such Persons shall not be subject to the restrictions set forth in this Section 6(a) for longer than 97 days during any 12-month period.

(b) Notwithstanding anything else in this Section 6 to the contrary, no Holder shall be precluded from distributing to any or all of its stockholders any or all of the Registrable Securities.

(c) As used in paragraphs (a) and (b) of this Section 6, "sales" or "distributions" shall be deemed to include, to the extent requested by the Underwriters' Representative, (1) contracts to sell, sales of options or contracts to purchase, purchases of any option or contract to sell, grants of options, rights or warrants to purchase or otherwise transfer or dispose of, directly or indirectly, any of the Shares or any securities convertible into or exercisable or exchangeable for the Shares and (2) swaps or other arrangements that transfer to another, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of the Shares or such other securities, in cash or otherwise.

ARTICLE VII

REGISTRATION PROCEDURES

If and whenever the Company is required to or to use its commercially

reasonable efforts to effect or cause the registration of any Registrable Securities under the Securities Act as provided in this Agreement, the Company will, as expeditiously as possible and without limiting any time period or obligation set forth elsewhere in this Agreement:

(a) Prepare and file with the SEC a Registration Statement with respect to such Registrable Securities on a form for which the Company then qualifies, and which form shall be available for the sale of the Registrable Securities in accordance with the intended methods of distribution thereof, and use its best efforts to cause such Registration Statement to become and remain effective; provided that, a reasonable time before filing a

Registration Statement or Prospectus, or any amendments or supplements thereto (other than reports required to be filed by it under the Exchange Act and the rules and regulations adopted by the SEC thereunder), the Company will furnish to the Holders and their counsel for review and comment, copies of all documents proposed to be filed and provided further, that if the Holders so request, they and their counsel and other representatives may participate in the drafting and preparation of such Registration Statement;

(b) prepare and file with the SEC amendments and post-effective amendments to each such Registration Statement and such amendments and supplements to the Prospectus used in connection therewith as may be required by the Securities Act or the Exchange Act or otherwise necessary to keep the Registration Statement effective for the applicable period and cause the Prospectus as so supplemented to be filed pursuant to Rule 424 under the Securities Act, and to otherwise comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement until such time as all of such securities have been disposed of in accordance with the intended methods of disposition set forth in such Registration Statement and Prospectus or such earlier time as the Company's obligations to maintain the effectiveness and availability for use of such Registration Statement ceases;

(c) furnish to each Holder of such Registrable Securities such number of copies of such Registration Statement and of each amendment and post-effective amendment thereto (in each case including all exhibits), the Prospectus and Prospectus supplement, as applicable, and such other documents as such Holder may reasonably request in order to facilitate the disposition of the Registrable Securities by such Holder (the Company hereby consenting to the use (subject to the limitations set forth in the last paragraph of this Section 7) of the Prospectus or any amendment or supplement thereto in connection with such disposition);

(d) use its commercially reasonable efforts to register or qualify such Registrable Securities covered by such Registration

Statement under such other securities or blue sky laws of such jurisdictions as each Holder shall reasonably request, and do any and all other acts and things which may be reasonably necessary or advisable to enable such Holder to consummate the disposition in such jurisdictions of the Registrable Securities owned by such Holder, except that the Company shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction where, but for the requirements of this Section 7(d), it would not be obligated to be so qualified, to subject itself to taxation in any such jurisdiction, or to consent to general service of process in any such jurisdiction;

(e) notify each Holder of any such Registrable Securities covered by such Registration Statement, at any time when a Prospectus relating thereto is required to be delivered under the Securities Act within the appropriate period mentioned in Section 7(b), of the Company's becoming aware that the Prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, then existing, and at the request of any such Holder, prepare and furnish to such Holder a reasonable number of copies

of an amendment or supplement to the Registration Statement or related Prospectus as may be necessary so that, as thereafter delivered to the purchasers of such Registrable Securities, such Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(f) notify each Holder of Registrable Securities covered by such Registration Statement at any time,

(i) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to the Registration Statement or any post-effective amendment, when the same has become effective,

(ii) of any request by the SEC for amendments or supplements to the Registration Statement or the Prospectus or for additional information, and of any comments, oral or written, by the SEC with respect thereto,

(iii) of the issuance by the SEC of any stop

order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose,

(iv) if at any time the representations and warranties of the Company made pursuant to agreements contemplated by paragraph (i)(1) below cease to be true and correct, and

(v) of the receipt by the Company of any notification with respect to the suspension of qualification or exemption from qualification of the Registrable Securities for offering or sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose;

(g) otherwise use its commercially reasonable efforts to make available to its security holders, as soon as reasonably practicable (but not more than eighteen months) after the effective date of the Registration Statement, an earnings statement which shall satisfy the provisions of Section 11(a) of the Securities Act and the rules and regulations promulgated thereunder;

(h) cause all such Registrable Securities to be listed on any securities exchange on which the Common Stock is then listed, if such Registrable Securities are not already so listed and if such listing is then permitted under the rules of such exchange, and to provide a transfer agent, CUSIP number and registrar for such Registrable Securities covered by such Registration Statement no later than the effective date of such Registration Statement;

(i) enter into agreements (including underwriting agreements) and take all other appropriate actions in order to expedite or facilitate the disposition of such Registrable Securities as is customarily made or done by issuers of comparable standing in connection with comparable offerings and in such connection (to the extent so customary):

(i) make such representations and warranties to the Holders of such Registrable Securities and the underwriters, if any, and agree to such indemnification and contribution agreements, in form, substance and scope as are customarily made by issuers to underwriters in comparable underwritten offerings;

(ii) obtain opinions of counsel to the Company (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the underwriters, if any, and the Holders of the Registrable Securities being sold) addressed to each Holder and the underwriters, if any, covering the matters customarily covered in opinions

requested in comparable underwritten offerings and such other matters as may be reasonably requested by such Holders and underwriters;

(iii) obtain comfort letters and updates thereof from the Company's independent accountants addressed to the selling Holders of Registrable Securities and the underwriters, if any, such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with comparable underwritten offerings;

(iv) if requested, provide the indemnification in accordance with the provisions and procedures of Section 9 hereof to all parties to be indemnified pursuant to said Section; and

(v) deliver such documents and certificates as may be reasonably requested by the Holders of a majority of the Registrable Securities being sold and the underwriters, if any, to evidence compliance with clause (f) above and with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company. The matters set forth in this Section 7(i) shall be effected at each closing under any underwriting or similar agreement as and to the extent required thereunder.

(j) cooperate with the Holders of Registrable Securities covered by such Registration Statement and the underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing the securities to be sold under such Registration Statement, and enable such securities to be in such denominations and registered in such names as the underwriter or underwriters, if any, or such Holders may request, or take other appropriate action if the Registrable Securities are to be uncertificated;

(k) if requested by the underwriter or underwriters or a Holder of Registrable Securities being sold in connection with an underwritten offering, promptly incorporate in a Prospectus supplement or post-effective amendment such information as the underwriters and the Holders of the Registrable Securities being sold agree should be included therein relating to the plan of distribution with respect to such Registrable Securities, including, without limitation, information with respect to the amount of Registrable Securities being sold to such underwriters, the purchase price being paid therefor by such underwriters and with respect to any other terms of the underwritten offering of the Registrable Securities to be sold in such offering and make all required filings of such Prospectus supplement or post-effective

amendment promptly upon being notified of the matters to be incorporated in such Prospectus supplement or post-effective amendment;

(l) participate, and have senior management available to participate, in any "roadshow" marketing efforts reasonably requested by the Holders or any underwriters; and

(m) make available for inspection by any Holder of Registrable Securities included in such Registration Statement, any underwriter participating in any disposition pursuant to such Registration Statement, and any attorney, accountant or other agent retained by any such Holder or underwriter in connection with such disposition, such financial and other records and other information, pertinent corporate documents and properties of any of the Company and its subsidiaries and affiliates, as shall be reasonably necessary to enable them to exercise their due diligence responsibility.

The Company may require each Holder of Registrable Securities as to which any registration is being effected to furnish the Company with such information regarding such Holder and pertinent to the disclosure requirements relating to the registration and the distribution of such securities as the Company may from time to time reasonably request.

Each Holder of Registrable Securities agrees that, upon receipt of any notice (the "Suspension Notice") from the Company of the happening of any event of the kind described in Section 7(e), such Holder will forthwith discontinue disposition of Registrable Securities pursuant to the Prospectus or Registration Statement covering such Registrable Securities until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 7(e), and, if so directed by the Company, such Holder will use its best efforts to deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Registrable Securities current at the time of receipt of such notice. In the event the Company shall give any such notice, the period of time during which the Registration Statement is required to be Continuously Effective pursuant to Section 3 hereof shall be extended by the number of days during the period (the "Suspension Period") from the date of the giving of such Suspension Notice and through the date when the Holders of Registrable Securities covered by such Registration Statement shall have received the copies of the supplemented or amended Prospectus contemplated by Section 7(e).

ARTICLE VIII

REGISTRATION EXPENSES

The Company will pay all Registration Expenses in connection with all registrations of Registrable Securities, and the Holders shall pay all underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of such Holders' Registrable Securities pursuant to a Registration Statement.

ARTICLE IX

INDEMNIFICATION; CONTRIBUTION

Section 9.1 Indemnification by the Company. The Company agrees to indemnify each Holder of Registrable Securities, its officers and directors and each Person who controls such Holder (within the meaning of the Securities Act), and any agent and investment or financial adviser thereof against all losses, claims, damages, liabilities and expenses (including reasonable attorneys' fees and expenses of investigation) incurred by such party pursuant to any actual or threatened action, suit, proceeding or investigation arising out of or based upon (i) any untrue or alleged untrue statement of material fact contained in a Registration Statement, any Prospectus or preliminary Prospectus, or any amendment or supplement to any of the foregoing or (ii) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a Prospectus or a preliminary Prospectus, in light of the circumstances under which they were made) not misleading, except in each case insofar as the same arise out of or are based upon any such untrue statement or omission made in reliance on and in conformity with information furnished in writing to the Company by any party indemnified under this Section 9.1 or its counsel expressly for use therein. In connection with an Underwritten Offering, the Company will indemnify the underwriters thereof, their officers and directors and each Person who controls such underwriters (within the meaning of the Securities Act) to the same extent as provided above with respect to the indemnification of the Holders of Registrable Securities (provided that as to each underwriter the exception to such indemnification obligation shall instead be for information with respect to such underwriter furnished in writing by such underwriter or its counsel). Notwithstanding the foregoing provisions of this Section 9.1, in the case of an offering that is not an Underwritten Offering, the Company will not be liable to any Holder of Registrable Securities under the indemnity agreement in this Section 9.1 for any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense that arises out of such Holder's failure to send or give a copy of the final Prospectus (as it may then be amended or supplemented) to the Person asserting an untrue statement or alleged untrue statement or omission or alleged omission at or prior to the written confirmation of the sale of the Registrable Securities to such Person if such statement or omission was corrected in such final Prospectus (as it may then be amended or supplemented) and the Company has previously furnished copies thereof in accordance with this Agreement.

Section 9.2 Indemnification by Holders of Registrable Securities. In connection with a Registration Statement, each Holder shall furnish to the Company in writing such information, including with respect to the name, address and the amount of Registrable Securities held by such Holder, as the Company reasonably requests for use in such Registration Statement or the related Prospectus and agrees to indemnify and hold harmless (in the same manner and to

the same extent as set forth in Section 9.1 the Company, all other prospective Holders or any underwriter, as the case may be, and any of their respective affiliates, directors, officers and controlling Persons (within the meaning of the Securities Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of a material fact or any omission or alleged omission of a material fact required to be stated in such Registration Statement or Prospectus or any amendment or supplement to either of them or necessary to make the statements therein (in the case of a Prospectus, in the light of the

circumstances then existing) not misleading, but only to the extent that any such untrue statement or omission is made in reliance on and in conformity with information with respect to such Holder furnished in writing to the Company by such Holder or its counsel specifically for inclusion therein.

Section 9.3 Conduct of Indemnification Proceedings. Any Person entitled to indemnification hereunder agrees to give prompt written notice to the indemnifying party after the receipt by such indemnified party of any written notice of the commencement of any action, suit, proceeding or investigation or threat thereof made in writing for which such indemnified party may claim indemnification or contribution pursuant to this Agreement (provided that failure to give such notification shall not affect the obligations of the indemnifying person pursuant to this Section 9 except to the extent the indemnifying party shall have been actually prejudiced as a result of such failure). In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to the indemnified parties and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under these indemnification provisions for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation, except as provided in the following sentence. Any such indemnified party shall have the right to employ separate counsel in any such action, claim or proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be the expenses of such indemnified party unless (i) the indemnifying party has agreed to pay such fees and expenses or (ii) the indemnifying party shall have failed to promptly assume the defense of such action, claim or proceeding or (iii) the named parties to any such action, claim or proceeding (including any impleaded parties) include both such

indemnified party and the indemnifying party, and such indemnified party shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or in addition to those available to the indemnifying party and that the assertion of such defenses could, in the good faith judgment of the indemnified party, create a conflict of interest such that counsel employed by the indemnifying party could not faithfully represent the indemnified party (in case of clauses (ii) and (iii) , if such indemnified party notifies the indemnifying party in writing that it elects to employ separate counsel at the expense of the indemnifying party (which counsel shall be reasonably satisfactory to the indemnifying party), the indemnifying party shall not have the right to assume the defense of such action, claim or proceeding on behalf of such indemnified party; it being understood, however, that the indemnifying party shall not, in connection with any one such action, claim or proceeding or separate but substantially similar or related actions, claims or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (together with appropriate local counsel) at any time for all such indemnified parties, unless in the good faith judgment of such indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such action, claim or proceeding, in which event the indemnifying party shall be obligated to pay the fees and expenses

of such additional counsel or counsels). The indemnifying party will not be subject to any liability for any settlement made without its consent (which consent will not be unreasonably withheld).

Section 9.4 Contribution. To the extent the indemnification from the indemnifying party provided for in this Section 9 is unavailable to an indemnified party hereunder in respect of any losses, claims, damages, liabilities or expenses referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities and expenses in such proportion as is appropriate to reflect the relative fault of the indemnifying party and indemnified party in connection with the actions which resulted in such losses, claims, damages, liabilities and expenses, as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been made by, or relates to information supplied by, such indemnifying party or indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action. The amount paid

or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include, subject to the limitations set forth in Section 9.3, any legal and other fees and expenses reasonably incurred by such indemnified party in connection with any investigation or proceeding. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 9.4 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this Section 9.4, no underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission, and no Holder of Registrable Securities shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities of such Holder were offered to the public (net of all underwriting discounts and commissions) exceeds the amount of any damages which such Holder has otherwise been required to pay by reason of such untrue statement or omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. To the extent indemnification is available under this Section 9, the indemnifying parties shall indemnify each indemnified party to the full extent provided in Section 91 or 9.2, as the case may be, without regard to the relative fault of said indemnifying parties or indemnified party or any other equitable consideration provided for in this Section 9.4.

Section 9.5 The provisions of this Section 9 shall be applicable in respect of each registration pursuant to this Agreement, shall be in addition to any liability which any party may have to any other party and shall survive any termination of this Agreement.

ARTICLE X

RULE 144

For a period of two years following the Closing Date or, if at the end of such two year period, a Holder is an affiliate of the Company, until such time as no Holder is an affiliate of the Company, the Company covenants that it will file the reports required to be filed by it under the Securities Act and the Exchange Act (or, if the Company is not required to file such reports, it will, upon the request of any Holder of Registrable Securities, make publicly available other information so long as necessary to satisfy the requirements of Rule 144 under the Securities Act relating to the availability of public

information), all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (b) any similar rule or regulation hereafter adopted by the SEC. Upon the request of any Holder of Registrable Securities, the Company will deliver to such Holder a written statement as to whether it has complied with such requirements.

ARTICLE XI

MISCELLANEOUS

Section 11.1 No Inconsistent Agreements. The Company is not a party to any agreement and will not hereafter enter into any agreement with respect to its securities which is inconsistent with or which otherwise materially limits, restricts interferes with the rights granted to the Holders hereunder.

Section 11.2 Remedies. No failure or delay on the part of either party hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available. Each Holder of Registrable Securities in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Agreement.

Section 11.3 Termination. The right of any Holder to request registration or inclusion in any registration pursuant to this Agreement shall terminate on such date as all shares of Registrable Securities held or entitled to be held upon conversion by such Holder (and any affiliates that is a Holder) is less than one percent (1%) of the total outstanding shares of Common Stock of the Company as shown by the then most recent Form 10-Q of the Company filed with the SEC or the Holder meets the requirements of Rule 144(k) of the Securities Act of 1933, as amended.

Section 11.4 Amendment. No change or amendment will be made to this Agreement except by an instrument in writing signed on behalf of the Company and Holders owning a majority of the Registrable Securities at the time of such amendment.

Section 11.5 Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and shall supersede all prior written and oral and all contemporaneous oral

agreements and understandings with respect to the subject matter hereof.

Section 11.6 Notices. Notices, offers, requests or other communications required or permitted to be given by either party pursuant to the terms of this Agreement shall be given in writing to the respective parties to the following addresses:

if to the Holders:

Schlumberger Technology Corporation
5999 San Felipe, Suite 1600
Houston, Texas 77054
Attention: Richard Hoffman
Telephone: (713) 513-3723
Facsimile: (713) 513-2030

with a copy, which shall not constitute notice, to:

Gray Cary Ware & Freidenrich LLP
1221 S. MoPac Expressway, Suite 400
Austin, Texas 787-6875
Attention: Brian P. Fenske
Telephone: (512) 457-7145
Facsimile: (512) 457-7001

if to the Company:

Grant Prideco, Inc.
1330 Post Oak Blvd., Suite 3700
Houston, Texas 77056
Attention: General Counsel
Telephone: (832) 681-8000
Facsimile: (832) 681-8699

with a copy, which shall not constitute notice, to:

Fulbright & Jaworski L.L.P.
1301 McKinney, Suite 5100
Houston, Texas 77010-3095
Attention: Charles H. Still
Telephone: (713) 651-5151
Facsimile: (713) 651-5246

or to such other address as the party to whom notice is given may have previously furnished to the other in writing as provided herein. Any notice involving non-performance, termination, or renewal shall be sent by hand delivery, recognized overnight courier or, within the United States, may also be sent via certified mail, return receipt requested. All other notices may also be sent by fax, confirmed by first class mail. All notices shall be deemed to have been given and received on the earlier of actual delivery or three days from the date of postmark.

Section 11.7 Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors of each of the parties and each transferee of Registrable Securities who is an affiliate of a Holder or, if the Shelf Registration Statement is not Continuously Effective, any transferee of Registrable Securities who is designated to come within the term "Holder" by the transferor.

Section 11.8 Authority. Each of the parties hereto represents to the other that (a) it has the corporate or other requisite power and authority to execute, deliver and perform this Agreement, (b) the execution, delivery and performance of this Agreement by it have been duly authorized by all necessary corporate or other actions, (c) it has duly and validly executed and delivered this Agreement, and (d) this Agreement is a legal, valid and binding obligation, enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equity principles.

Section 11.9 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

Section 11.10 Descriptive Headings. The headings contained in this Agreement and in the table of contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. When a reference is made in this Agreement to an Article or a Section, such reference shall be to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated.

Section 11.11 Governing Law. This Agreement shall be construed in accordance with and all disputes hereunder shall be governed by the laws of the State of Texas, excluding its conflict of law rules.

Section 11.12 No Strict Construction. The language used in this Agreement has been chosen by all of the parties hereto to express their mutual input, and no rule of strict construction will be used against any party hereto.

Section 11.13 Severability. If any term or other provision of this Agreement is determined by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of

the transactions contemplated hereby is not affected in any manner materially adverse to either party. Upon such determination that any term or other provision is invalid,

illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible.

[The Remainder of this Page is Intentionally Left Blank.]

IN WITNESS WHEREOF, the parties have executed this Registration Rights Agreement as of the date first written above.

GRANT PRIDECO, INC.

By: _____

Name: _____

Title: _____

SCHLUMBERGER TECHNOLOGY CORPORATION

By: _____

Name: _____

Title: _____

EXHIBIT 4.2

GRANT PRIDECO ESCROW CORP.

(TO BE ASSUMED BY GRANT PRIDECO, INC.)

INDENTURE

RELATING TO

9% SENIOR NOTES DUE 2009

DATED AS OF DECEMBER 4, 2002

WELLS FARGO BANK, N.A.

TRUSTEE

9% SENIOR NOTES DUE 2009

TABLE OF CONTENTS

<Table>
<Caption>

<Table>
<Caption>

</Table>

<Table>
<Caption>

CROSS-REFERENCE TABLE*

TRUST INDENTURE ACT

TIA SECTION	INDENTURE SECTION
310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	N.A.

	(a)(4)	N.A.
	(a)(5)	7.10
	(b)	7.08;7.10
	(c)	N.A.
311	(a)	7.11
	(b)	7.11
	(c)	N.A.
312	(a)	2.05
	(b)	12.03
	(c)	12.03
313	(a)	7.06
	(b)(2)	7.06
	(c)	7.06;12.02
	(d)	7.06
314	(a)	4.03; 4.04(a); 12.02
	(c)(1)	12.04
	(c)(2)	12.04
	(c)(3)	N.A.
	(e)	12.05
	(f)	N.A.
315	(a)	7.01
	(b)	7.05;12.02
	(c)	7.01
	(d)	7.01
	(e)	6.11
316	(a)(last sentence)	2.09
	(a)(1)(A)	6.05
	(a)(1)(B)	6.04
	(a)(2)	N.A.
	(b)	6.07
317	(a)(1)	6.08
	(a)(2)	6.09
	(b)	2.05

TIA SECTION		INDENTURE SECTION
318	(a)	12.01
	(b)	N.A.
	(c)	12.01

N.A. means not applicable.
*This Cross-Reference Table is not part of this Indenture.

INDENTURE, dated as of December 4, 2002 (the "Indenture"), among Grant Prideco Escrow Corp., a Delaware corporation (the "Company"), the Subsidiary Guarantors, if any, identified herein and Wells Fargo Bank, N.A., a national banking corporation, as trustee (the "Trustee").

The Company, the Subsidiary Guarantors, if any, and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the holders (the "Holders") of the 9% Senior Notes due 2009 (the "Initial Notes") and the 9% Senior Notes due 2009 to be used in exchange for such Initial Notes in the Exchange Offer (the "Exchange Notes" and, together with the Initial Notes and any Additional Notes that may be issued in the future in accordance with Article 2, the "Notes"):

ARTICLE 1.

DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01. Definitions.

"144A Global Note" means a global note in substantially the form of Exhibit A hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of, and registered in the name of, the Depositary or its nominee that shall be issued in a denomination equal to the outstanding principal amount of the Notes sold in reliance on Rule 144A.

"Acquired Debt" means, with respect to any specified person, (1) Indebtedness of any other person existing at the time such other person is merged with or into or became a Restricted Subsidiary of such specified person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other person merging with or into, or becoming a Restricted Subsidiary of, such specified person; and (2) Indebtedness secured by a Lien encumbering any asset acquired by such specified person.

"Acquisition" means the consummation of the acquisition of substantially all of the assets and business operations of Reed-Hycalog by Grant Prideco, Inc.

"Acquisition Agreement" means the purchase agreement by and between Schlumberger Technology Corporation, a Texas corporation, and Grant Prideco, Inc., a Delaware corporation, dated as of October 25, 2002.

"Acquisition Closing Date" means the consummation of (i) Grant Prideco, Inc.'s acquisition of substantially all of the assets and operations that comprise the drill bits business of, and are wholly-owned by Schlumberger Technology Corporation pursuant to the Acquisition Agreement (the "Acquisition") and (ii) the Grant Prideco Assumption.

"Additional Notes" means Notes issued pursuant to Article 2 and in compliance with Section 4.09 after the Issue Date.

"Affiliate" of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, "control," as used with respect to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person, whether through the ownership of voting securities, by agreement or otherwise; provided that beneficial ownership of 10% or more of the Voting Stock of a person will be deemed to be controlling. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"Applicable Procedures" means, with respect to any transfer or exchange of or for any beneficial interests in any Global Note, the rules and the procedures of the Depositary that apply to such transfer or exchange.

"Asset Sale" means (1) the sale, lease, conveyance or other disposition of any assets or rights, other than sales of inventory or equipment in the ordinary course of business consistent with past practices; provided that the sale, conveyance or other disposition of all or substantially all of the Company's assets and its Restricted Subsidiaries taken as a whole will be governed by Section 4.16 and/or Section 5.01 and not by Section 4.15; and (2) the issuance of Equity Interests in any of the Restricted Subsidiaries or the sale of Equity Interests in any of the Restricted Subsidiaries.

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales (1) any single transaction or series of related transactions that involves assets having a fair market value of less than $1.0 million; (2) a transfer of assets between or among the Company and its Restricted Subsidiaries; (3) an issuance of Equity Interests by a Restricted Subsidiary to the Company or to another Restricted Subsidiary; and (4) a Restricted Payment or Permitted Investment that is permitted by Section 4.07.

"Attributable Debt" in respect of a sale and leaseback

transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP.

"Bankruptcy Law" means Title 11, U.S. Code or any similar federal or state law for the relief of debtors.

"Beneficial Owner" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any

particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"Board of Directors" means (1) with respect to a corporation, the board of directors or a duly authorized committee of the board of directors of the corporation; (2) with respect to a partnership, the board of directors or a duly authorized committee of the board of directors of the general partner of the partnership; and (3) with respect to any other person, the board or committee of such person serving a similar function.

"Board Resolution" means, with respect to any entity, a copy of a resolution certified by the Secretary or Assistant Secretary of that entity to have been duly adopted by the Board of Directors of that entity and to be in full force and effect on the date of certification, and delivered to the Trustee.

"Broker Dealer" has the meaning set forth in the Registration Rights Agreement.

"Capital Lease Obligation" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet in accordance with GAAP.

"Capital Stock" means (1) in the case of a corporation, corporate stock; (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock; (3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and (4) any other interest or participation that confers on a person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing person.

"Cash Equivalents" means (1) United States dollars; (2) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality of the United States government (provided that the full faith and credit of the United States is pledged in support of those securities) having maturities of not more than six months from the date of acquisition; (3) certificates of deposit and eurodollar time deposits with maturities of six months or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case, with any lender party to a Credit Facility or with any domestic commercial bank having capital and surplus in excess of $500 million and a Thomson Bank Watch Rating of "B" or better; (4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2) and (3) above entered into with

any financial institution meeting the qualifications specified in clause (3) above; (5) commercial paper having the

highest rating obtainable from Moody's or S&P and in each case maturing within six months after the date of acquisition; and (6) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition, including any such funds of or to which the Trustee or any Affiliate of the Trustee is the sponsor, an advisor, a trustee or a manager.

"Change of Control" means the occurrence of any of the following (1) the direct or indirect sale, transfer, conveyance or other disposition, other than by way of merger or consolidation, in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any "person," as that term is used in Section 13(d)(3) of the Exchange Act; (2) the adoption of a plan relating to the liquidation or dissolution of the Company; (3) the consummation of any transaction, including, without limitation, any merger or consolidation, the result of which is that any "person," as defined in clause (1) above becomes the ultimate Beneficial Owner, directly or indirectly, of more than 50% of the Company's Voting Stock, measured by voting power rather than number of shares; (4) the first day on which a majority of the members of the Company's entire Board of Directors are not Continuing Directors; or (5) the Company's consolidation or merger with or into, any person, or the consolidation or merger of any person with or into, the Company, in any such event pursuant to a transaction in which any of the Company's outstanding Voting Stock or such other person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Company's Voting Stock outstanding immediately prior to such transaction is converted into or exchanged for Voting Stock (other than Disqualified Stock) of the surviving or transferee person, or the direct parent company of the surviving or transferee person, which, immediately after giving effect to such issuance, constitutes a majority of the outstanding shares of such Voting Stock of such surviving or transferee person, or the direct parent company of the surviving or transferee person.

For the purposes of this definition of "Change of Control," any transfer of any equity of an entity that was formed for the purpose of acquiring the Company's Voting Stock will be deemed to be a transfer of an Equity Interest in the Company.

"Change of Control Triggering Event" means, the occurrence of a Change of Control, or if the Company is not subject to the Suspended Covenants, there occurs both a Change of Control and a Rating Decline.

"Clearstream" means Clearstream Banking, societe anonyme, Luxembourg.

"Commission" means the Securities and Exchange Commission.

"common stock" means, with respect to any person, any and all shares, interests, participations or other equivalents, however designated, whether voting or non-voting, of that person's equity, other than preferred stock of that person, whether now outstanding or

issued after the date the Notes are issued, including without limitation, all series and classes of that equity.

"Company" means (i) prior to the Acquisition Closing Date, Grant Prideco Escrow Corp., and (ii) from and after the Acquisition Closing Date, Grant Prideco, Inc., until a successor replaces it and thereafter, means

the successor and for purposes of any provision contained herein and required by the TIA, each obligor of securities issued under this Indenture.

"Consolidated Cash Flow" means, with respect to any specified person for any period, the Consolidated Net Income of such person for such period, (1) plus an amount equal to any extraordinary loss plus any net loss realized by such person or any of its Subsidiaries in connection with an Asset Sale to the extent such losses were deducted in computing such Consolidated Net Income; (2) plus provision for taxes based on income or profits of such person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; (3) plus consolidated interest expense of such person and its Restricted Subsidiaries for such period, whether paid or accrued and whether or not capitalized (including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations), to the extent that any such expense was deducted in computing such Consolidated Net Income; (4) plus depreciation, amortization (including amortization of goodwill and other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period) of such person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income; and (5) minus non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business; in each case, on a consolidated basis and determined in accordance with GAAP.

"Consolidated Net Income" means, with respect to any specified person for any period, the aggregate of the Net Income of such person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; provided, however, that, (1) the Net Income (but not loss) of any person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or distributions paid in cash to the specified person or a Restricted Subsidiary of the person; (2) the Net Income of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior

governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument (other than those permitted under Section 4.08), judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders; (3) the Net Income of any person acquired in a pooling of interests transaction for any period prior to the date of such acquisition will be excluded; and (4) the cumulative effect of a change in accounting principles will be excluded.

"Continuing Directors" means, as of any date of determination, any member of the Company's Board of Directors who (1) was a member of such Board of Directors on the date of this Indenture; or (2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board at the time of such nomination or election.

"Corporate Trust Office of the Trustee" shall be at the address of the Trustee specified in Section 12.02 hereof or such other address as to which the Trustee may give notice to the Company.

"Credit Facilities" means, one or more debt facilities (including, without limitation, the New Credit Facility) or commercial paper

facilities, in each case with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time.

"Custodian" means the Trustee, as custodian with respect to the Notes in global form, or any successor thereto.

"Deadline Date" means February 28, 2003.

"Default" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"Definitive Note" means a certificated Note registered in the name of the Holder thereof and issued in accordance with Section 2.06 hereof, in substantially the form of Exhibit A hereto except that such Note shall not bear the Global Note Legend and shall not have the "Schedule of Exchanges of Interests in the Global Note" attached thereto.

"Depositary" means, with respect to the Notes issuable or issued in whole or in part in global form, the person specified in Section 2.03 hereof as the Depositary with respect to the Notes, and any and all successors thereto appointed as depositary hereunder and having become such pursuant to the applicable provision of this Indenture.

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder of the Capital Stock), or upon the happening of any event (other than upon an optional redemption by the Company), matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Company to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Company may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with Section 4.07.

"Domestic Subsidiary" means any one of the Company's Restricted Subsidiaries that was formed under the laws of the United States or any state of the United States or the District of Columbia.

"DTC" means The Depositary Trust Company.

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Equity Offering" means any public or private sale of the Company's Equity Interests (other than Disqualified Stock).

"ERISA" means the Employee Retirement Income Security Act of 1974 and regulations promulgated thereunder.

"Escrow Agreement" means the Escrow Agreement dated as of December 4, 2002 between the Company and Wells Fargo Bank, N.A., as escrow agent thereunder, as amended from time to time.

"Escrowed Property" has the meaning assigned to such term under the Escrow Agreement.

"Euroclear" means Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System.

"Exchange Act" means the Securities and Exchange Act of 1934, as amended.

"Exchange Notes" means the Notes to be issued in the Exchange Offer pursuant to Section 2.06 hereof.

"Exchange Offer" has the meaning set forth in the Registration Rights Agreement.

"Exchange Offer Registration Statement" has the meaning set forth in the Registration Rights Agreement.

"Existing Indebtedness" means the Indebtedness of the Company and its Subsidiaries (other than Indebtedness under the New Credit Facility) in existence on the Issue Date, until such amounts are repaid.

"Fixed Charges" means, with respect to any specified person for any period, the sum, without duplication, of (1) the consolidated interest expense of such person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations; plus (2) the consolidated interest of such person and its Restricted Subsidiaries that was capitalized during such period; plus (3) any interest expense on Indebtedness of another person that is guaranteed by such person or one of its Restricted Subsidiaries or secured by a Lien on assets of such person or one of its Restricted Subsidiaries, whether or not such guarantee or Lien is called upon; plus (4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of such person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in the Company's Equity Interests (other than Disqualified Stock) or to the Company or one of its Restricted Subsidiaries, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such person, expressed as a decimal, in each case, on a consolidated basis and in accordance with GAAP.

"Fixed Charge Coverage Ratio" means with respect to any specified person for any period, the ratio of the Consolidated Cash Flow of such person and its Restricted Subsidiaries for such period to the Fixed Charges of such person and its Restricted Subsidiaries for such period. In the event that the specified person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases or redeems any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Calculation Date"), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect to such incurrence, assumption, guarantee, repayment, repurchase or redemption of Indebtedness, or such issuance, repurchase or

redemption of preferred stock, and the use of the proceeds therefrom as if the

same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio, (1) acquisitions that have been made by the specified person or any of its Restricted Subsidiaries, including through mergers or consolidations and including any related financing transactions, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date will be given pro forma effect (calculated in accordance with Regulation S-X) as if they had occurred on the first day of the four-quarter reference period and Consolidated Cash Flow for such reference period will be calculated without giving effect to clause (3) of the proviso set forth in the definition of Consolidated Net Income; (2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, will be excluded; and (3) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified person or any of its Restricted Subsidiaries following the Calculation Date.

"Foreign Restricted Subsidiary" means any of the Company's Restricted Subsidiaries that is not a Domestic Subsidiary.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the date of this Indenture.

"Global Note Legend" means the legend set forth in Section 2.06(g)(ii), which is required to be placed on all Global Notes issued under this Indenture.

"Global Notes" means, individually and collectively, each of the Restricted Global Notes and the Unrestricted Global Notes in the form of Exhibit A hereto issued in accordance with Section 2.01, 2.06(b)(iv), 2.06(c) or 2.06(f) hereof.

"Government Securities" means direct obligations of, or obligations fully and unconditionally guaranteed or insured by, the United States of America or any agency or instrumentality thereof for the payment of which obligations or guarantee the full faith and credit of the United States is pledged and which are not callable or redeemable at the issuer's option (unless, for purposes of "Cash Equivalents" only, the obligations are redeemable or callable at a price not less than the purchase price paid by the Company or any of the

Company's Restricted Subsidiaries, together with all accrued and unpaid interest, if any, on such Government Securities).

"Grant Prideco Assumption" means the assumption (i) by Grant Prideco, Inc. of the obligations of Grant Prideco Escrow Corp. under this Indenture, the Notes and the Escrow Agreement and (ii) by the Guarantors existing on the Acquisition Closing Date of the indemnification obligations of Grant Prideco Escrow Corp. under the Purchase Agreement pursuant to the terms of the Escrow Agreement and this Indenture.

"Grant Prideco, Inc." means Grant Prideco, Inc., a Delaware corporation.

"guarantee" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of

assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness.

"Guarantors" means each of (1) the Domestic Subsidiaries; and (2) any other Subsidiary that executes a Subsidiary Guarantee in accordance with the provisions of this Indenture; and their respective successors and assigns.

"Hedging Obligations" means, with respect to any specified person, the obligations of such person incurred in the normal course of business and consistent with past practices and not for speculative purposes under (1) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements; (2) foreign exchange contracts and currency protection agreements entered into with one or more financial institutions is designed to protect the person or entity entering into the agreement against fluctuations in interest rates or currency exchange rates with respect to Indebtedness incurred and not for purposes of speculation; (3) any commodity futures contract, commodity option or other similar agreement or arrangement designed to protect against fluctuations in the price of commodities used by that entity at the time; and (4) other agreements or arrangements designed to protect such person against fluctuations in interest rates or currency exchange rates.

"incur" means create, incur, issue, assume, guarantee or otherwise become liable, directly or indirectly, contingently or otherwise, for any Indebtedness. The term "incurrence" when used as a noun shall have a correlative meaning. The accretion of principal of a non-interest bearing or other discount security shall not be deemed the incurrence of Indebtedness.

"Indebtedness" means, with respect to any specified person, any indebtedness of such person, whether or not contingent (1) in respect of borrowed money; (2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof); (3) in respect of banker's acceptances; (4) representing Capital Lease Obligations; (5) representing the balance deferred and unpaid of the purchase price of

any property, except any such balance that constitutes an accrued expense or trade payable; or (6) representing any Hedging Obligations, if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified person (whether or not such Indebtedness is assumed by the specified person) and, to the extent not otherwise included, the guarantee by the specified person of any indebtedness of any other person.

The amount of any Indebtedness outstanding as of any date will be (1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount; and (2) the principal amount of the Indebtedness, together with any interest on the Indebtedness that is more than 30 days past due, in the case of any other Indebtedness.

"Indenture" means this Indenture, as amended or supplemented from time to time in accordance with Article 10 hereof.

"Indirect Participant" means a person who holds a beneficial interest in a Global Note through a Participant.

"Initial Deposit" has the meaning assigned to such term under the Escrow Agreement.

"Initial Notes" means $175.0 million in aggregate principal amount of Notes issued under this Indenture on the date hereof.

"Initial Purchasers" means Deutsche Bank Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated.

"Institutional Accredited Investor" means an "accredited

investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act.

"Investment Grade Rating" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's or BBB- (or the equivalent) by S&P.

"Investments" means, with respect to any person, all direct or indirect investments by such person in other persons (including Affiliates) in the forms of loans (including guarantees or other obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If the Company or any of its Restricted Subsidiaries sells or otherwise disposes of any Equity Interests of any of its direct or indirect Subsidiaries such that, after giving effect to any such sale or disposition, such person is no longer

a Subsidiary of the Company, the Company shall be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Restricted Subsidiary not sold or disposed of in an amount determined as provided in Section 4.07(e). The acquisition by the Company or any of its Restricted Subsidiaries of a person that holds an Investment in a third person will be deemed to be an Investment by the Company or such Restricted Subsidiary in such third person in an amount equal to the fair market value of the Investment held by the acquired person in such third person in an amount determined as provided Section 4.07(e).

"Issue Date" means December 4, 2002, the date of original issuance of the Notes.

"Letter of Transmittal" means the letter of transmittal to be prepared by the Company and sent to all Holders of the Notes for use by such Holders in connection with the Exchange Offer.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"Liquidated Damages" means all additional interest then owing pursuant to the Registration Rights Agreement.

"Merger" means the merger of Grant Prideco Escrow Corp. with and into Grant Prideco, Inc. in connection with the consummation of the Acquisition.

"Moody's" means Moody's Investors Service, Inc. or any successor to the rating agency business thereof.

"Net Income" means, with respect to any specified person, the net income (loss) of such person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however, (1) any gain (but not loss), together with any related provision for taxes on such gain (but not loss), realized in connection with: (a) any Asset Sale; or (b) the disposition of any securities by such person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such person or any of its Restricted Subsidiaries; and (2) any extraordinary gain (but not loss), together with any related provision for taxes on such extraordinary gain (but not loss).

"Net Proceeds" means the aggregate cash proceeds received by

the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in

any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales or brokerage commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, and amounts required to be applied to the repayment of Indebtedness secured by a Lien on the asset or assets that were the subject of such Asset Sale, and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP.

"New Credit Facility" means that certain credit agreement to be dated on or about the Acquisition Closing Date, by and among Grant Prideco, Inc. and certain of its affiliates and a syndicate of United States and Canadian banks, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, and in each case as amended, modified, renewed, refunded, replaced or refinanced from time to time.

"Non-Recourse Debt" means Indebtedness (1) as to which neither the Company nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender; (2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time of both any holder of any other Indebtedness (other than the Notes) of the Company or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and (3) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Company or any of its Restricted Subsidiaries.

"Notes" has the meaning assigned to it in the preamble to this Indenture.

"Obligations" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Offering" means the offering of the Notes by the Company pursuant to the Company's Offering Memorandum, dated November 25, 2002.

"Officer" means, with respect to any person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, and Assistant Treasurer, the Controller, the Secretary, any Assistant Secretary or any Vice-President of such person.

"Officers' Certificate" means a certificate signed on behalf of the Company by at least two Officers of the Company, one of whom must be the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of the Company, that meets the requirements of, including, without limitation, Sections 12.04 and 12.05 hereof.

"Opinion of Counsel" means an opinion of legal counsel who is reasonably acceptable to the Trustee, that meets the requirements of, including,

without limitation, Sections 12.04 and 12.05 hereof. The counsel may be an employee of or counsel to the Company, any Subsidiary of the Company or the Trustee.

"Participant" means, with respect to the Depositary, Euroclear or Clearstream, a person who has an account with the Depositary, Euroclear or Clearstream, respectively, and, with respect to the Depository Trust Company, shall include Euroclear and Clearstream.

"Permitted Business" means the lines of business conducted by the Company and its Restricted Subsidiaries on the date hereof and any business incidental or reasonably related thereto or which is a reasonable extension thereof as determined in good faith by the Company's Board of Directors and set forth in an Officers' Certificate delivered to the Trustee.

"Permitted Debt" has the meaning assigned to it in Section 4.09(c).

"Permitted Investments" means (1) any Investment in the Company or in any of its Restricted Subsidiaries; (2) any Investment in Cash Equivalents; (3) any Investment by the Company or any of its Restricted Subsidiaries in a person engaged in a Permitted Business, if as a result of such Investment, (a) such person becomes one of the Company's Restricted Subsidiaries; or (b) such person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or any of its Restricted Subsidiaries; (4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with Section 4.15; (5) any acquisition of assets solely in exchange for the issuance of the Company's Equity Interests (other than Disqualified Stock); (6) any Investments received in compromise of obligations of such persons incurred in the ordinary course of trade creditors or customers that were incurred in the ordinary course of business, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; (7) Hedging Obligations permitted to be incurred under Section 4.09; and (8) other Investments in any person having an aggregate fair market value (measured on the date each such investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (8) that are at the time outstanding, not to exceed $15.0 million.

"Permitted Liens" means (1) Liens on assets of the Company and any Guarantor securing Indebtedness pursuant to Credit Facilities; (2) Liens in favor of the Company or the Guarantors; (3) Liens on property of a person existing at the time such person is merged with or into or consolidated with the Company or any of its Subsidiaries; provided, however, that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the person merged into or consolidated with the Company or the Subsidiary; (4) Liens on property existing at the time of acquisition of the property by the Company or any of its Subsidiaries; provided, however, that such Liens were in existence prior to the contemplation of such acquisition; (5) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business; (6) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by Section 4.09(c)(iv) covering only the assets acquired with such Indebtedness; (7) Liens existing on the Acquisition Closing Date; (8) Liens securing Indebtedness of the Company's Foreign Restricted Subsidiaries that are not Guarantors in an aggregate principal amount not to exceed $25.0 million, which Indebtedness is permitted to be incurred pursuant to this Indenture; (9) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded, provided that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor; and (10) Liens incurred by the Company or any of its Restricted Subsidiaries in the ordinary course of business with respect to obligations that do not exceed $15.0 million at any one time outstanding.

"Permitted Refinancing Indebtedness" means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness of the Company or any of its Restricted Subsidiaries (other than intercompany Indebtedness); provided that (1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness extended, refinanced, renewed, replaced, defeased or refunded (plus all accrued interest on the Indebtedness and the amount of all expenses and premiums incurred in connection therewith); (2) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; (3) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the Notes on terms at least as favorable to the Holders of Notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and (4) such Indebtedness is incurred either by the Company or by the Restricted Subsidiary who is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded.

"person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"preferred stock" means, with respect to any person, any and all shares, interests, participations or other equivalents, however designated, whether voting or non-voting, of that person's equity that have a preference as to the payment of dividends or as to payments upon a liquidation of that person, whether now outstanding or issued after the date hereof, including without limitation, all series and classes of such equity.

"Private Placement Legend" means the legend set forth in Section 2.06(g)(i) to be placed on all Notes issued under this Indenture except where otherwise permitted by the provisions of this Indenture.

"Purchase Agreement" mean the Purchase Agreement, dated as of November 25, 2002, by and among Grant Prideco Escrow Corp., Grant Prideco, Inc. and the Initial Purchasers, as such agreement may be amended, modified or supplemented from time to time

"QIB" means a "qualified institutional buyer" as defined in Rule 144A.

"Rating Agency" means each of S&P and Moody's, or if S&P or Moody's or both shall not make a rating on the Notes publicly available, a nationally recognized statistical rating agency or agencies, as the case may be, selected by the Company (as certified by a resolution of the Company's Board of Directors) which shall be substituted for S&P or Moody's, or both, as the case may be.

"Rating Category" means (1) with respect to S&P, any of the following categories: AAA, AA, A, BBB, BB, B, CCC, CC, C and D (or equivalent successor categories); (2) with respect to Moody's any of the following categories: Aaa, Aa, A, Baa, Ba, B, Caa, Ca and C (or equivalent successor categories) and (3) the equivalent of any such category of S&P and Moody's used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (+ and - for S&P; 1, 2 and 3 for Moody's; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from BB+ to BB, as well from BB- to B, will constitute a decrease of one gradation).

"Rating Decline" means (1) a decrease of two or more gradations (including gradations within Rating Categories as well as between Rating Categories) in the rating of the Notes by either Rating Agency or (2) a withdrawal of the rating of the Notes by either Rating Agency, provided, however, that such decrease or withdrawal occurs on, or within 90 days following, the date of public notice of the occurrence of a Change of Control or of the intention by the Company to effect a Change of Control, which period shall be extended so long as

the rating of the Notes is under publicly announced consideration for downgrade by either Rating Agency.

"Reference Period" means the latest two fiscal quarters for which financial statements are publicly available.

"Registration Rights Agreement" means the Registration Rights Agreement, dated as of December 4, 2002, by and among the parties named on the signature pages thereof and the Initial Purchasers, as such agreement may be amended, modified or supplemented from time to time and, with respect to any Additional Notes, one or more registration rights agreements between the Company and the other parties thereto, as such agreement(s) may be amended, modified or supplemented from time to time, relating to rights given by the Company to the purchasers of Additional Notes to register such Additional Notes under the Securities Act.

"Regulation S" means Regulation S promulgated under the Securities Act.

"Regulation S Global Note" means a Global Note in substantially the form of Exhibit A hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of and registered in the name of the Depositary or its nominee, issued in a denomination equal to the outstanding principal amount of the Notes initially sold in reliance on Rule 903 of Regulation S.

"Responsible Officer," when used with respect to the Trustee, means any officer within the Corporate Trust Department of the Trustee (or any successor group of the Trustee) or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his or her knowledge of and familiarity with the particular subject.

"Restricted Definitive Note" means a Definitive Note bearing the Private Placement Legend.

"Restricted Global Note" means a permanent Global Note in substantially the form of Exhibit A attached hereto that bears the Global Note Legend and that has the "Schedule of Exchanges of Interests in the Global Note" attached thereto, and that is deposited with or on behalf of and registered in the name of the Depositary or a nominee of the Depositary, representing a series of Notes that bear the Private Placement Legend.

"Restricted Investment" means an Investment other than a Permitted Investment.

"Restricted Period" means the 40-day distribution compliance period as defined in Regulation S.

"Restricted Subsidiary" of a person means any Subsidiary of such person that is not an Unrestricted Subsidiary.

"Rule 144" means Rule 144 promulgated under the Securities Act.

"Rule 144A" means Rule 144A promulgated under the Securities Act.

"Rule 903" means Rule 903 promulgated under the Securities Act.

"Rule 904" means Rule 904 promulgated the Securities Act.

"S&P" means Standard & Poor's Ratings Group, Inc., or any successor to the rating agency business thereof.

"sale and leaseback transaction" of any person means an arrangement with any lender or investor or to which such lender or investor is a party providing for the leasing by such person of any property or asset of such person which has been or is being sold or transferred by such person more than 365 days after the acquisition thereof or the completion of construction or commencement of operation thereof to such lender or investor or to any person to whom funds have been or are to be advanced by such lender or investor on the security of such property or asset. The stated maturity of such arrangement is the date of the last payment of rent or any other amount due under such arrangement prior to the first date on which such arrangement may be terminated by the lessee without payment of a penalty.

"Securities Act" means the Securities Act of 1933, as amended.

"Shelf Registration Statement" means the Shelf Registration Statement as defined in the Registration Rights Agreement.

"Significant Subsidiary" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date hereof.

"Special Mandatory Redemption" has the meaning assigned to such term in Section 3.09 hereof.

"Special Mandatory Redemption Date" means (a) March 25, 2003, in the event that the Acquisition and Grant Prideco Assumption are not consummated on or prior to February 28, 2003, or (b) the 20th day (or if such day is not a Business Day, the next following Business Day) following the termination of the Acquisition Agreement on or prior to the Deadline Date for any reason.

"Special Mandatory Redemption Price" means 101% of the offering price (i.e., 100% of the principal amount at maturity) of the Notes plus accrued and unpaid interest up to but not including the Special Mandatory Redemption Date.

"Stated Maturity" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"Subsidiary" means, with respect to any specified person: (1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is

at the time owned or controlled, directly or indirectly, by that person or one or more of the other Subsidiaries of that person (or a combination thereof); and (2) any partnership (a) the sole general partner or the managing general partner of which is such person or a Subsidiary of such person or (b) the only general partners of which are that person or one or more Subsidiaries of that person (or any combination thereof).

"Subsidiary Guarantee" means the guarantee of the Notes by each of the Guarantors pursuant to this Indenture and in the form of the guarantee endorsed on the form of guarantee attached as Exhibit E to this Indenture and any additional guarantee of the Notes to be executed by any of the Company's Subsidiaries pursuant to Section 4.12 hereof.

"Unrestricted Definitive Note" means one or more Definitive Notes that do not bear and are not required to bear the Private Placement Legend.

"Unrestricted Global Note" means a permanent Global Note in substantially the form of Exhibit A attached hereto that bears the Global Note Legend and that has the "Schedule of Exchanges of Interests in the Global Note" attached thereto, and that is deposited with or on behalf of and registered in the name of the Depositary or a nominee of the Depositary, representing a series of Notes that do not bear the Private Placement Legend.

"Unrestricted Subsidiary" means any one of the Company's Subsidiaries (or any successor to any of them) that is designated by the Company's Board of Directors as an Unrestricted Subsidiary pursuant to a Board Resolution, but only to the extent that such Subsidiary (1) has no Indebtedness other than Non-Recourse Debt; (2) is not party to any agreement, contract, arrangement or understanding with the Company or any of its Restricted Subsidiaries unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from persons who are not Affiliates of the Company or such Restricted Subsidiary; (3) is a person with respect to which neither the Company nor any of its Restricted

Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such person's financial condition or to cause such person to achieve any specified levels of operating results; (4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Company or any of its Restricted Subsidiaries; and (5) has at least one director on its Board of Directors that is not a director or executive officer of the Company or any of its Restricted Subsidiaries and has at least one executive officer that is not a director or executive officer of the Company or any of its Restricted Subsidiaries.

"TIA" means the Trust Indenture Act of 1939, as amended.

"Voting Stock" of any person as of any date means the Capital Stock of such person that is at the time entitled to vote in the election of the Board of Directors of such person.

"Weatherford" means Weatherford International, Inc., a Delaware corporation.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing: (1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by (2) the then outstanding principal amount of such Indebtedness.

Section 1.02. Other Definitions.

<Table>
<Caption>

TERM	DEFINED IN SECTION
<S>	<C>
"Affiliate Transaction"	Section 4.10
"Asset Sale Offer"	Section 4.10
"Authentication Order	Section 2.02
"Benefited Party"	Section 8.01
"Change of Control Offer"	Section 4.14
"Change of Control Payment"	Section 4.14
"Change of Control Payment Date"	Section 4.14
"Company"	Preamble
"Covenant Defeasance"	Section 9.02
"Event of Default"	Section 6.01
"Excess Proceeds"	Section 4.15
"Holders"	Preamble
"Indenture"	Preamble

</Table>

<Table>

<S>	<C>
"Interest Payment Date"	Paragraph 1 of Note
"Legal Defeasance"	Section 9.02
"Offer Amount"	Section 3.08
"Offer Period"	Section 3.08
"Payment Default"	Section 6.01
"Purchase Date"	Section 3.08
"Reinstatement Date"	Section 4.20
"Repurchase Offer"	Section 3.08
"Suspended Covenants"	Section 4.20
"Trustee"	Preamble

</Table>

Section 1.03. Incorporation by Reference of Trust Indenture Act.

(a) Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

(b) The following TIA terms used in this Indenture have the following meanings:

"indenture securities" means the Notes;

"indenture security holder" means a holder of a Note;

"indenture to be qualified" means this Indenture;

"indenture trustee" or "institutional trustee" means the Trustee; and

"obligor" on the Notes means the Company and any successor obligor upon the Notes.

(c) All other terms used in this Indenture that are defined by the TIA, defined in the TIA by reference to another statute or defined by Commission rule under the TIA have the meanings so assigned to them.

Section 1.04. Rules of Construction.

Unless the context otherwise requires:

(a) a term has the meaning assigned to it;

(b) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(c) "or" is not exclusive;

(d) words in the singular include the plural, and in the plural include the singular;

(e) "including" means "including without limitation"; provisions apply to successive events and transactions; and

(f) references to sections of or rules under the Securities Act shall be deemed to include substitute, replacement or successor sections or rules adopted by the Commission from time to time.

(g) References in this Indenture to "Article" and "Section" shall be to the Articles and Sections of this Indenture unless expressly indicated otherwise.

ARTICLE 2.

THE NOTES

Section 2.01. Form and Dating.

(a) General. The Notes and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A hereto. The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage. Each Note shall be dated the date of its authentication. The Notes shall be in denominations of $1,000 and integral multiples thereof. The terms and provisions contained in the Notes shall constitute, and are hereby expressly made, a part of this Indenture and, to the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Note conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

(b) Form of Notes. Notes issued in global form shall be substantially in the form of Exhibit A attached hereto (including the Global Note Legend thereon and the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Notes issued in definitive form shall be substantially in the form of Exhibit A attached hereto (but without the Global Note Legend thereon and without the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Each Global Note shall represent such of the outstanding Notes as shall be specified therein and each shall provide that it shall represent the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding Notes represented thereby shall be made by the Trustee or the Custodian, at the

direction of the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.06 hereof.

(c) Euroclear and Clearstream Procedures Applicable. The provisions of the "Operating Procedures of the Euroclear System" and "Terms and Conditions Governing Use of Euroclear" and the equivalent procedures of Clearstream shall be applicable to transfers of beneficial interests in Global Notes that are held by Participants through Euroclear or Clearstream.

(d) Subject to compliance with the provisions of Section 4.09,

the Company may issue Additional Notes under this Indenture after the Issue Date in an unlimited aggregate principal amount.

Section 2.02. Execution and Authentication.

(a) One Officer shall sign the Notes for the Company by manual or facsimile signature. The Company's seal may be reproduced on the Notes and may be in facsimile form.

(b) If an Officer whose signature is on a Note no longer holds that office at the time a Note is authenticated, the Note shall nevertheless be valid.

(c) A Note shall not be valid until authenticated by the manual signature of a Responsible Officer of the Trustee. The signature of a Responsible Officer of the Trustee in the certificate of authentication on a Note shall be conclusive evidence that the Note has been authenticated under this Indenture.

(d) The Trustee shall, upon a written order of the Company signed by an Officer (an "Authentication Order"), authenticate Notes for original issue (i) on the Issue Date in the aggregate principal amount of $175,000,000 and (ii) after the Issue Date, subject to compliance with the provisions of Section 4.09, in an unlimited aggregate principal amount, in each case upon a written order of the Company in the form of an Officers' Certificate. Each such Officers' Certificate shall specify the amount of Notes to be authenticated and the date on which the Notes are to be authenticated. There shall be no limit on the aggregate principal amount of Notes that may be outstanding at any time.

(e) The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Notes. An authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with Holders or an Affiliate of the Company.

Section 2.03. Registrar and Paying Agent.

(a) The Company shall maintain an office or agency where Notes may be presented for registration of transfer or for exchange ("Registrar") and an office or agency where Notes may be presented for payment ("Paying Agent"). The Registrar shall keep a register of the Notes and of their transfer and exchange. The Company may appoint one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar and the term "Paying Agent" includes any additional paying agent. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company shall notify the Trustee in writing of the name and address of any Agent not a party to this Indenture. If the Company fails to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Company or any of its Subsidiaries may act as Paying Agent or Registrar.

(b) The Company initially appoints The Depository Trust Company ("DTC") to act as Depositary with respect to the Global Notes.

(c) The Company initially appoints the Trustee to act as the Registrar and Paying Agent and to act as Custodian with respect to the Global Notes.

(d) The Global Notes shall be initially registered in the name of Cede & Co., nominee of DTC.

Section 2.04. Paying Agent to Hold Money in Trust.

The Company shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent shall hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the

payment of principal of, and premium, Liquidated Damages, if any, or interest on, the Notes, and shall notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company or a Subsidiary) shall have no further liability for the money. If the Company or a Subsidiary acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. Upon any bankruptcy or reorganization proceedings relating to the Company, the Trustee shall serve as Paying Agent for the Notes.

Section 2.05. Holder Lists.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders and shall otherwise comply with TIA Section 312(a). If the Trustee is not the Registrar, the Company shall furnish to the Trustee at least seven Business Days or such shorter time as the Trustee may allow before

each interest payment date and at such other times as the Trustee may request in writing, a list in such form and as of such date, as the Trustee may reasonably require of the names and addresses of the Holders of Notes, including the aggregate principal amount of Notes held by each Holder.

Section 2.06. Transfer and Exchange.

(a) Transfer and Exchange of Global Notes. A Global Note may not be transferred as a whole except by the Depositary to a nominee of the Depositary, by a nominee of the Depositary to the Depositary or to another nominee of the Depositary, or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. Global Notes will be exchanged by the Company for Definitive Notes if (i) the Depositary (x) notifies the Company that it is unwilling or unable to continue to act as depositary for the Global Notes and the Company thereupon fails to appoint a successor Depositary, or (y) has ceased to be a clearing agency registered under the Exchange Act and the Company fails to appoint a successor, and, in either case, a successor Depositary is not appointed by the Company within 90 days after the date of such notice from the Depositary, (ii) the Company in its sole discretion determines that the Global Notes should be exchanged for Definitive Notes and delivers a written notice to such effect to the Trustee, or (iii) there has occurred and is continuing a Default or Event of Default. Upon the occurrence of any of the preceding events in (i), (ii) or (iii) above, Definitive Notes shall be issued in such names as the Depositary shall instruct the Trustee. Global Notes also may be exchanged or replaced, in whole or in part, as provided in Sections 2.07 and 2.10 hereof. Every Note authenticated and delivered in exchange for, or in lieu of, a Global Note or any portion thereof, pursuant to this Section 2.06 or Section 2.07 or 2.10 hereof, shall be authenticated and delivered in the form of, and shall be, a Global Note. A Global Note may not be exchanged for another Note other than as provided in Sections 2.06(a), 2.07, 2.10 and 10.05 hereof, although beneficial interests in a Global Note may be transferred and exchanged as provided in Section 2.06(b), (c), (d) or (f) hereof.

(b) Transfer and Exchange of Beneficial Interests in the Global Notes. The transfer and exchange of beneficial interests in the Global Notes shall be effected through the Depositary, in accordance with the provisions of this Indenture and the Applicable Procedures. Beneficial interests in the Restricted Global Notes shall be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Transfers of beneficial interests in the Global Notes also shall require compliance with either subparagraph (i) or (ii) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:

(i) Transfer of Beneficial Interests in the Same Global Note. Beneficial interests in any Restricted Global Note may be transferred to persons who take delivery thereof in the form of a beneficial

interest in the same Restricted Global Note in accordance with the transfer restrictions set forth in the Private Placement Legend;

provided, however, that prior to the expiration of the Restricted Period, transfers of beneficial interests in the Regulation S Global Note may not be made to a U.S. person or for the account or benefit of a U.S. person (other than the Initial Purchasers). Beneficial interests in any Unrestricted Global Note may be transferred to persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this Section 2.06(b)(i).

(ii) All Other Transfers and Exchanges of Beneficial Interests in Global Notes. In connection with all transfers and exchanges of beneficial interests that are not subject to Section 2.06(b)(i) above, the transferor of such beneficial interest must deliver to the Registrar either (A) (1) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to credit or cause to be credited a beneficial interest in another Global Note in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase or (B), subject to Section 2.06(a), (1) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to cause to be issued a Definitive Note in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given by the Depositary to the Registrar containing information regarding the person in whose name such Definitive Note shall be registered to effect the transfer or exchange referred to in (1) above. Upon consummation of an Exchange Offer by the Company in accordance with Section 2.06(f) hereof, the requirements of this Section 2.06(b)(ii) shall be deemed to have been satisfied upon receipt by the Registrar of the instructions contained in the Letter of Transmittal delivered by the Holder of such beneficial interests in the Restricted Global Notes. Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Notes contained in this Indenture and the Notes or otherwise applicable under the Securities Act, the Trustee shall adjust the principal amount of the relevant Global Note(s) pursuant to Section 2.06(h) hereof.

(iii) Transfer of Beneficial Interests to Another Restricted Global Note. A beneficial interest in any Restricted Global Note may be transferred to a person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Note if the transfer complies with the requirements of Section 2.06(b)(ii) above and the Registrar receives the following:

(A) if the transferee shall take delivery in the form of a beneficial interest in the 144A Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof; or

(B) if the transferee shall take delivery in the form of a beneficial interest in the Regulation S Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof.

(iv) Transfer and Exchange of Beneficial Interests in a Restricted Global Note for Beneficial Interests in the Unrestricted Global Note. A beneficial interest in any Restricted Global Note may be exchanged by any Holder thereof for a beneficial interest in an Unrestricted Global Note or transferred to a person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note if the exchange or transfer complies with the requirements of Section 2.06(b)(ii) above and:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the Holder of the beneficial interest to be transferred, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (1) a broker-dealer, (2) a person participating in the distribution of the Exchange Notes or (3) a person who is an affiliate (as defined in Rule 144) of the Company;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a Participating Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(1) if the Holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(a) thereof; or

(2) if the Holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar, the Company or the Trustee so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar or the

Company, if applicable, to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

If any such transfer is effected pursuant to subparagraph (B) or (D) above at a time when a Restricted Global Note has not yet been issued, the Company shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred pursuant to subparagraph (B) or (D) above.

Beneficial interests in an Unrestricted Global Note cannot be exchanged for, or transferred to persons who take delivery thereof in the form of, a beneficial interest in a Restricted Global Note.

(c) Transfer or Exchange of Beneficial Interests for Definitive Notes.

(i) Beneficial Interests in Restricted Global Notes to Restricted Definitive Notes. Restricted Global Notes and beneficial interests therein shall be exchangeable for Definitive Notes if (i) the Depositary (x) notifies the Company that it is unwilling or unable to continue to act as depositary for the Restricted Global Notes and the Company thereupon fails to appoint a successor Depositary, or (y) has ceased to be a clearing agency registered under the Exchange Act and the Company fails to appoint a successor, and, in either case, a successor Depositary is not appointed by the Company within 90 days after the date of such notice from the Depositary, (ii) the Company, at its option, notifies the Trustee in writing that it elects to cause the issuance of the Definitive Notes or (iii) there shall have occurred and be continuing a Default with respect to the Notes. In all cases, Definitive Notes delivered in exchange for any Restricted Global Note or beneficial interests therein shall be registered in the names, and issued in any approved denominations, requested by or on behalf of the Depositary (in accordance with the Applicable Procedures).

In such event, the Trustee shall cause the Restricted Global Notes to be canceled accordingly pursuant to Section 2.11 hereof, and the Company shall execute and the Trustee shall authenticate and deliver to the person designated a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c) shall be registered in such name or names and in such authorized denomination or denominations as the Holder of such beneficial interest shall instruct the Registrar through instructions from the Depositary and the Participant or Indirect Participant. The Trustee shall deliver such Definitive Notes to the persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c)(i) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

(ii) Beneficial Interests in Restricted Global Notes to Unrestricted Definitive Notes. A Holder of a beneficial interest in a Restricted Global Note may exchange such beneficial interest for an Unrestricted Definitive Note or may transfer such beneficial interest to a person who takes delivery thereof in the form of an Unrestricted Definitive Note only if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the Holder of such beneficial interest, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the Letter of Transmittal that it is not (1) a broker-dealer, (2) a person participating in the distribution of the Exchange Notes or (3) a person who is an affiliate (as defined in Rule 144) of the Company;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(1) if the Holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Definitive Note that does not bear the Private

Placement Legend, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(b) thereof; or

(2) if the Holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a person who shall take delivery thereof in the form of a Definitive Note that does not bear the Private Placement Legend, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar, the Company or the Trustee so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar, the Trustee or the Company, if applicable, to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(iii) Beneficial Interests in Unrestricted Global Notes to Unrestricted Definitive Notes. Unrestricted Global Notes and beneficial interests therein shall be exchangeable for Definitive Notes if (i) the Depositary (x) notifies the Company that it is unwilling or unable to continue as depositary for the Unrestricted Global Notes, or (y) has ceased to be a

clearing agency registered under the Exchange Act and the Company fails to appoint a successor, and, in either case, a successor Depositary is not appointed by the Company within 90 days after the date of such notice from the Depositary, (ii) the Company, at its option, notifies the Trustee in writing that it elects to cause the issuance of the Definitive Notes or (iii) there shall have occurred and be continuing a Default or Event of Default with respect to the Notes. In all cases, Definitive Notes delivered in exchange for any Unrestricted Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of the Depositary (in accordance with the Applicable Procedures). In such event, the Trustee shall cause the Unrestricted Global Notes to be canceled accordingly pursuant to Section 2.11 hereof, and the Company shall execute and, upon receipt of an Authentication Order in accordance with Section 2.02 with respect to such Note, the Trustee shall authenticate and deliver to the person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(iii) shall be registered in such name or names and in such authorized denomination or denominations as the Holder of such beneficial interest shall instruct the Registrar through instructions from the Depositary and the Participant or Indirect Participant. The Trustee shall deliver such Definitive Notes to the persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(iii) shall not bear the Private Placement Legend.

(d) Transfer and Exchange of Definitive Notes for Beneficial Interests.

(i) Restricted Definitive Notes to Beneficial Interests in Restricted Global Notes. If any Holder of a Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note or to transfer such Restricted Definitive Notes to a person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Note, then, upon receipt by the Registrar of the following documentation:

(A) if the Holder of such Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (2)(b) thereof;

(B) if such Restricted Definitive Note is being transferred to

a QIB in accordance with Rule 144A under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such Restricted Definitive Note is being transferred to a Non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such Restricted Definitive Note is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144 under the Securities Act to a person who is an affiliate (as defined in Rule 144) of the Company, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such Restricted Definitive Note is being transferred to an Institutional Accredited Investor in reliance on an exemption from the registration requirements of the Securities Act other than those listed in subparagraphs (B) through (D) above, a certificate to the effect set forth in Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable; or

(F) if such Restricted Definitive Note is being transferred to the Company or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof,

the Trustee shall cancel the Restricted Definitive Note, and increase or cause to be increased the aggregate principal amount of, in the case of clause (A) above, the appropriate Restricted Global Note, in the case of clause (B) above, the 144A Global Note, in the case of clause (C) above, the Regulation S Global Note, in the case of clauses (D) through (F) above, the appropriate Restricted Global Note in accordance with Section 2.11 hereof.

(ii) Restricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes. A Holder of a Restricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Restricted Definitive Note to a person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note only if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the Holder, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (1) a broker-dealer, (2) a person participating in the distribution of the Exchange Notes or (3) a person who is an affiliate (as defined in Rule 144) of the Company;

(B) such transfer is effected pursuant to the Shelf Registration in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(1) if the Holder of such Definitive Notes proposes

to exchange such Notes for a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(c) thereof; or

(2) if the Holder of such Definitive Notes proposes to transfer such Notes to a person who shall take delivery thereof in the form of a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar, the Trustee or the Company so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar, the Trustee or the Company, if applicable, to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions of any of the subparagraphs in this Section 2.06(d)(ii), the Trustee shall cancel the Definitive Notes and increase or cause to be increased the aggregate principal amount of the Unrestricted Global Note.

(iii) Unrestricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes. A Holder of an Unrestricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Definitive Notes to a person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note at any time. Upon receipt of a request for such an exchange or transfer, the Trustee shall cancel the applicable Unrestricted Definitive Note and increase or cause to be increased the aggregate principal amount of one of the Unrestricted Global Notes.

If any such exchange or transfer from a Definitive Note to a beneficial interest is effected pursuant to subparagraphs (ii)(B), (ii)(D) or (iii) above at a time when an Unrestricted Global Note has not yet been issued, the Company shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of Definitive Notes so transferred.

(e) Transfer and Exchange of Definitive Notes for Definitive Notes. Upon request by a Holder of Definitive Notes and such Holder's compliance with the provisions of this Section 2.06(e), the Registrar shall register the transfer or exchange of Definitive Notes. Prior to such registration of transfer or exchange, the requesting Holder shall present or

surrender to the Registrar the Definitive Notes duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or by his attorney, duly authorized in writing. In addition, the requesting Holder shall provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 2.06(e):

(i) Restricted Definitive Notes to Restricted Definitive Notes. Any Restricted Definitive Note may be transferred to and registered in the name of persons who take delivery thereof in the form of a Restricted Definitive Note if the Registrar receives the following:

(A) if the transfer shall be made pursuant to Rule 144A under the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof; and

(B) if the transfer shall be made pursuant to Rule 903 or Rule 904, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; and

(C) if the transfer shall be made pursuant to any other exemption from the registration requirements of the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable.

(ii) Restricted Definitive Notes to Unrestricted Definitive Notes. Any Restricted Definitive Note may be exchanged by the Holder thereof for an Unrestricted Definitive Note or transferred to a person or persons who take delivery thereof in the form of an Unrestricted Definitive Note if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the Holder, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (1) a broker-dealer, (2) a person participating in the distribution of the Exchange Notes or (3) a person who is an affiliate (as defined in Rule 144) of the Company;

(B) any such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) any such transfer is effected by a Participating Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(1) if the Holder of such Restricted Definitive Notes proposes to exchange such Notes for an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(d) thereof; or

(2) if the Holder of such Restricted Definitive Notes proposes to transfer such Notes to a person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar, the Trustee or the Company so requests, an Opinion of Counsel in form reasonably acceptable to the Registrar, the Trustee and the Company, if applicable, to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(iii) Unrestricted Definitive Notes to Unrestricted Definitive Notes. A Holder of Unrestricted Definitive Notes may transfer such Notes to a person who takes delivery thereof in the form of an Unrestricted Definitive Note. Upon receipt of a request to register

such a transfer, the Registrar shall register the transfer of the Unrestricted Definitive Notes pursuant to the instructions from the Holder thereof.

(f) Exchange Offer. Upon the occurrence of the Exchange Offer in accordance with the Registration Rights Agreement, the Company shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02, the Trustee shall authenticate (i) one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of the beneficial interests in the Restricted Global Notes tendered for acceptance by persons that certify in the applicable Letters of Transmittal that (x) they are not broker-dealers, (y) they are not participating in a distribution of the Exchange Notes and (z) they are not affiliates (as defined in Rule 144) of the Company, and accepted for exchange in the Exchange Offer and (ii) Unrestricted Definitive Notes in an aggregate principal amount equal to the principal amount of the Restricted Definitive Notes accepted for exchange in the Exchange Offer. Concurrently with the issuance of such Notes, the Trustee shall cause the aggregate principal amount of the applicable Restricted Global Notes to be reduced accordingly, and the Company shall execute and, upon receipt of an Authentication Order in accordance with Section 2.02 with respect to such Notes, the Trustee shall authenticate and deliver to the persons designated by the Holders of Definitive Notes so accepted Unrestricted Definitive Notes in the appropriate principal amount.

(g) Legends. The following legends shall appear on the face of all Global Notes and Definitive Notes issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture.

(i) Private Placement Legend.

(A) Except as permitted by subparagraph (B) below, each Global Note and each Definitive Note (and all Notes issued in exchange therefor or substitution thereof) shall bear the legend in substantially the following form:

> THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH BELOW. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT WITHIN TWO YEARS AFTER THE ORIGINAL ISSUANCE OF THIS NOTE RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO GRANT PRIDECO, INC. OR ANY SUBSIDIARY THEREOF, (B) INSIDE THE UNITED STATES TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) INSIDE THE UNITED STATES TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a)(1), (2), (3), OR (7) UNDER THE SECURITIES ACT (AN "ACCREDITED INVESTOR")) THAT, PRIOR TO SUCH TRANSFER, FURNISHES (OR HAS FURNISHED ON ITS BEHALF BY A U.S. BROKER-DEALER) TO THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THIS NOTE (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE TRUSTEE FOR THIS NOTE), (D) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT (IF AVAILABLE), (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (F) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT

(AND BASED UPON AN OPINION OF COUNSEL IF GRANT PRIDECO, INC. SO REQUESTS), OR (G) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS NOTE WITHIN TWO YEARS AFTER THE ORIGINAL ISSUANCE OF THIS NOTE, IF THE PROPOSED TRANSFEREE IS AN ACCREDITED INVESTOR, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE TRUSTEE AND GRANT PRIDECO, INC. SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS EITHER OF THEM MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANING GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

(B) Notwithstanding the foregoing, any Global Note or Definitive Note issued pursuant to subparagraphs (b)(iv), (c)(ii), (c)(iii), (d)(ii), (d)(iii), (e)(ii) or (e)(iii) to this Section 2.06 (and all Notes issued in exchange therefor or substitution thereof) shall not bear the Private Placement Legend.

(ii) Global Note Legend. Each Global Note shall bear a legend in substantially the following form:

"THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (II) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (III) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (IV) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY."

"UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN."

(h) Cancellation or Adjustment of Global Notes. At such time as all beneficial interests in a particular Global Note have been exchanged for Definitive Notes or a particular Global Note has been redeemed, repurchased or

cancelled in whole and not in part, each such Global Note shall be returned to or retained and cancelled by the Trustee in accordance with Section 2.11 hereof. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a person who shall take delivery thereof in the form of a beneficial interest in another Global Note or for Definitive Notes, the principal amount of Notes represented by such Global Note shall be reduced accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a person who shall take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note shall be increased accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such increase.

(i) General Provisions Relating to Transfers and Exchanges.

(i) To permit registrations of transfers and exchanges, the Company shall execute and, upon receipt of an Authentication Order in accordance with Section 2.02 with respect to such Notes, the Trustee shall authenticate Global Notes and Definitive Notes upon the Company's order or at the Registrar's request.

(ii) No service charge shall be made to a Holder of a beneficial interest in a Global Note or to a Holder of a Definitive Note for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 2.10, 3.06, 4.16 and 10.05 hereof).

(iii) The Registrar shall not be required to register the transfer of or exchange any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

(iv) All Global Notes and Definitive Notes issued upon any registration of transfer or exchange of Global Notes or Definitive Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Global Notes or Definitive Notes surrendered upon such registration of transfer or exchange.

(v) The Company shall not be required (A) to issue, to register the transfer of or to exchange any Notes during a period beginning at the opening of business 15 days before the day of any selection of Notes for redemption under Section 3.02 hereof and ending at the close of business on the day of selection, (B) to register the transfer of or to exchange any Note so selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part or (c) to register the transfer of or to exchange a Note between a record date and the next succeeding interest payment date.

(vi) Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Company may deem and treat the person in whose name any Note is registered on the registry relating to the Notes as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Notes and for all other purposes, and none of the Trustee, any Agent or the Company shall be affected by notice to the contrary.

(vii) The Trustee shall authenticate Global Notes and Definitive Notes in accordance with the provisions of Section 2.02 hereof.

(viii) All certifications, certificates and Opinions of Counsel required to be submitted to the Registrar, the Company and the Trustee pursuant to this Section 2.06 to effect a registration of transfer or exchange may be submitted by facsimile.

Notwithstanding anything herein to the contrary, as to any certifications and certificates delivered to the Trustee or the Registrar pursuant to this Section 2.06, the Trustee's and the Registrar's duties shall be limited to confirming that any such certifications and certificates delivered to it are in the form of Exhibits B or C hereto. Neither the Trustee nor the Registrar shall be responsible for confirming the truth or accuracy of any representations or warranties made in any such certifications or certificates.

Section 2.07. Replacement Notes.

(a) If any mutilated Note is surrendered to the Trustee or the Company and the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, the Company shall issue and the Trustee, upon receipt of an Authentication Order in accordance with Section 2.02 with respect to such Note, shall authenticate a replacement Note if the Trustee's requirements are met. If required by the Trustee or the Company, an indemnity bond must be supplied by the Holder that is sufficient in the judgment of the Trustee and the Company to protect the Company, the Trustee, any Agent and any authenticating agent from any loss that any of them may suffer if a Note is replaced. The Company may charge for its expenses in replacing a Note.

(b) Every replacement Note is an additional obligation of the Company and shall be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

Section 2.08. Outstanding Notes.

(a) The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those cancelled by it, those delivered to it for cancellation, those reductions in the interest in a Global Note effected by the Trustee in accordance with the provisions hereof, and those described in this Section 2.08 as not outstanding. Except as set forth in Section 2.09 hereof, a Note does not cease to be outstanding because the Company or an Affiliate of the Company holds the Note.

(b) If a Note is replaced pursuant to Section 2.07 hereof, it ceases to be outstanding and interest on that Note ceases to accrue unless the Trustee receives proof satisfactory to it that the replaced Note is held by a bona fide purchaser.

(c) If the principal amount of any Note is considered paid under Section 4.01 hereof, it ceases to be outstanding and interest on it ceases to accrue.

(d) If the Paying Agent (other than the Company, a Subsidiary or an Affiliate of any thereof) holds, on a redemption date or maturity date, money sufficient to pay Notes payable on that date, then on and after that date such Notes shall be deemed to be no longer outstanding and shall cease to accrue interest.

Section 2.09. Treasury Notes.

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company, or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company, shall be considered as though not outstanding, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes that the Trustee knows are so owned shall be so disregarded.

Section 2.10. Temporary Notes.

Until certificates representing Notes are ready for delivery, the Company may prepare and the Trustee, upon receipt of an Authentication Order in accordance with Section 2.02 with respect to such Notes, shall authenticate temporary Notes. Temporary Notes shall be substantially in the form of Definitive Notes but may have variations that the Company considers appropriate for temporary Notes and as shall be reasonably acceptable to the Trustee. Without unreasonable delay, the Company shall prepare and, upon receipt of an Authentication Order in accordance with Section 2.02 with respect to such Notes, the Trustee shall authenticate definitive Notes in exchange for temporary Notes. After the preparation of Definitive Notes, the temporary Notes shall be exchangeable for Definitive Notes upon surrender of the temporary Notes at the office or agency of the Company designated for such purpose pursuant to Section 4.02 without charge to the Holder. Upon surrender for cancellation of any one or more temporary Notes, the Company shall execute and, upon receipt of an Authentication Order in accordance with Section 2.02 with respect to such Notes, the Trustee shall authenticate and deliver in exchange therefor a like principal amount of Definitive Notes of authorized denominations.

Holders of temporary Notes shall be entitled to all of the benefits of this Indenture.

Section 2.11. Cancellation.

The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee, upon direction by the Company and no one else, shall cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and shall destroy cancelled Notes (subject to the record

retention requirements of the Exchange Act). Certification of the destruction of all cancelled Notes shall be delivered to the Company. The Company may not issue new Notes to replace Notes that it has paid or that have been delivered to the Trustee for cancellation.

Section 2.12. Defaulted Interest.

If the Company defaults in a payment of interest on the Notes, it shall pay the defaulted interest in any lawful manner plus, to the extent lawful, interest payable on the defaulted interest, to the persons who are Holders on a subsequent special record date, in each case at the rate provided in the Notes and in Section 4.01 hereof. The Company shall notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Note and the date of the proposed payment. The Company shall fix or cause to be fixed each such special record date and payment date; provided, however, that no such special record date shall be less than 5 days prior to the related payment date for such defaulted interest. At least 10 days before the special record date, the Company (or, upon the written request of the Company, the Trustee in the name and at the expense of the Company) shall mail or cause to be mailed to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

Section 2.13. CUSIP Numbers.

The Company in issuing the Notes may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided, however, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee of any change in the "CUSIP" numbers.

ARTICLE 3.

REDEMPTION AND PREPAYMENT

Section 3.01. Notices to Trustee.

If the Company elects to redeem Notes pursuant to the optional redemption provisions of Section 3.07 hereof, it shall furnish to the Trustee, at least 45 days (unless a shorter period shall be agreed to by the Trustee in writing) but not more than 75 days before a redemption date (but in any event prior to the notice provided pursuant to Section 3.03 hereof), an Officers' Certificate setting forth (i) the clause of this Indenture pursuant to which the redemption shall occur, (ii) the redemption date, (iii) the principal amount of Notes to be redeemed and (iv) the redemption price.

Section 3.02. Selection of Notes to Be Redeemed.

If less than all of the Notes are to be redeemed or purchased at any time, the Trustee shall select the Notes to be redeemed or purchased among the Holders of the Notes in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not so listed, on a pro rata basis, by lot or in accordance with any other method the Trustee considers fair and appropriate; provided, however, that if a partial redemption is made with the proceeds of an Equity Offering, selection of the Notes or portions thereof for redemption shall be made by the Trustee only on a pro rata basis or on as nearly a pro rata basis as is practicable (subject to the procedures of the Depository), unless such method is prohibited. Any such determination by the Trustee shall be conclusive. In the event of partial redemption by lot, the particular Notes to be redeemed shall be selected, unless otherwise provided herein, not less than 30 nor more than 60 days prior to the redemption date by the Trustee from the outstanding Notes not previously called for redemption.

The Trustee shall promptly notify the Company in writing of the Notes selected for redemption and, in the case of any Note selected for partial redemption, the principal amount thereof to be redeemed. Notes and portions of Notes selected shall be in amounts of $1,000 or whole multiples of $1,000; except that if all of the Notes of a Holder are to be redeemed, the entire outstanding amount of Notes held by such Holder, even if not a multiple of $1,000, shall be redeemed. Except as provided in the preceding sentence, provisions of this Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption.

Section 3.03. Notice of Redemption.

Subject to the provisions of Sections 3.07 and 3.08 hereof, at least 30 days but not more than 60 days before an optional redemption date, the Company shall mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Notes are to be redeemed at its registered address.

The notice shall identify the Notes to be redeemed and shall state:

(a) the redemption date;

(b) the redemption price;

(c) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the redemption date upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion shall be issued upon cancellation of the original Note;

(d) the name and address of the Paying Agent;

(e) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(f) that, unless the Company defaults in making such redemption payment, interest on Notes called for redemption ceases to accrue on and after the redemption date;

(g) the paragraph of the Notes or Section of this Indenture pursuant to which the Notes called for redemption are being redeemed, and;

(h) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Notes.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at its expense; provided, however, that the Company shall have delivered to the Trustee at least 30 days (unless a shorter period shall be agreed to by the Trustee in writing) but not more than 60 days prior to the redemption date, an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph.

Section 3.04. Effect of Notice of Redemption.

Once notice of redemption is mailed in accordance with Section 3.03 hereof, Notes called for redemption shall become irrevocably due and payable on the redemption date at the redemption price. A notice of redemption may not be conditional.

A notice of redemption shall be deemed to be given when mailed, whether or not the Holder receives the notice. In any event, failure to give such notice, or any defect in such notice, shall not affect the validity of the proceedings for the redemption of the Notes held by Holders to whom such notice was properly given.

Section 3.05. Deposit of Redemption Price.

On or prior to the redemption date, the Company shall deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption price of and accrued interest on all Notes to be redeemed on that date. The Trustee or the Paying Agent shall promptly return to the Company any money deposited with the Trustee or the Paying Agent by the Company in excess of the amounts necessary to pay the redemption price of, and accrued interest on, all Notes to be redeemed.

If the Company complies with the provisions of the preceding paragraph, on and after the redemption date, interest shall cease to accrue on the Notes or the portions of Notes called for redemption. If a Note is redeemed on or after an interest record date but on or prior to the related interest payment date, then any accrued and unpaid interest shall be paid

to the person in whose name such Note was registered at the close of business on such record date. If any Note called for redemption shall not be so paid upon surrender for redemption because of the failure of the Company to comply with the preceding paragraph, interest shall be paid on the unpaid principal from the redemption date until such principal is paid, and to the extent lawful on any interest not paid on such unpaid principal, in each case at the rate provided in the Notes and in Section 4.01 hereof.

Section 3.06. Notes Redeemed in Part.

Upon surrender of a Note that is redeemed in part, the Company shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02 with respect to such Notes, the Trustee shall authenticate for the Holder at the expense of the Company a new Note equal in principal amount to the unredeemed portion of the Note surrendered.

Section 3.07. Optional Redemption.

(a) The Company may redeem any or all of the Notes at any time on or after December 15, 2006 at the redemption prices set forth in paragraph 5 of the Note attached hereto.

(b) Following the Acquisition Closing Date, from time to time, on or prior to December 15, 2005, the Company may, at its option, use the net cash proceeds of one or more Equity Offerings to redeem up to 35% of the aggregate principal amount of the Notes issued under this Indenture at a redemption price of 109% of the principal amount thereof, plus accrued and unpaid interest thereon, if any, and Liquidated Damages, if any, to the date of redemption; provided that (i) at least 65% of the original principal amount of the Notes issued under this Indenture shall remain outstanding immediately after each such redemption, and (ii) the Company shall make such redemption not more than 90 days after the consummation of any such Equity Offering.

(c) Any redemption pursuant to this Section 3.07 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

Section 3.08. Repurchase at the Option of Holders.

In the event that, pursuant to Section 4.15 or Section 4.16 hereof, the Company shall be required to commence an offer to all Holders to purchase Notes (a "Repurchase Offer"), and they shall follow the procedures specified below.

The Repurchase Offer shall remain open for a period of 20 Business Days following its commencement and no longer, except to the extent that a longer period is required by applicable law (the "Offer Period"). No later than five Business Days after the termination of the Offer Period (the "Purchase Date"), the Company shall purchase at the purchase price (as determined in accordance with Section 4.15 hereof), the principal amount of Notes

required to be purchased pursuant to Section 4.15 hereof, in the aggregate (the "Offer Amount") or, if less than the Offer Amount has been tendered, all Notes tendered in response to such Repurchase Offer. Payment for any Notes so purchased shall be made in the same manner as interest payments are made.

If the Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest shall be paid to the person in whose name a Note is registered at the close of business on such record date, and no additional interest shall be payable to Holders who tender Notes pursuant to such Repurchase Offer.

Upon the commencement of a Repurchase Offer, the Company shall send, by first class mail, a notice to the Trustee and each of the Holders, with a copy to the Trustee. The notice shall contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to such Repurchase Offer. The Repurchase Offer shall be made to all Holders. The notice, which shall govern the terms of such Repurchase Offer, shall state:

(a) that the Repurchase Offer is being made pursuant to this Section 3.08 and Section 4.15 or Section 4.16, as the case may be, hereof, and the length of time the Repurchase Offer shall remain open;

(b) the Offer Amount, the purchase price and the Purchase

Date;

(c) that any Note not tendered or accepted for payment shall continue to accrue interest;

(d) that, unless the Company default in making such payment, any Note accepted for payment pursuant to the Repurchase Offer shall cease to accrue interest after the Purchase Date;

(e) that Holders electing to have a Note purchased pursuant to any Repurchase Offer may elect to have Notes purchased in integral multiples of $1,000 only;

(f) that Holders electing to have a Note purchased pursuant to any Repurchase Offer shall be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, or transfer by book-entry transfer, to the Company, a Depositary, if appointed by the Company, or a Paying Agent at the address specified in the notice before the Purchase Date;

(g) that Holders shall be entitled to withdraw their election if the Company, the Depositary or the Paying Agent, as the case may be, receives, not later than the expiration of the Offer Period, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Notes the Holder delivered

for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(h) that, if the aggregate principal amount of Notes surrendered by Holders exceeds the Offer Amount, the Notes shall be selected for purchase pursuant to the terms of this Section 3.08, and that Holders whose Notes were purchased only in part shall be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered (or transferred by book-entry transfer).

On or before the Purchase Date, the Company shall, to the extent lawful, accept for payment, pursuant to the terms of this Section 3.08, the Offer Amount of Notes or portions thereof tendered pursuant to the Repurchase Offer, or if less than the Offer Amount has been tendered, all Notes tendered, and shall deliver to the Trustee an Officers' Certificate stating that such Notes or portions thereof were accepted for payment by the Company in accordance with the terms of this Section 3.08. The Company, the Depositary or the Paying Agent, as the case may be, shall promptly (but in any case not later than five Business days after the Purchase Date) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes tendered by such Holder and accepted by the Company for purchase, and the Company shall promptly issue a new Note, and the Trustee, upon receipt of an Authentication Order in accordance with Section 2.02 with respect to such Note, shall authenticate and mail or deliver such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered. Any Note not so accepted shall be promptly mailed or delivered by the Company to the Holder thereof. The Company shall publicly announce through PR Newswire, Dow Businesswire or any comparable wire service that distributes releases to the broad financial and investor media, the results of the Repurchase Offer on the Purchase Date.

The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act, and any other securities laws and regulations thereunder to the extent that such laws or regulations are applicable in connection with the repurchase of the Notes pursuant to the Repurchase Offer. To the extent that the provisions of Rule 14e-1 under the Exchange Act or any securities laws or regulations conflict with the provisions of this Section 3.08 or with Section 4.15 hereof, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under those

sections of this Indenture.

Any redemption pursuant to Article 3 hereof shall be subject to the provisions of Section 2.01. Notes called for redemption become due and payable on the date fixed for redemption. Interest will cease to accrue on the Notes or portions thereof being redeemed on and after the redemption date, unless the Company defaults in the payment of the redemption or repurchase price.

Section 3.09. Special Mandatory Redemption.

In the event that, pursuant to paragraph 7 of the Note attached hereto, the Company shall be required to redeem (the "Special Mandatory Redemption") all of the outstanding Notes, such Special Mandatory Redemption shall be made pursuant to the provisions of the Escrow Agreement.

ARTICLE 4.

COVENANTS

Section 4.01. Payment of Notes.

(a) The Company shall pay or cause to be paid the principal of, premium, if any, Liquidated Damages, if any, and interest on the Notes on the dates and in the manner provided in the Notes. Principal, premium, if any, Liquidated Damages, if any, and interest shall be considered paid on the date due if the Paying Agent, if other than the Company or a Subsidiary thereof, holds as of 10:00 a.m. Eastern Time on the due date money deposited by the Company in immediately available funds and designated for and sufficient to pay all principal, premium, if any, and interest then due. The Company shall pay all Liquidated Damages, if any, in the same manner on the dates and in the amounts set forth in the Registration Rights Agreement.

(b) The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, at the rate equal to 1% per annum in excess of the then applicable interest rate on the Notes to the extent lawful; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages (without regard to any applicable grace period) at the same rate to the extent lawful.

Section 4.02. Maintenance of Office or Agency.

(a) The Company shall maintain in the Borough of Manhattan, The City of New York, an office or agency (which may be an office of the Trustee or an affiliate of the Trustee, Registrar or co-registrar) where Notes may be surrendered for payment, registration of transfer or for exchange and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

(b) The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such

purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York for such purposes. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

(c) The Company hereby designates the Trustee's office at 55 Water Street, Ground Level, New York, New York 10041 as one such office or agency of the Company in accordance with Section 2.03.

Section 4.03. Reports.

(a) Whether or not the Company is required to do so by the rules and regulations of the Commission, so long as any Notes are outstanding, the Company will file with the Commission all reports, statements and other information as the Company would be required to file with the Commission by Section 13(a) or 15(d) of the Exchange Act. The Company shall deliver to the Trustee and furnish each Holder, without cost to such Holder, copies of such reports and other information.

(b) For so long as any Notes remain outstanding, the Company shall furnish to the Holders and to securities analysts and prospective purchasers of Notes, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

(c) After the Exchange Offer or the effectiveness of the Shelf Registration Statement, whether or not required by the rules and regulations of the Commission, the Company shall file a copy of all of the information and reports required to be delivered pursuant to clause (a) of this Section 4.03 with the Commission for public availability, unless the Commission shall not accept such a filing, and from and after the date hereof will make this information available to securities analysts and prospective investors upon request. In addition, for so long as any Notes remain outstanding, the Company shall file with the Trustee and the Commission (unless the Commission shall not accept such filing) the information required to be delivered pursuant to clause (a) of this Section 4.03 within the time periods specified in the Commission's rules and regulations and furnish that information to Holders of the Notes, securities analysts and prospective investors upon their request.

(d) In the event that the Commission will not accept those reports for filing, the Company shall nonetheless furnish to the Holders of the Notes within the same time period: (1) all quarterly and annual financial information that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if the Company were required to file such forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report on the annual financial statements by the Company's certified independent accountants;

and (2) all current reports that would be required to be filed with the Commission on Form 8-K if the Company were required to file such reports.

(e) If the Company has designated any Subsidiaries as Unrestricted Subsidiaries, then the quarterly and annual financial information required by this Section 4.03 shall include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in the Management's Discussion and Analysis of Financial Condition and Results of Operations, of the financial condition and results of operation of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries, if materially different.

Section 4.04. Compliance Certificate.

(a) The Company shall deliver to the Trustee, within 90 days after the end of each fiscal year, an Officers' Certificate stating that a review of the activities of the Company and its Restricted Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether each of the Company and its Restricted Subsidiaries has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge the Company has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions of this Indenture (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Company is taking or proposes to take with respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of or interest, if any, on the Notes is prohibited or if such event has occurred, a description of the event and what action the Company is taking or proposes to take with respect thereto.

(b) So long as not contrary to the then current recommendations of the American Institute of Certified Public Accountants, the year-end financial statements delivered pursuant to Section 4.03(a) above shall be accompanied by a written statement of the Company's independent public accountants (who shall be a firm of established national reputation) that in making the examination necessary for certification of such financial statements, nothing has come to their attention that would lead them to believe that the Company has violated any provisions of Article 4 or Article 5 hereof or, if any such violation has occurred, specifying the nature and period of existence thereof, it being understood that such accountants shall not be liable directly or indirectly to any person for any failure to obtain knowledge of any such violation.

(c) The Company shall, so long as any of the Notes are outstanding, deliver to the Trustee, forthwith upon any Officer becoming aware of any Default or Event of Default,

an Officers' Certificate specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto.

Section 4.05. Taxes.

The Company shall pay, and shall cause each of its Subsidiaries to pay, prior to delinquency, all material taxes, assessments, and governmental levies except such as are contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to the Holders of the Notes.

Section 4.06. Stay, Extension and Usury Laws.

The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law has been enacted.

Section 4.07. Restricted Payments.

(a) Prior to the Acquisition Closing Date, the Company shall not make any Restricted Payment or any Permitted Investment except to the extent

necessary to consummate the Acquisition, the Grant Prideco Assumption and the transactions contemplated thereby, including any Investments deemed to exist by virtue of the Escrow Agreement.

(b) From and after the Acquisition Closing Date, the Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly:

(i) declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests, including, without limitation, any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries, or to the direct or indirect holders of the Company or any of its Restricted Subsidiaries' Equity Interests in their capacity as such, except for dividends or distributions that are payable in the Company's Equity Interests (other than Disqualified Stock) or payable to the Company or any of its Restricted Subsidiaries;

(ii) purchase, redeem or otherwise acquire or retire for value, including, without limitation, in connection with any merger or consolidation involving the Company, any of the Company's Equity Interests;

(iii) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness that is subordinated to the Notes or the Subsidiary Guarantees, except a payment of interest or principal at the Stated Maturity thereof; or

(iv) make any Restricted Investment;

all such payments and other actions set forth in these clauses (i) through (iv) above being collectively referred to as "Restricted Payments."

(c) Notwithstanding clause (b) of this Section 4.07, the Company shall be permitted to engage in, and to cause or allow any of its Restricted Subsidiaries to engage in, a Restricted Payment, so long as, at the time of and after giving effect to such Restricted Payment:

(i) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment; and

(ii) the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in clause (b) of Section 4.09; and

(iii) the aggregate amount of that Restricted Payment and all other Restricted Payments made by the Company and its Restricted Subsidiaries after December 4, 2000, excluding Restricted Payments permitted by clauses (ii), (iii), (iv), (vi) and (vii) of Section 4.07(d), is less than or equal to the sum, without duplication, of:

(A) 50% of the Company's Consolidated Net Income for the period (taken as one accounting period) from October 1, 2000 to the end of the Company's most recently ended fiscal quarter for which the Company has filed financial statements with the Commission (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit), plus

(B) 100% of the aggregate net cash proceeds received by the Company since December 4, 2000 as a contribution to the Company's common equity capital or from the issue or sale (other than to a Subsidiary) of the Company's or any of its Restricted Subsidiaries' Equity Interests (other than Disqualified Stock) or from the issue or sale (other than to a Subsidiary) of the Company's convertible or exchangeable Disqualified Stock or the Company's convertible or exchangeable debt

securities that have been converted into or exchanged for Equity Interests (other than Disqualified Stock), plus

(C) to the extent that any Restricted Investment that the Company or any of its Restricted Subsidiaries makes after December 4, 2000 is sold for cash or otherwise liquidated or repaid for cash, an amount equal to the lesser of (1) the cash return of capital with respect to any such Restricted Investment (less the cost of disposition, if any) and (2) the initial amount of such Restricted Investment, plus

(D) if the Company redesignates any Unrestricted Subsidiary as a Restricted Subsidiary after December 4, 2000, an amount equal to the lesser of (1) the net book value of the Company's Investment in the Unrestricted Subsidiary at the time the Unrestricted Subsidiary was designated as such and (2) the fair market value of the Company's Investment in the Unrestricted Subsidiary at the time of the redesignation.

(d) Notwithstanding clauses (b) and (c) of this Section 4.07, the Company shall be permitted to effect, and to cause or allow any of its Restricted Subsidiaries to effect:

(i) the payment of any dividend within 60 days after the date of declaration of the dividend, if at the date of declaration the dividend payment would have complied with the provisions of this Indenture;

(ii) the redemption, repurchase, retirement, defeasance or other acquisition of any of (a) the Company's Indebtedness or any Indebtedness of any Guarantor that is subordinated to the Notes or the Subsidiary Guarantees, or (b) the Company's Equity Interests or any Equity Interests of any of the Company's Restricted Subsidiaries, in either case in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to one of the Company's Subsidiaries) of, the Company's Equity Interests (other than Disqualified Stock); provided, however, that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement, defeasance or other acquisition will be excluded from clause (c)(iii)(B) of this Section 4.07;

(iii) the defeasance, redemption, repurchase or other acquisition of the Company's Indebtedness or Indebtedness of any Guarantor that is subordinated to the Notes or the Subsidiary Guarantees with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness;

(iv) the payment of any dividend by one of the Company's Restricted Subsidiaries to the holders of that Restricted Subsidiary's common Equity Interests on a pro rata basis, so long as the Company or one of its Restricted Subsidiaries receives at least a pro rata share (and in like form) of the dividend or distribution in accordance with its common Equity Interests;

(v) the repurchase, redemption or other acquisition or retirement for value of any of the Company's or any of its Restricted Subsidiaries' Equity Interests held by any member of the Company's or any of its Restricted Subsidiaries' management pursuant to any management equity subscription agreement, stock option agreement or similar agreement, provided, however, that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed $1.0 million in any twelve-month period;

(vi) in connection with an acquisition by the Company or any of its Restricted Subsidiaries, the return to the Company or such Restricted Subsidiary of Equity Interests of the Company or such Restricted Subsidiary constituting a portion of the purchase consideration in settlement of indemnification claims;

(vii) the purchase by the Company of fractional shares arising out of stock dividends, splits or combinations or business combinations;

(viii) the acquisition in open-market purchases of the Company's common Equity Interests for matching contributions to the Company's employee stock purchase and deferred compensation plans in the ordinary course of business and consistent with past practices; or

(ix) other Restricted Payments in an aggregate amount since December 4, 2000 not to exceed $10.0 million,

provided, however, that, with respect to clauses (ii), (iii), (v), (viii) and (ix) above, no Default or Event of Default shall have occurred and be continuing immediately after such transaction.

(e) The amount of all Restricted Payments (other than cash) will be the fair market value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or a Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The fair market value of any assets or securities that are required to be valued by this Section 4.07 will be determined by the Company's Board of Directors whose resolution with respect thereto will be delivered to the Trustee. The Board of Directors' determination must be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of

national standing if the fair market value exceeds $10.0 million. Not later than the date of making any Restricted Payment, the Company shall deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this Section 4.07 were computed, together with a copy of any fairness opinion or appraisal required by this

Indenture.

Section 4.08. Dividend and Other Payment Restrictions Affecting Subsidiaries.

(a) From and after the Acquisition Closing Date, the Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary of the Company to (i)(A) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary to the Company or any other Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, the profits of such Restricted Subsidiary, or (B) pay any Indebtedness owed to the Company or any other Restricted Subsidiary, (ii) make loans or advances to the Company or any other Restricted Subsidiary, or (iii) transfer any of its properties or assets to the Company or any other Restricted Subsidiary.

(b) The provisions of Section 4.08(a) above shall not apply to encumbrances or restrictions existing under or by reason of:

(i) agreements governing Existing Indebtedness, or any Credit Facilities, as in effect on the Acquisition Closing Date and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of those agreements, provided that the amendments, modifications, restatements, renewals, increases, supplements, refundings, replacement or refinancings of any of the foregoing are no more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the date hereof;

(ii) this Indenture, the Notes and the Subsidiary Guarantees, or any other indenture governing debt securities that are no more restrictive, taken as a whole, with respect to dividend and other payment restrictions than those contained in this Indenture and the Notes;

(iii) applicable law or any applicable rule, regulation or order;

(iv) any instrument governing Indebtedness or Capital Stock of a person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any person, or the properties or assets of any person, other than the person, or the property or assets of the person, so acquired, provided that, in

the case of Indebtedness, such Indebtedness was permitted by the terms of this Indenture to be incurred;

(v) customary non-assignment provisions in leases entered into in the ordinary course of business and consistent with past practices;

(vi) purchase money obligations for property acquired in the ordinary course of business that impose restrictions on that property of the nature described in clause (a)(iii) of this Section 4.08;

(vii) any agreement (A) for the sale or other disposition of all of the Equity Interests in or all or substantially all of the assets of one of the Company's Restricted Subsidiaries that restricts distributions or asset transfers by that Restricted Subsidiary pending that sale or other disposition or (B) for the sale of a particular asset or line of business of a Restricted Subsidiary that imposes restrictions on the property subject to an agreement of the nature described in clause (a)(iii) of this Section 4.08; or

(viii) Permitted Refinancing Indebtedness, provided that any restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced and that such Permitted Refinancing Indebtedness was permitted to be incurred under Section 4.09 hereof;

(ix) Liens securing Indebtedness otherwise permitted to be incurred under the provisions of Section 4.11 that limit the right of the debtor to dispose of the assets subject to such Liens; and

(x) provisions with respect to the disposition of specific assets or property in asset sale agreements entered into in the ordinary course of business.

Section 4.09. Incurrence of Indebtedness and Issuance of Preferred Stock.

(a) Prior to the Acquisition Closing Date, the Company shall not incur any Indebtedness except the following:

(1) the Notes in an aggregate principal amount not to exceed $175.0 million; and

(2) Indebtedness that is not secured by a Lien on any assets, property or Capital Stock owned by the Company or any of the Company's Subsidiaries, the proceeds of which Indebtedness are used solely for deposit (or the purchase of Government Securities to be deposited) with the Trustee in an amount not to exceed the amount necessary, together with

net proceeds to the Company from the issuance of the Notes, to enable the Company to make the Initial Deposit.

(b) From and after the Acquisition Closing Date, the Company shall not, and shall not permit any of its Restricted Subsidiaries to, incur any Indebtedness (including Acquired Debt), and the Company shall not issue any Disqualified Stock, and shall not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; provided, however, that (1) the Company and any Guarantor may incur Indebtedness (including Acquired Debt) and (b) the Company may issue Disqualified Stock, if, in each case, the Fixed Charge Coverage Ratio for the Company's most recently ended fiscal four full fiscal quarters for which the Company has filed financial statements with the Commission preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock is issued, as the case may be, would have been at least 2.25 to 1.0, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock had been issued, as the case may be, at the beginning of such four-quarter period.

(c) In addition to the foregoing, the Company and any Restricted Subsidiary (except as specified below) may incur the following types of Indebtedness (collectively, "Permitted Debt"):

(i) the incurrence by the Company or any Guarantor of additional Indebtedness and letters of credit under one or more Credit Facilities and guarantees thereof by the Guarantors; provided, however, that the aggregate principal amount of all Indebtedness incurred by the Company and the Guarantors pursuant to this clause (i) and by the Foreign Restricted Subsidiaries pursuant to clause (viii) below (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Company and its Restricted Subsidiaries thereunder) outstanding at any one time does not exceed $190.0 million;

(ii) the incurrence by the Company and the Restricted Subsidiaries of the Existing Indebtedness;

(iii) the incurrence by the Company of Indebtedness represented by the Notes issued on the Issue Date and the incurrence by the Guarantors of the Subsidiary Guarantees of those Notes;

(iv) the incurrence by the Company, or by any Restricted Subsidiary that is a Guarantor, of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in the Company's business or the business of that Restricted Subsidiary, in an aggregate principal amount not to exceed $10.0 million at any time outstanding;

(v) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to refund, refinance or replace Indebtedness (other than intercompany Indebtedness) that was incurred under clause (b) of this Section 4.09 or clauses (ii), (iii) or (iv) of this Section 4.09(c); provided, however, that no Restricted Subsidiary that is not a Guarantor may refund, refinance or replace Indebtedness previously incurred by the Company or by any Restricted Subsidiary that is a Guarantor;

(vi) the incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries; provided, however, that:

(A) if the Company or a Guarantor is the obligor on such intercompany Indebtedness, such intercompany Indebtedness must be expressly subordinated to the prior payment in full in cash of all Obligations with respect to, in the case of the Company, the Notes, and, in the case of a Guarantor, the Subsidiary Guarantees; and

(B) (1) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a person other than the Company or a Restricted Subsidiary that is a Guarantor and (2) any sale or other transfer of any such Indebtedness to a person that is not either the Company or a Restricted Subsidiary that is a Guarantor shall be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (vi);

(vii) the incurrence by the Company or any of its Restricted Subsidiaries of Hedging Obligations;

(viii) Indebtedness of the Foreign Restricted Subsidiaries that are not Guarantors in an aggregate principal amount not to exceed $25.0 million; provided that the aggregate principal amount of all Indebtedness incurred by the Foreign Restricted Subsidiaries pursuant to this clause (viii) and by the Company and the Guarantors pursuant to clause (i) above (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Company and its Restricted Subsidiaries thereunder) outstanding at any one time does not exceed $190.0 million;

(ix) the guarantee by the Company or any of the Guarantors of Indebtedness of the Company or of any of the Guarantors that was permitted to be incurred by another provision of this Section 4.09; and

(x) the incurrence by the Company or a Restricted Subsidiary of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any Indebtedness incurred pursuant to this clause (x), not to exceed $35.0 million.

(d) The maximum amount of Indebtedness that the Company or a Restricted Subsidiary may incur pursuant to this Section 4.09 shall not be deemed to be exceeded, with respect to any outstanding Indebtedness, due solely to fluctuations in the exchange rates of currencies.

(e) For purposes of determining compliance with this covenant, in the event that an item of proposed Indebtedness, including Acquired Debt, meets the criteria of more than one of the categories of Permitted Debt described in clauses (c)(i) through (x) of this Section 4.09 as of the date of incurrence thereof, or is entitled to be incurred pursuant to clause (b) of this Section 4.09 as of the date of incurrence thereof or pursuant to any combination of the foregoing as of the date of incurrence thereof, the Company shall, in its sole discretion, classify (or later classify or reclassify) in whole or in part, in the Company's sole discretion, such item of Indebtedness in any manner that complies with this Section 4.09. Accrual of interest or dividends, the accretion of accreted value or liquidation preference and the payment of interest or dividends in the form of additional Indebtedness or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock for purposes of this Section 4.09.

Section 4.10. Transactions with Affiliates.

(a) Prior to the Acquisition Closing Date, the Company shall not enter into or permit to exist any Affiliate Transactions other than to the extent necessary to consummate the Acquisition, the Grant Prideco Assumption, the Merger and the transactions contemplated thereby.

(b) From and after the Acquisition Closing Date, the Company shall not, and shall not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (each, an "Affiliate Transaction"), unless:

(i) the Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated person; and

(ii) the Company delivers to the Trustee:

(A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $1.0 million, a resolution of the Company's Board of Directors set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this Section 4.10 and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Company's Board of Directors; and

(B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $5.0 million, an opinion as to the fairness to the Holders of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or

investment banking firm of national standing.

(c) The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of clause (b) of this Section 4.10:

(i) any employment agreement entered into by the Company or a Restricted Subsidiary in the ordinary course of business and consistent with the past practice of the Company or such Restricted Subsidiary;

(ii) transactions between or among the Company and/or its Restricted Subsidiaries;

(iii) transactions with a person that is an Affiliate of the Company solely because the Company owns an Equity Interest in such person;

(iv) payment of reasonable directors fees and reasonable indemnitees to persons who are not otherwise Affiliates of the Company;

(v) sales of Equity Interests (other than Disqualified Stock) to Affiliates of the Company;

(vi) transactions with Weatherford (A) pursuant to agreements as in effect on the Issue Date, and (B) in commercial transactions in the ordinary course of business on terms no less favorable to the Company or the relevant Restricted Subsidiary than the Company could obtain in an arm's length transaction with an unrelated person;

(vii) Restricted Payments or Permitted Investments that are permitted by Section 4.07

Section 4.11. Liens.

Prior to the Acquisition Closing Date, the Company shall not create, incur, assume or suffer to exist any Lien of any kind against or upon any of its property or assets, or any proceeds, income or profit therefrom which secure any Indebtedness other than as contemplated by the Escrow Agreement.

From and after the Acquisition Closing Date, the Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind securing Indebtedness, Attributable Debt or trade payables, except Permitted Liens, upon any of the Company's, or a Restricted Subsidiary's, property or assets, now owned or acquired after the Issue Date, unless all payments due under this Indenture and the Notes, or the Subsidiary Guarantees, as applicable, are secured on an equal and ratable basis with (or if the obligations being secured rank junior in right of payment to the Notes, on a senior basis to) the obligations so secured until such time as such obligations are no longer secured by a Lien.

Section 4.12. Additional Subsidiary Guarantees.

On the Acquisition Closing Date, the Company's Domestic Subsidiaries existing prior to the Acquisition shall execute a Subsidiary Guarantee. Any Domestic Subsidiary created or acquired in connection with the Acquisition shall comply with this Section 4.12.

If the Company or any Restricted Subsidiary acquires or creates another Domestic Subsidiary on or after the Acquisition Closing Date, then that newly acquired or created Domestic Subsidiary will become a Guarantor and execute a supplemental indenture and deliver an Opinion of Counsel satisfactory to the Trustee within ten Business Days of the date on which it was acquired or created; provided, however, that the foregoing shall not apply to Subsidiaries that have properly been designated as Unrestricted Subsidiaries in accordance with this Indenture for so long as they continue to constitute Unrestricted Subsidiaries; provided further, however, that if a Subsidiary that

is not a Guarantor guarantees any of the Company's or a Guarantor's Indebtedness, that Subsidiary will be required to provide the Company with a guarantee that ranks pari passu with (or, if that Indebtedness is subordinated Indebtedness, prior to) that Indebtedness.

Section 4.13. Designation of Restricted and Unrestricted Subsidiaries.

From and after the Acquisition Closing Date:

(a) The Board of Directors of the Company may designate any Restricted Subsidiary (or any person that upon its acquisition otherwise would become a Restricted Subsidiary) to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate fair market value of all outstanding Investments owned by the Company

and the Restricted Subsidiaries in the Subsidiary properly designated will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under Section 4.07(b) or Permitted Investments, as determined by the Company. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of the Company may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if the redesignation would not cause a Default.

(b) Any designation of any of the Company's Subsidiaries as an Unrestricted Subsidiary pursuant to this Section 4.13 shall be evidenced to the Trustee by filing with the Trustee a certified copy of the Board Resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions and was permitted by Section 4.07. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of this Indenture and any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Section 4.09, the Company shall be in default of such Section 4.09. The Company's Board of Directors may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation will only be permitted if (1) such Indebtedness is permitted under Section 4.09 calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period; and (2) no Default or Event of Default would be in existence following such designation.

Section 4.14. Corporate Existence.

Subject to Article 5 hereof, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect (i) its corporate existence, and the corporate, partnership or other existence of each of its Restricted Subsidiaries, in accordance with the respective organizational documents (as the same may be amended from time to time) of the Company or any such Restricted Subsidiary and (ii) the rights (charter and statutory), licenses and franchises of the Company and its Restricted Subsidiaries; provided, however, that the Company shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any of its Restricted Subsidiaries, if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Restricted Subsidiaries, taken as a whole, and that the loss thereof is not adverse in any material respect to the

Holders of the Notes.

Section 4.15. Asset Sales.

(a) Prior to the Acquisition Closing Date, the Company shall not consummate an Asset Sale except to the extent necessary to consummate the Acquisition and the transactions contemplated by the Escrow Agreement including the Grant Prideco Assumption and the related release to Grant Prideco, Inc. of the Escrowed Property.

(b) From and after the Acquisition Closing Date, the Company shall not, and shall not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(i) the Company, or the Restricted Subsidiary, as the case may be, receives consideration at the time of the Asset Sale at least equal to the fair market value of the assets or Equity Interests issued or sold or otherwise disposed of;

(ii) in the case of Asset Sales for consideration exceeding $5.0 million, the fair market value is determined by the Company's Board of Directors and evidenced by a resolution of the Company's Board of Directors set forth in an officer's certificate delivered to the Trustee; and

(iii) at least 75% of the consideration received in the Asset Sale by the Company or such Subsidiary is in the form of cash. For purposes of this provision, each of the following will be deemed to be cash:

(A) any secured Indebtedness of the Company or a Guarantor and any Indebtedness of a Restricted Subsidiary that is not a Guarantor that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases the Company or such Restricted Subsidiary from further liability; and

(B) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that the Company or such Restricted Subsidiary contemporaneously, subject to ordinary settlement periods, converts into cash, to the extent of the cash received, in that conversion.

(c) Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Company may apply those Net Proceeds at its option:

(i) to permanently repay any secured Indebtedness of the Company or a Guarantor, or any Indebtedness of a Restricted Subsidiary that is not a Guarantor and, if any Indebtedness repaid under this clause (i) is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto; provided, however, that for purposes of this clause (i) only, Indebtedness shall include accrued but unpaid interest thereon;

(ii) to acquire all or substantially all of the assets of, or a majority of the Voting Stock of, another Permitted Business;

(iii) to make a capital expenditure; or

(iv) to acquire other long-term assets that are used or useful

in a Permitted Business.

Pending the final application of any Net Proceeds, the Company may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by this Indenture.

(d) Any Net Proceeds from Asset Sales that are not applied or invested as provided in the preceding paragraph shall constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds $10.0 million, the Company shall make a pro rata offer to purchase (an "Asset Sale Offer") to all Holders of Notes and all holders of other Indebtedness that is pari passu with the Notes containing provisions similar to those set forth in this Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of Notes and such other pari passu Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by this Indenture. If the aggregate principal amount of Notes and other pari passu Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee shall select the Notes and such other pari passu Indebtedness to be purchased on a pro rata basis (based upon the aggregate principal amount of the Notes and such other pari passu Indebtedness tendered). Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be deemed to have been reset at zero.

(e) The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with repurchases of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with this Section 4.15, the Company shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Section 4.15 by virtue of that conflict.

Section 4.16. Offer to Repurchase Upon Change of Control.

(a) Upon the occurrence of a Change of Control Triggering Event, each Holder shall have the right to require the Company to make an offer (a "Change of Control Offer") to each Holder to repurchase all or any part, equal to $1,000 or an integral multiple of

$1,000, of such Holder's Notes at an offer price in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest and Liquidated Damages, if any, on Notes repurchased to the date fixed for repurchase (the "Change of Control Payment").

(b) Within 15 Business Days following a Change of Control Triggering Event, the Company shall mail a notice to each Holder describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase the Notes on the date specified in the notice, which date shall be no earlier than 30 days and no later than 60 days from the date the notice is mailed (the "Change of Control Payment Date") pursuant to the procedures set forth in Section 3.08 and described in the notice. The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable to the repurchase of the Notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with this Section 4.16, the Company shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Section 4.16 by virtue of such conflict.

(c) On the Change of Control Payment Date, the Company shall, to the extent lawful, (i) accept for payment all Notes or portions of Notes

properly tendered under the Change of Control Offer; (ii) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of the Notes properly tendered; and (iii) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Company.

(d) The Paying Agent shall deliver promptly to each Holder of Notes properly tendered the Change of Control Payment for such Notes, and, upon receipt of an Authentication Order in accordance with Section 2.02 with respect to such Notes, the Trustee shall promptly authenticate and deliver, or cause to be transferred by book entry, to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any, provided that each new Note shall be in a principal amount of $1,000 or an integral multiple of $1,000.

(e) The Change of Control provisions described in this Section 4.16 shall be applicable whether or not any other provisions of this Indenture are applicable.

(f) The Company shall not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Section 4.16 and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer.

Section 4.17. Limitations on Line of Business.

Prior to the Acquisition Closing Date, the Company shall not engage in any business operations other than those in connection with the issuance of the Notes, the Escrow Agreement, the Acquisition and the Merger.

From and after the Acquisition Closing Date, the Company shall not, and shall not permit any Restricted Subsidiary to, engage in any business other than a Permitted Business, except to such extent as is not material to the Company and its Restricted Subsidiaries, taken as a whole.

Section 4.18. Sale and Leaseback Transactions.

(a) Prior to the Acquisition Closing Date, the Company shall not enter into any sale and leaseback transaction.

(b) From and after the Acquisition Closing Date, the Company shall not, and shall not permit any of its Restricted Subsidiaries to, enter into any sale and leaseback transaction; provided that the Company and its Restricted Subsidiaries may enter into a sale and leaseback transaction if:

(i) the Company or the relevant Restricted Subsidiary, as the case may be, could have (A) incurred Indebtedness in an amount equal to the Attributable Debt relating to such sale and leaseback transaction under the Fixed Charge Coverage Ratio test in Section 4.09(b) and (B) incurred a Lien to secure such Indebtedness pursuant to Section 4.11; provided, however, that clause (A) of this clause (b)(i) shall be suspended during any period in which the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants;

(ii) the gross cash proceeds of the sale and leaseback transaction are at least equal to the fair market value, as determined in good faith by the Company and set forth in an Officers' Certificate delivered to the Trustee, of the property that is the subject of the sale and leaseback transaction; provided, however, that in the case of any sale and leaseback transaction for consideration exceeding $5.0 million, the fair market value shall be determined by the Company's Board of Directors and set forth in an Officers' Certificate delivered to the Trustee; and

(iii) the transfer of assets in the sale and leaseback transaction is permitted by, and the Company or the relevant Restricted Subsidiary applies the proceeds of the transaction in compliance with, Section 4.11 hereof; provided, however, that, in the event that the Company or any of its Restricted Subsidiaries consummates a sale and leaseback transaction during a period in which the Company is not subject to the Suspended Covenants, within twelve months of that sale and leaseback transaction, the Company shall apply the Net Cash Proceeds thereof to permanently repay secured

Indebtedness of the Company or a Guarantor, or any Indebtedness of any of the Company's Restricted Subsidiaries that is not a Guarantor, and if any Indebtedness repaid under this clause (b)(iii) is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto.

Section 4.19. Payments for Consent.

Neither the Company nor any of its Restricted Subsidiaries shall, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to or for the benefit of any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Section 4.20. Suspension of Covenants.

During any period of time that the Notes have an Investment Grade Rating from either of the Rating Agencies and no Default has occurred and is continuing under this Indenture, the Company and its Restricted Subsidiaries shall not be subject to Sections 4.07, 4.08, 4.09, 4.10, 4.15, 4.17, 4.18(b)(i)(A) and 5.01(b)(iv) (collectively, the "Suspended Covenants"), provided, however, that if the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants for any period of time as a result of this Section 4.20 and, subsequently, either of the Rating Agencies withdraws its ratings or downgrades the ratings assigned to the Notes below the Investment Grade Ratings so that the Notes do not have an Investment Grade Rating from either Rating Agency, or a Default (other than with respect to the Suspended Covenants) occurs and is continuing, the Company and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants, subject to the terms, conditions and obligations set forth in this Indenture (each such date of reinstatement being the "Reinstatement Date"), including this Section 4.20. Compliance with the Suspended Covenants with respect to Restricted Payments made after the Reinstatement Date will be calculated in accordance with Section 4.07 as though Section 4.07 had been in effect during the entire period of time from the Issue Date.

ARTICLE 5.

SUCCESSORS

Section 5.01. Merger, Consolidation, or Sale of Assets.

(a) Except for or in connection with the Acquisition, the Grant Prideco Assumption, the Merger and the related release of the Escrowed Property, prior to the Acquisition Closing Date, the Company shall not, in one or more related transactions, consolidate

with or merge with or into, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its assets to, another person or persons.

(b) From and after the Acquisition Closing Date, the Company shall, directly or indirectly, not consolidate or merge with or into another person (whether or not the Company is the surviving corporation), or sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another person unless:

(i) either: (A) the Company is the surviving corporation or (B) the person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, conveyance or other disposition has been made is a corporation organized or existing under the laws of the United States, any state of the United States or the District of Columbia;

(ii) the person formed by or surviving any such consolidation or merger (if other than the Company) or the person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all of the Company's obligations under the Notes and this Indenture pursuant to agreements reasonably satisfactory to the Trustee;

(iii) immediately before and after giving effect to such transaction, no Default or Event of Default exists; and

(iv) the Company or the person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance or other disposition has been made will, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.09(b); provided, however, that the Company delivers to the Trustee an Officers' Certificate, attaching the arithmetic computations to demonstrate compliance with this clause (b)(iv), and an Opinion of Counsel, in each case stating that such consolidation, merger or transfer complies with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with; and provided further, that this clause (a)(iv) shall not apply (A) pursuant to Section 4.20, during any period in which the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants before such transaction and are not reasonably expected to be subject to the Suspended Covenants after giving effect to such transaction, and (B) if, in the good faith determination of the Board of Directors, the principal purpose of the transaction is to change the Company's state of incorporation and the transaction does not have as one of its purposes the evasion of the foregoing limitations.

(c) The Company shall not, directly or indirectly, lease all or substantially all of its properties or assets, in one or more related transactions, to any other person.

(d) Notwithstanding paragraphs (a), (b) and (c) of this Section 5.01, none of the above provisions shall prohibit the consummation of the Merger.

Section 5.02. Successor Corporation Substituted.

Upon any consolidation or merger, or any sale, assignment, transfer, conveyance or other disposition of all or substantially all of the assets of the Company in accordance with Section 5.01 hereof, the successor corporation formed by such consolidation or into or with which the Company is

merged or to which such sale, assignment, transfer, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, conveyance or other disposition, the provisions of this Indenture referring to the "Company" shall refer instead to the successor corporation and not to the Company), and may exercise every right and power of the Company under this Indenture with the same effect as if such successor person had been named as the Company herein; provided, however, that the predecessor Company shall not be relieved from the obligation to pay the principal of and interest on the Notes or any other amounts owing hereunder or under the Notes in the case of a sale or lease of all or substantially all of the Company's assets that meets the requirements of Section 5.01 hereof.

ARTICLE 6.

DEFAULTS AND REMEDIES

Section 6.01. Events of Default.

Each of the following events constitutes an "Event of Default":

(a) default in the payment when due of interest on, or Liquidated Damages with respect to, any Note, and such default continues for a period of 30 days;

(b) default in the payment when due of principal of or premium, if any, on any Note when the same becomes due and payable at maturity, upon acceleration, upon redemption or otherwise;

(c) default in the performance or breach of the provisions by the Company or any of its Restricted Subsidiaries of Sections 3.09, 4.07, 4.09 or 5.01 hereof;

(d) default in the performance by the Company or any of its Restricted Subsidiaries of Sections 4.15 or 4.16 hereof, and such default continues for a period of 30 days after written notice;

(e) default in the performance of or breaches of any other covenant or agreement of the Company in this Indenture or under the Notes (other than a default specified in clause (a), (b), (c) or (d) above) by the Company or any of its Restricted Subsidiaries, and such default or breach continues for a period of 60 days after written notice by the Trustee to the Company or by the Holders of 25% or more in aggregate principal amount of the Notes to the Company and the Trustee;

(f) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after the date hereof, if that default:

(i) is caused by a failure to pay principal of, or interest or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "Payment Default"); or

(ii) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $10.0 million or more;

(g) default by the Company or any of its Subsidiaries in the payment of final judgments aggregating in excess of $10.0 million, which judgments are not paid, discharged or stayed for a period of 60 days;

(h) except as permitted by this Indenture, any Subsidiary Guarantee shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or any Guarantor, or any person acting on behalf of any Guarantor, shall deny or disaffirm its obligations under its Subsidiary Guarantee;

(i) a court having jurisdiction in the premises enters a decree or order for

(i) relief in respect of the Company or any of its Restricted Subsidiaries in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect,

(ii) appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any of its Restricted

Subsidiaries or for all or substantially all of the property and assets of the Company or any of its Restricted Subsidiaries, or

(iii) the winding up or liquidation of the affairs of the Company or any of its Restricted Subsidiaries and,

in each case, such decree or order shall remain unstayed and in effect for a period of 30 consecutive days; or

(j) the Company or any of its Restricted Subsidiaries:

(i) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law,

(ii) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or such Restricted Subsidiary or for all or substantially all of the property and assets of the Company or such Restricted Subsidiary,

(iii) effects any general assignment for the benefit of creditors.

Section 6.02. Acceleration.

(a) If any Event of Default (other than an Event of Default specified in clause (i) or (j) of Section 6.01 hereof), occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes, by written notice to the Company (and, if such notice is given by such Holders, to the Trustee), may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued interest on the Notes to be due and payable immediately. Upon such declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest and Liquidated Damages, if any, shall be immediately due and payable.

(b) Notwithstanding the foregoing, if an Event of Default specified in clause (i) or (j) of Section 6.01 hereof occurs with respect to the

Company, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, the principal of, premium, if any, and accrued and unpaid interest and Liquidated Damages, if any, on the Notes then outstanding shall be due and payable immediately without further action or notice on the part of the Trustee or any Holder.

Section 6.03. Other Remedies.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal, premium, if any, and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding to enforce its rights and to pursue its remedies under the Notes and this Indenture even if the Trustee does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder of a Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

Section 6.04. Waiver of Past Defaults.

At any time after declaration of acceleration, but before a judgment or decree for the payment of the money due has been obtained by the Trustee, the Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee, may waive all past defaults, except a Default in the payment of principal of premium, if any, or interest on any Note as specified in clause (a) or (b) of Section 6.01 or in respect of a covenant or provision of this Indenture which cannot be modified or amended without the consent of the Holder of each outstanding Note affected, and rescind and annul a declaration of acceleration and its consequences if:

(a) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived; and

(b) such rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereto.

Section 6.05. Control by Majority.

Holders of a majority in principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for enforcing any rights and exercising any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture that the Trustee determines may involve the Trustee in personal liability or that the Trustee determines in good faith may be unduly prejudicial to the rights of other Holders of

Notes not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received for Holders of Notes.

Section 6.06. Limitation on Suits.

A Holder of a Note may pursue a remedy with respect to this Indenture or the Notes only if:

(a) the Holder of a Note gives to the Trustee written notice of a continuing Event of Default;

(b) the Holders of at least 25% in principal amount of the then outstanding Notes make a written request to the Trustee to pursue the remedy;

(c) such Holder of a Note or Holders of Notes offer and, if requested, provide to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer and, if requested, the provision of indemnity; and

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

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

Section 6.07. Rights of Holders of Notes to Receive Payment.

Notwithstanding any other provision of this Indenture, the right of any Holder of a Note to receive payment of principal, premium and Liquidated Damages, if any, and interest on the Note, on or after the respective due dates expressed in the Note (including in connection with an offer to purchase), or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Section 6.08. Collection Suit by Trustee.

If an Event of Default specified in Section 6.01(a) or (b) occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as Trustee of an express trust against the Company for the whole amount of principal of, premium and Liquidated Damages, if any, and interest remaining unpaid on the Notes and interest on overdue principal and, to the extent lawful, interest and such further amount as shall be sufficient to

cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section 6.09. Trustee May File Proofs of Claim.

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders of the Notes allowed in any judicial proceedings relative to the Company (or any other obligor upon the Notes), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in

any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, and to secure the payment of same, the Trustee is hereby granted an interest security in, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.10. Priorities.

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

First: to the Trustee, its agents and attorneys for amounts due under Sections 6.09 and 7.07 hereof, including payment of all compensation, expense and liabilities incurred, and all advances made, by the Trustee, its agents or attorneys and the costs and expenses of collection;

Second: to Holders of Notes for amounts due and unpaid on the Notes for principal, premium and Liquidated Damages, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the

Notes for principal, premium and Liquidated Damages, if any and interest, respectively; and

Third: to the Company or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders of Notes pursuant to this Section 6.10.

Section 6.11. Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and disbursements against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder of a Note pursuant to Section 6.07 hereof, or a suit by Holders of more than 10% in principal amount of the then outstanding Notes.

Section 6.12. Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then, and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and

thereafter all rights and remedies of the Company, Trustee and the Holders shall continue as though no such proceeding had been instituted, except that the rights of the Trustee to receive compensation, reimbursement of any of its expenses or indemnification from the Holders in connection with such proceeding in accordance with the terms of this Indenture or any separate agreement or understanding between the Trustees and the Holders shall not be affected by this Section 6.12.

Section 6.13. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or wrongfully taken Notes in Section 2.07, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or

remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 6.14. Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article 6 or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

ARTICLE 7.

TRUSTEE

Section 7.01. Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers of which the Trustee has actual knowledge vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default of which the Trustee has actual knowledge :

(i) the duties of the Trustee shall be determined solely by the express provisions of this Indenture and the Trustee undertakes to perform, and need perform, only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (b)

of this Section;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05 hereof.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), (c), (e) and (f) of this Section and Section 7.02.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability. The Trustee shall be under no obligation to exercise any of its rights and powers under this Indenture at the request of any Holders, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to the Trustee against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

Section 7.02. Rights of Trustee.

(a) In connection with its rights and duties under this Indenture, the Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, Note, or other document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Indenture or takes or omits to take in accordance with the written direction of the Holders

of a majority in principal amount of the outstanding Notes relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

(e) Unless otherwise specifically provided in this Indenture,

any demand, request, direction or notice from the Company shall be sufficient if signed by an Officer of the Company.

(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless such Holders shall have offered to the Trustee security or indemnity reasonably satisfactory to it against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

(g) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company personally or by agent or attorney.

(h) Except with respect to Section 4.01, the Trustee shall have no duty to inquire as to the performance of the Company's covenants set forth in Article 4. The Trustee shall not be deemed to have knowledge of any Default or Event of Default except (i) any Event of Default occurring pursuant to Sections 6.01(a), 6.01(b) and 4.01 or (ii) any Default or Event of Default of which the Trustee shall have received written notification in the manner set forth in this Indenture or a Responsible Officer of the Trustee shall have obtained actual knowledge of the Default or Event of Default.

Section 7.03. Individual Rights of Trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company or any Affiliate of the Company with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the Commission for permission to continue as Trustee or resign. Any Agent may do the same with like rights and duties. The Trustee is also subject to Sections 7.10 and 7.11 hereof.

Section 7.04. Trustee's Disclaimer.

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Company's use of the proceeds from the Notes or any money paid to the Company or upon the

Company's direction under any provision of this Indenture, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it shall not be responsible for any statement or recital herein or any statement in the Notes or any other document in connection with the sale of the Notes or pursuant to this Indenture other than its certificate of authentication.

Section 7.05. Notice of Defaults.

If a Default or Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to Holders of Notes a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment of principal of, premium, if any, or interest on any Note, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders of the Notes.

Section 7.06. Reports by Trustee to Holders of the Notes.

Within 60 days after each May 15 beginning with May 15, 2003, and for so long as Notes remain outstanding, the Trustee shall mail to the Holders of the Notes a brief report dated as of such reporting date that complies with TIA Section 313(a) (but if no event described in TIA Section 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee also shall comply with TIA Section 313(b)(2). The Trustee shall also transmit by mail all reports as required by TIA Section 313(c).

A copy of each report at the time of its mailing to the Holders of Notes shall be mailed to the Company and filed with the Commission and each stock exchange on which the Notes are listed in accordance with TIA Section 313(d). The Company shall promptly notify the Trustee when the Notes are listed on any stock exchange.

Section 7.07. Compensation and Indemnity.

The Company shall pay to the Trustee from time to time such compensation for its acceptance of this Indenture and services hereunder as shall be agreed upon in writing by the Company and the Trustee. The Trustee's compensation shall not be limited by any law on compensation of a Trustee of an express trust. The Company shall reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

The Company shall indemnify, defend and hold harmless the Trustee and its shareholders, incorporators, directors, officers, employees, representatives and agents (each an "Indemnitee") against any and all losses, liabilities or expenses (including reasonable fees and disbursements of counsel) incurred by any of them arising out of or in connection with the acceptance or administration of the Trustee's duties under this Indenture, including the costs and

expenses of enforcing this Indenture against the Company (including this Section 7.07) and defending any of themselves against any claim (whether asserted by the Company or any Holder or any other person) or liability in connection with the exercise or performance of any of the Trustee's powers or duties hereunder, except to the extent any such loss, liability or expense or a portion thereof may be attributable to the Trustee's negligence or bad faith. An Indemnitee shall notify the Company promptly of any claim for which that Indemnitee may seek indemnity. Failure by the Indemnitee to so notify the Company shall not relieve the Company of its obligations hereunder. Subject to receipt of the consent of the party to be defended, which consent shall not be unreasonable withheld or delayed, the Company shall defend the claim and the Trustee shall cooperate in the defense. The Indemnitees may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld or delayed. The Company need not reimburse any expense or indemnify against any loss, liability or expense incurred by an Indemnitee through that Indemnitee's own willful misconduct, negligence or bad faith.

The obligations of the Company under this Section 7.07 shall survive the resignation or removal of the Trustee and the satisfaction and discharge of this Indenture.

To secure the Company's payment obligations in this Section, the Trustee shall have a Lien and is hereby granted a security interest prior in right of payment prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on particular Notes. Such Lien shall survive the satisfaction and discharge of this Indenture.

When the Trustee incurs expenses or renders services after an

Event of Default specified in Section 6.01(g) or (h) hereof occurs, the expenses and the compensation for the services (including the fees, disbursements and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

The Trustee shall comply with the provisions of TIA Section 313(b)(2) to the extent applicable.

Section 7.08. Replacement of Trustee.

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

The Trustee may resign in writing at any time and be discharged from the trust hereby created by so notifying the Company. The Holders of Notes of a majority in principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Company in writing. The Company may remove the Trustee if:

(a) the Trustee fails to comply with Section 7.10 hereof;

(b) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(c) a custodian or public officer takes charge of the Trustee or its property; or

(d) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company, or the Holders of Notes of at least 10% in principal amount of the then outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee, after written request by any Holder of a Note who has been a Holder of a Note for at least six months, fails to comply with Section 7.10, such Holder of a Note may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders of the Notes. Subject to the Lien provided for in Section 7.07 hereof, the retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee; provided, however, that all sums owing to the retiring Trustee hereunder shall have been paid and the property so transferred shall remain subject to the Lien provided for in Section 7.07. Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Company's obligations under Section 7.07 hereof shall continue for the benefit of the retiring Trustee.

Section 7.09. Successor Trustee by Merger, etc.

If the Trustee consolidates, merges or converts into, or

transfers all or substantially all of its corporate trust business to, another corporation or national banking corporation, the successor corporation or national banking corporation without any further act shall be the successor Trustee.

Section 7.10. Eligibility; Disqualification.

There shall at all times be a Trustee hereunder that is a corporation organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such laws to exercise corporate Trustee power, that is subject to supervision or examination by federal or state authorities and that has (or the bank holding company of which it is an Affiliate has) a combined capital and surplus of at least $50 million as set forth in its most recent published annual report of condition.

This Indenture shall always have a Trustee who satisfies the requirements of TIA Section 310(a)(1), (2) and (5). The Trustee is subject to TIA Section 310(b); provided, however, that there shall be excluded from the operation of TIA Section 310(b)(1) any indenture or indentures under which other securities or certificates of interest or participation in other securities of the Company are outstanding if the requirements for such exclusions set forth in TIA Section 310(b)(1) are met.

Section 7.11. Preferential Collection of Claims Against Company.

The Trustee is subject to TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein.

ARTICLE 8.

NOTE GUARANTEES

Section 8.01. Subsidiary Guarantees.

(a) Subject to this Article 8, each of the Guarantors, from time to time party hereto, hereby, jointly and severally, unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes or the obligations of the Company hereunder or thereunder, that: (i) the principal of premium, if any, and interest on the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of and interest on the Notes, if any, if lawful, and all other obligations of the Company to the Holders or the Trustee hereunder or thereunder will be promptly paid in full or performed, all in accordance with the terms hereof and thereof; and (ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration pursuant to Section 6.02 hereof or otherwise. Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the

Guarantors shall be jointly and severally obligated to pay the same immediately. Each Guarantor agrees that this is a guarantee of payment and not a guarantee of collection.

(b) Each Guarantor hereby agrees that its obligations with regard to such Subsidiary Guarantee shall be joint and several, unconditional,

irrespective of the validity or enforceability of the Notes or the obligations of the Company under this Indenture, the absence of any action to enforce the same, the recovery of any judgment against the Company or any other obligor with respect to this Indenture, the Notes or the obligations of the Company under this Indenture or the Notes, any action to enforce the same or any other circumstances (other than complete performance) which might otherwise constitute a legal or equitable discharge or defense of a Guarantor. Each Guarantor further, to the extent permitted by law, waives and relinquishes all claims, rights and remedies accorded by applicable law to guarantors and agrees not to assert or take advantage of any such claims, rights or remedies, including but not limited to: (i) any right to require any of the Trustee, the Holders or the Company (each a, "Benefited Party"), as a condition of payment or performance by such Guarantor, to (A) proceed against the Company, any other guarantor (including any other Guarantor) of the obligations under the Subsidiary Guarantees or any other person, (B) proceed against or exhaust any security held from the Company, any such other guarantor or any other person, (C) proceed against or have resort to any balance of any deposit account or credit on the books of any Benefited Party in favor of the Company or any other person, or (D) pursue any other remedy in the power of any Benefited Party whatsoever; (ii) any defense arising by reason of the incapacity, lack of authority or any disability or other defense of the Company including any defense based on or arising out of the lack of validity or the unenforceability of the obligations under the Subsidiary Guarantees or any agreement or instrument relating thereto or by reason of the cessation of the liability of the Company from any cause other than payment in full of the obligations under the Subsidiary Guarantees; (iii) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in other respects more burdensome than that of the principal; (iv) any defense based upon any Benefited Party's errors or omissions in the administration of the obligations under the Subsidiary Guarantees, except behavior which amounts to bad faith; (v)(A) any principles or provisions of law, statutory or otherwise, which are or might be in conflict with the terms of the Subsidiary Guarantees and any legal or equitable discharge of such Guarantor's obligations hereunder, (B) the benefit of any statute of limitations affecting such Guarantor's liability hereunder or the enforcement hereof, (C) any rights to set-offs, recoupments and counterclaims and (D) promptness, diligence and any requirement that any Benefited Party protect, secure, perfect or insure any security interest or lien or any property subject thereto; (vi) notices, demands, presentations, protests, notices of protest, notices of dishonor and notices of any action or inaction, including acceptance of the Subsidiary Guarantees, notices of default under the Notes or any agreement or instrument related thereto, notices of any renewal, extension or modification of the obligations under the Subsidiary Guarantees or any agreement related thereto, and notices of any extension of credit to the Company and any right to consent to any thereof; (vii) to the extent permitted under applicable law, the benefits of any "One Action" rule and (viii) any defenses or benefits that may be derived from or afforded by

law which limit the liability of or exonerate guarantors or sureties, or which may conflict with the terms of the Subsidiary Guarantees. Except as set forth in Section 8.6, each Guarantor hereby covenants that its Subsidiary Guarantee will not be discharged except by complete performance of the obligations contained in its Guarantee and this Indenture.

(c) If any Holder or the Trustee is required by any court or otherwise to return to the Company, the Guarantors or any custodian, trustee, liquidator or other similar official acting in relation to either the Company or the Guarantors, any amount paid by either to the Trustee or such Holder, any Subsidiary Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect.

(d) Each Guarantor agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby. Each Guarantor further agrees that, as between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (i) the maturity of the

obligations guaranteed hereby may be accelerated as provided in Section 6.02 hereof for the purposes of any Subsidiary Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby and (ii) in the event of any declaration of acceleration of such obligations as provided in Section 6.02 hereof, such obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantors for the purpose of any such Subsidiary Guarantee. The Guarantors shall have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the applicable Subsidiary Guarantee.

Section 8.02. Additional Guarantees.

If any Restricted Subsidiary becomes obligated pursuant to Section 4.12 hereof, then the Company shall cause any such Restricted Subsidiary to, within ten Business Days of the date on which any such Restricted Subsidiary became so obligated, (a) execute and deliver to the Trustee a Supplemental Indenture in form reasonably satisfactory to the Trustee pursuant to which such Restricted Subsidiary shall unconditionally guarantee, on a senior unsecured basis, all of the Company's obligations under the Notes and this Indenture on the terms set forth herein and therein and (b) deliver to the Trustee an Opinion of Counsel that, subject to customary assumptions and exclusions, such supplemental indenture has been duly executed and delivered by such Restricted Subsidiary. Any Restricted Subsidiary that becomes a Guarantor shall remain a Guarantor unless (i) designated an Unrestricted Subsidiary by the Company in accordance with this Indenture; (ii) is otherwise released from its obligations as a Guarantor pursuant to Section 8.05 hereof; or (iii) the circumstances giving rise to the obligation to provide a guarantee under Section 4.12 no longer exist.

Section 8.03. Limitation on Guarantor Liability.

Each Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Subsidiary Guarantee of such Guarantor not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to any Subsidiary Guarantee. To effectuate the foregoing intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of such Guarantor under this Article 8 shall be limited to the maximum amount as will, after giving effect to such maximum amount and all other contingent and fixed liabilities of such Guarantor that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under this Article 8, result in the obligations of such Guarantor under its Subsidiary Guarantee not constituting a fraudulent transfer or conveyance.

Section 8.04. Merger and Consolidation of Guarantors.

Except as otherwise provided in Section 8.05 hereof, no Guarantor may sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving person) another person, other than the Company or another Guarantor unless:

(a) immediately after giving effect to such transaction, no Default or Event of Default exists; and

(b) either (i) the person acquiring the property in any such sale or disposition or the person formed by or surviving any such consolidation or merger, assumes all the obligations of that Guarantor under this Indenture and the Subsidiary Guarantee of such Guarantor pursuant to a supplemental indenture reasonably satisfactory to the Trustee, or (ii) in the case of a sale or other disposition of all or substantially all of the assets of such Guarantor's assets, the Net Proceeds of such sale of other disposition are applied in accordance

with Section 4.15.

In case of any such sale or other disposition, consolidation, merger, sale or conveyance and upon the assumption by the successor person, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the Subsidiary Guarantee endorsed upon the Notes and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Guarantor, such successor person shall succeed to and be substituted for the Guarantor with the same effect as if it had been named herein as a Guarantor. Such successor person thereupon may cause to be signed any or all of the Subsidiary Guarantees to be endorsed upon all of the Notes issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee.

All the Subsidiary Guarantees so issued shall in all respects have the same legal rank and benefit under this Indenture as the Subsidiary Guarantees theretofore and thereafter issued in accordance with the terms of this Indenture as though all of such Subsidiary Guarantees had been issued at the date of the execution hereof.

Except as set forth in Articles 4 and 5 hereof, and notwithstanding clauses (a) and (b) of this Section 8.04, nothing contained in this Indenture or in any of the Notes shall prevent any consolidation or merger of a Guarantor with or into an Company or another Guarantor, or shall prevent any sale or conveyance of the property of a Guarantor as an entirety or substantially as an entirety to an Company or another Guarantor.

Section 8.05. Release.

(a) In the event of (i) a sale or other disposition of all or substantially all of the assets of any Guarantor, by way of merger, consolidation or otherwise, or a sale or other disposition of all to the Capital Stock of any Guarantor, in each case to a person that is not (either before or after giving effect to such transactions) a Subsidiary of the Company, so long as the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of this Indenture, including without limitation Section 4.15 hereof, or (ii) a designation by the Company of any Restricted Subsidiary that is a Guarantor as an Unrestricted Subsidiary in accordance with Section 4.13, such Guarantor or, in the case of a sale or other disposition of all or substantially all of the assets of such Guarantor, the corporation acquiring such property, will be released and relieved of any obligations under its Subsidiary Guarantee.

(b) Upon delivery by the Company to the Trustee of an Officers' Certificate and an Opinion of Counsel to the effect that such sale or other disposition was made by the Company in accordance with the provisions of this Indenture, including without limitation Section 4.07 hereof, or such designation was made in accordance with Section 4.13 hereof, as the case may be, the Trustee shall execute any documents reasonably required in order to evidence the release of any Guarantor from its obligations under its Subsidiary Guarantee.

(c) Any Guarantor not released from its obligations under its Subsidiary Guarantee shall remain liable for the full amount of principal of and interest on the Notes and for the other obligations of any Guarantor under this Indenture as provided in this Article 8.

ARTICLE 9.

LEGAL DEFEASANCE AND COVENANT DEFEASANCE

Section 9.01. Option to Effect Legal Defeasance or Covenant Defeasance.

The Company may, at the option of its Board of Directors evidenced by a resolution set forth in an Officers' Certificate, at any time, elect to have either Section 9.02 or 9.03

hereof be applied to all outstanding Notes upon compliance with the conditions set forth below in this Article 9.

Section 9.02. Legal Defeasance and Discharge.

Upon the Company's exercise under Section 9.01 hereof of the option applicable to this Section 9.02, the Company shall, subject to the satisfaction of the conditions set forth in Section 9.04 hereof, be deemed to have been discharged from its obligations with respect to all outstanding Notes on the date the conditions set forth below are satisfied (hereinafter, "Legal Defeasance"). For this purpose, Legal Defeasance means that the Company shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes, which shall thereafter be deemed to the "outstanding" only for the purposes of Section 9.05 hereof and the other Sections of this Indenture referred to in clauses (a) through (d) below, and to have satisfied all their other obligations under such Notes and this Indenture (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder:

(a) the rights of Holders to receive payments in respect of the principal of, premium, if any, and interest on the Notes when such payments are due;

(b) the Company's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payments;

(c) the rights, powers, trust, duties and immunities of the Trustee and the Company's obligations in connection therewith; and

(d) the Legal Defeasance provisions of this Article 9.

Subject to compliance with this Article 9, the Company may exercise its option under this Section 9.02, notwithstanding the prior exercise of its option under Section 9.03 hereof.

Section 9.03. Covenant Defeasance.

Upon the Company's exercise under Section 9.01 hereof of the option applicable to this Section 9.03, the Company shall, subject to the satisfaction of the conditions set forth in Section 9.04 hereof, be released from its obligations under the covenants contained in Sections 4.07 through 4.13 and 4.15 through 4.20 hereof, both inclusive, and Section 5.01(b)(iv) with respect to the outstanding Notes on and after the date the conditions set forth below are satisfied (hereinafter, "Covenant Defeasance"), and the Notes shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of holders (and the consequences of any thereof) in connection with such covenants, but

shall continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Notes, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document, and such omission to

comply shall not constitute a Default or an Event of Default under Section 6.01 hereof, but, except as specified above, the remainder of this Indenture and such Notes shall be unaffected thereby. In addition, upon the Company's exercise under Section 9.01 hereof of the option applicable to this Section 9.03, subject to the satisfaction of the conditions set forth in Section 9.04 hereof, Sections 6.01(e), 6.01(g) and 6.01(i) hereof shall not constitute Events of Default.

Section 9.04. Conditions to Legal or Covenant Defeasance.

The following are the conditions precedent to the application of either Section 9.02 or 9.03 hereof to the outstanding Notes:

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders cash in U.S. dollars, non-callable U.S. Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants selected by the Company, to pay the principal of, and premium, if any, and interest on, the Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be;

(2) in the case of Legal Defeasance, the Company shall have delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee confirming that:

(a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling; or

(b) since the date of this Indenture, there has been a change in the applicable federal income tax law,

in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company shall have delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee confirming that the Holders will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default shall have occurred and be continuing on the date of such deposit or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit (other than a Default or an Event of Default resulting from the borrowing of funds to be applied to such deposit and the grant of any Lien securing such borrowings);

(5) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under this Indenture (other than a Default or an Event of Default resulting from the borrowing of funds to be applied to such deposit and the grant of any Lien securing such borrowings) or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(6) the Company shall have delivered to the Trustee an

Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders over any other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others;

(7) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with; and

(8) the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that, assuming no intervening bankruptcy of the Company between the date of deposit and the 91st day following the date of deposit and that no Holder is an insider of the Company, after the 91st day following the date of deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally.

Notwithstanding the foregoing, the Opinion of Counsel required by clause (2) above with respect to a Legal Defeasance need not be delivered if all Notes not theretofore delivered to the Trustee for cancellation (1) have become due and payable or (2) will become due and payable on the maturity date within one year under arrangements satisfactory to the

Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company.

Section 9.05. Deposited Money and U.S. Government Securities to Be Held in Trust; Other Miscellaneous Provisions.

Subject to Section 9.06 hereof, all money and U.S. Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 9.05 only, the "Trustee") pursuant to Section 9.04 hereof in respect of the outstanding Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (other than the Company) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal or redemption price of, and Liquidated Damages, if any, interest on, the Notes, that such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or U.S. Government Securities deposited pursuant to Section 9.04 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

Anything in this Article 9 to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon the request of the Company any money or U.S. Government Securities held by it as provided in Section 9.04 hereof which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 9.04(a) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

Section 9.06. Repayment to the Company.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal, redemption price or purchase price of, or Liquidated Damages, if any, or interest on any Note and remaining unclaimed for two years after such amount has become due and payable shall be paid to the Company on its request or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall

thereafter look only to the Company for payment thereof as a general creditor, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, at the expense of the Company, may cause to be published once, in The New York Times and The Wall Street Journal (national editions), notice that such money remains unclaimed and that, after a

date specified therein, which shall not be less than 30 days after the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Company.

Section 9.07. Reinstatement.

If the Trustee or Paying Agent is unable to apply any United States dollars or U.S. Government Securities in accordance with Section 9.02 or 9.03 hereof, as the case may be, by reason of any order of judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the obligations of the Company under this Indenture, and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 9.02 or 9.03 hereof until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 9.02 or 9.03 hereof, as the case may be; provided, however, that, if the Company makes any payment with respect to any Note following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE 10.

AMENDMENT, SUPPLEMENT AND WAIVER

Section 10.01. Without Consent of Holders of Notes.

Notwithstanding Section 10.02 of this Indenture, the Company, the Guarantors and the Trustee may amend or supplement this Indenture or the Notes without the consent of any Holder of a Note:

(a) to cure any ambiguity, defect or inconsistency;

(b) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(c) to provide for the assumption of the Company's obligations to the Holders of the Notes by a successor to the Company pursuant to Article 5 hereof;

(d) to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights hereunder of any Holder of the Note; or

(e) to comply with requirements of the Commission in order to effect or maintain the qualification of this Indenture under the TIA.

Upon the request of the Company accompanied by a resolution of its Board of Directors authorizing the execution of any such amended or supplemental Indenture, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee shall join with the Company in the execution of any amended or supplemental Indenture authorized or permitted by

the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be obligated to enter into such amended or supplemental Indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

Section 10.02. With Consent of Holders of Notes.

(a) Except as provided below in this Section 10.02, this Indenture and the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes), and, subject to Sections 6.04 and 6.07 hereof, any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium, if any, or interest on the Notes, except a payment default resulting solely from an acceleration that has been rescinded) or compliance with any provision of this Indenture or the Notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes voting as a single class (including consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes). However, without the consent of each Holder affected, an amendment or waiver under this Section 10.02 may not (with respect to any Notes held by a non-consenting Holder):

(i) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(ii) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes, other than Sections 4.15 and 4.16;

(iii) reduce the rate of or change the time for payment of interest on any Note;

(iv) waive a Default or Event of Default in the payment of principal of, or interest or premium, if any, on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the Notes and a waiver of the payment default that resulted from such acceleration);

(v) make any Note payable in money other than that stated in the Notes;

(vi) make any change in the provisions of this Indenture relating to waivers of past Defaults, including Section 6.04, or the rights of holders of notes to receive payments of principal of, or interest or premium, if any, on, the Notes;

(vii) make any change to Section 3.09 which would adversely affect the rights of any of the Holders to receive the Special Mandatory Redemption Price;

(viii) waive a redemption payment with respect to any Note, other than a payment required under Section 4.15 or 4.16;

(ix) release any Guarantor from any of its obligations under its Subsidiary Guarantee or this Indenture, except in accordance with the terms of this Indenture; or

(x) make any change in the preceding amendment and waiver provisions.

(b) Upon the request of the Company accompanied by a resolution of its Board of Directors authorizing the execution of any such amended or supplemental Indenture, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders of Notes as

aforesaid, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee shall join with the Company in the execution of such amended or supplemental Indenture unless such amended or supplemental Indenture directly affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such amended or supplemental Indenture.

(c) It shall not be necessary for the consent of the Holders of Notes under this Section 10.02 to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof.

(d) After an amendment, supplement or waiver under this Section becomes effective, the Company shall mail to the Holders of Notes affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amended or supplemental Indenture or waiver. Subject to Sections 6.04 and 6.07 hereof, the Holders of a majority in aggregate principal amount of the Notes then outstanding voting as a single class may waive compliance in a particular instance by the Company with any provision of this Indenture or the Notes.

Section 10.03. Compliance with Trust Indenture Act.

Every amendment or supplement to this Indenture or the Notes shall be set forth in an amended or supplemental Indenture that complies with the TIA as then in effect.

Section 10.04. Revocation and Effect of Consents.

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Note is a continuing consent by the Holder of a Note and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder of a Note or subsequent Holder of a Note may revoke the consent as to its Note if the Trustee receives written notice of revocation before the date the waiver, supplement or amendment becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

Section 10.05. Notation on or Exchange of Notes.

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Company in exchange for all Notes may issue and the Trustee shall, upon receipt of an Authentication Order, in accordance with Section 2.02 with respect to those Notes, authenticate new Notes that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Note shall not affect the validity and effect of such amendment, supplement or waiver.

Section 10.06. Trustee to Sign Amendments, etc.

The Trustee shall sign any amended or supplemental Indenture authorized pursuant to this Article 10 if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. The Company may not sign an amendment or supplemental Indenture until the Board of Directors approves it. In executing any amended or supplemental indenture, the Trustee shall be entitled to receive and (subject to Section 7.01 hereof) shall be fully protected in relying upon, in addition to the documents required by Section 10.04 hereof, an Officer's Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental indenture is authorized or permitted by this Indenture.

ARTICLE 11.

SATISFACTION AND DISCHARGE

Section 11.01. Satisfaction and Discharge.

This Indenture will be discharged and will cease to be of further effect (except as set forth below) and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture when:

(1) either:

(a) all the Notes theretofore authenticated and delivered (except lost, stolen or destroyed notes which have been replaced or paid as provided in Section 2.07 and Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the Trustee for cancellation; or

(b) all Notes not theretofore delivered to the Trustee for cancellation (1) have become due and payable or (2) will become due and payable within one year, or are to be called for redemption within one year, under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company, and the Company has irrevocably deposited or caused to be deposited with the Trustee funds in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, for principal of, and premium, if any, and interest on, the Notes to the date of deposit together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be;

(2) the Company has paid all other sums payable under this Indenture by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel stating that all conditions precedent under this Indenture relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the Company's obligations in Sections 2.03, 2.04, 2.06, 2.07, 2.11, 7.07, 7.08, 12.02, 12.03 and 12.04, and the Trustee's and Paying Agent's obligations in Section 11.2 shall survive until the Notes are no longer outstanding. Thereafter, only the Company's obligations in Section 7.07 shall survive.

Section 11.02. Application of Trust.

All money deposited with the Trustee pursuant to Section 11.01 shall be held in trust and, at the written direction of the Company, be invested prior to maturity in U.S. Government Securities, and applied by the Trustee in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent as the Trustee may determine, to the persons entitled thereto, of the principal (and premium, if any)

and interest for the payment of which money has been deposited with the Trustee; but such money need not be segregated from other funds except to the extent required by law.

ARTICLE 12.

MISCELLANEOUS

Section 12.01. Trust Indenture Act Controls.

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by TIA Section 318(c), the imposed duties shall control.

Section 12.02. Notices.

Any notice or communication by the Company or the Trustee to the others is duly given if in writing and delivered in person or mailed by first class mail (registered or certified, return receipt requested), telex, telecopier or overnight air courier guaranteeing next-day delivery, to the others' address.

If to the Company:

Grant Prideco, Inc.
1330 Post Oak Boulevard, Suite 2700
Houston, Texas 77056
Attention: Chief Financial Officer

With a copy to:

Fulbright & Jaworski L.L.P.
1301 McKinney, Suite 5100
Houston, Texas 77010-3095
Attention: Charles H. Still, Esq.

If to the Trustee:

Ms. Melissa Scott
Wells Fargo Bank, N.A.
505 Main Street, Suite 301
Fort Worth, Texas 76102
Attention: Corporate Trust Administration

The Company or the Trustee, by notice to the others may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to Holders) shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged, if telecopied; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Any notice or communication to a Holder shall be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery to its address shown on the register kept by the Registrar. Any notice or communication shall also be so mailed to any person described in TIA Section 313(c), to the extent required by the TIA. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

Except for a notice to the Trustee, which is deemed given only when received, and except as otherwise provided in this Indenture, if a notice or communication is mailed in the manner provided above within the time

prescribed, it is duly given, whether or not the addressee receives it.

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

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

Section 12.03. Communication by Holders of Notes with Other Holders of Notes.

Holders may communicate pursuant to TIA Section 312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

Section 12.04. Certificate and Opinion as to Conditions Precedent.

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

(a) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 12.05 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied; and

(b) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 12.05 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

Section 12.05. Statements Required in Certificate or Opinion.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA Section 314(a)(4)) shall comply with the provisions of TIA Section 314(e) and shall include:

(a) a statement that the person making such certificate or opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such person, he or she has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(d) a statement as to whether or not, in the opinion of such person, such condition or covenant has been satisfied.

Section 12.06. Rules by Trustee and Agents.

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

Section 12.07. No Personal Liability of Directors, Officers, Employees and Stockholders.

No recourse for the payment of the principal of, premium, if any, or interest or Liquidated Damages, if any, on any of the Notes, or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or of any Guarantor contained in this Indenture or in any of the Notes, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator or past, present or future director, officer, employee, controlling person or stockholder of the

Company or of any Guarantor. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the Commission that such a waiver is against public policy.

Section 12.08. Governing Law.

THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE AND THE NOTES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 12.09. No Adverse Interpretation of Other Agreements.

This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Company or its Subsidiaries or of any other person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

Section 12.10. Successors.

All agreements of the Company in this Indenture and the Notes shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

Section 12.11. Severability.

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 12.12. Counterpart Originals.

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

Section 12.13. Table of Contents, Headings, etc.

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

[Signatures on following page]

SIGNATURES

Dated as of December 4, 2002

WELLS FARGO BANK, N.A., as Trustee

By:

Name:
Title:

GRANT PRIDECO ESCROW CORP.

By:

Name:
Title:

S-1

EXHIBIT A
(Face of Note)

9% Senior Notes due 2009

CUSIP [ ]

No. 144A-1 $_____

GRANT PRIDECO ESCROW CORP.

promises to pay to Cede & Co. or registered assigns, the principal sum set forth in the Schedule of Increases and Decreases attached to this Security on December 15, 2009.

Interest Payment Dates: June 15 and December 15, commencing June 15, 2003.

Record Dates: June 1 and December 1.

GRANT PRIDECO ESCROW CORP.

By:

Name:
Title:

By:

Name:
Title:

This is one of the Global
Notes referred to in the

within-mentioned Indenture

WELLS FARGO BANK, N.A., as Trustee

By:

Authorized Signatory

Dated: [ ], 20[ ]

(Back of Note)

9% Senior Notes due 2009

[THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.07 OF THE INDENTURE, (II) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (III) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (IV) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.](a)

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH BELOW. BY ITS ACQUISITION

(a) Used on Global Note only.

HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT WITHIN TWO YEARS AFTER THE ORIGINAL ISSUANCE OF THIS NOTE RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO GRANT PRIDECO, INC. OR ANY SUBSIDIARY THEREOF, (B) INSIDE THE UNITED STATES TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) INSIDE THE UNITED STATES TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a)(1), (2), (3), OR (7) UNDER THE SECURITIES ACT (AN "ACCREDITED INVESTOR")) THAT, PRIOR TO SUCH TRANSFER, FURNISHES (OR HAS

FURNISHED ON ITS BEHALF BY A U.S. BROKER-DEALER) TO THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THIS NOTE (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE TRUSTEE FOR THIS NOTE), (D) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT (IF AVAILABLE), (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (F) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF GRANT PRIDECO, INC. SO REQUESTS), OR (G) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS NOTE WITHIN TWO YEARS AFTER THE ORIGINAL ISSUANCE OF THIS NOTE, IF THE PROPOSED TRANSFEREE IS AN ACCREDITED INVESTOR, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE TRUSTEE AND GRANT PRIDECO, INC. SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS EITHER OF THEM MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANING GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. INTEREST. Grant Prideco Escrow Corp., a Delaware corporation (the "Company"), promises to pay interest on the principal amount of this Note at 9% per annum until maturity and shall pay the Liquidated Damages, if any, payable pursuant to Section 4 of

the Registration Rights Agreement referred to below. The Company shall pay interest and Liquidated Damages, if any, semi-annually on June 15 and December 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each, an "Interest Payment Date"). Interest on the Notes shall accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including [ ], [ ]; provided, however, that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; provided, further, that the first Interest Payment Date shall be [ ], [ ]. The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at a rate that is 1% per annum in excess of the rate then in effect; it shall pay interest (including post-petition interest in any, proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages, if any (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

2. METHOD OF PAYMENT. The Company shall pay principal, premium, if any, interest and Liquidated Damages, if any, on the Notes to the persons who are registered Holders of Notes at the close of business on the June 1 or December 1 next preceding the interest payment date, even if such Notes are cancelled after such record date and on or before such interest payment date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes shall be payable by wire transfer of immediately available funds to the registered Holder of the relevant Global Note and, with respect to certificated Notes, by wire transfer of immediately available funds in accordance with instructions provided by the registered holders of certificated Notes or, if no such instructions are specified, by mailing a check to each such Holder's registered address. Such payment shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

3. PAYING AGENT AND REGISTRAR. Initially, Wells Fargo Bank,

N.A., the Trustee under the Indenture, shall act as Paying Agent and Registrar. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.

4. INDENTURE. The Company issued the Notes under an Indenture dated as of December 4, 2002 ("Indenture") between the Company and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code Sections 77aaa-77bbbb). The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling.

The Company may issue Additional Notes under the Indenture subject to compliance with Section 4.09 thereof, unlimited in aggregate principal amount.

5. OPTIONAL REDEMPTION. The Company may redeem any or all of the Notes at any time on or after December 15, 2006, upon not less than 30 nor more than 60 days' prior notice in amounts of $1,000 or an integral multiple thereof at the redemption prices (expressed as a percentage of the principal amount) set forth below, if redeemed during the 12-month period beginning December 15 of the years indicated below:

<Table>
<Caption>

Year	Redemption Price
<S>	<C>
2006	104.500%
2007	102.250%
2008 and thereafter	100.000%

</Table>

in each case together with accrued and unpaid interest and Liquidated Damages, if any, to the date of redemption.

If less than all the Notes are to be redeemed, the Trustee will select the particular Notes or portions thereof to be redeemed or purchased among the Holders of the Notes in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not so listed, on a pro rata basis, by lot or in accordance with any other method the Trustee considers fair and appropriate.

6. OPTIONAL REDEMPTION UPON EQUITY OFFERING. Following the Acquisition Closing Date, from time to time, on or prior to December 15, 2005, the Company may, at its option, use the net cash proceeds of one or more Equity Offerings to redeem up to 35% of the aggregate principal amount of the Notes issued under the Indenture at a redemption price equal to 109% of the principal amount thereof, plus accrued and unpaid interest thereon, if any, and Liquidated Damages, if any, to the date of redemption; provided that (a) at least 65% of the original principal amount of Notes issued under the Indenture shall remain outstanding immediately after any such redemption, and (b) the Company shall make such redemption not more than 90 days after the consummation of any such Equity Offering. If a partial redemption is made with the proceeds of an Equity Offering, selection of the Notes or portions thereof for redemption shall be made by the Trustee only on a pro rata basis or on as nearly a pro rata basis as is practicable (subject to the procedures of the Depository), unless such method is prohibited.

As used in the preceding paragraph, "Equity Offering" means any public or private sale of the Company's Equity Interests (other than Disqualified Stock.)

7. SPECIAL MANDATORY REDEMPTION. In the event that (a) the Acquisition and the Grant Prideco Assumption are not consummated on or prior to

(the "Deadline Date") or (b) the Acquisition Agreement is terminated on or prior to the Deadline Date for any reason, the Company shall redeem all the outstanding Notes at a redemption price equal to 101% of the initial offering price of the Notes plus accrued and unpaid interest to the Special Mandatory Redemption Date(a).

8. MANDATORY REDEMPTION. Except as set forth in paragraphs 7 and 9 below, the Company shall not be required to make mandatory redemption payments with respect to the Notes.

9. REPURCHASE AT OPTION OF HOLDER.

(a) Upon the occurrence of a Change of Control Triggering Event, each Holder shall have the right to require the Company to make an offer (a "Change of Control Offer") to each Holder to repurchase all or any part, equal to $1,000 or an integral multiple of $1,000, of the Holder's Notes at an offer price in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest and Liquidated Damages, if any, on Notes repurchased to the date fixed for repurchase (the "Change of Control Payment").

(b) If the Company or a Restricted Subsidiary consummates any Asset Sales, when the aggregate amount of Excess Proceeds exceeds $10.0 million in any calendar year, the Company shall make a pro rata offer to purchase (an "Asset Sale Offer") to all Holders of Notes and all holders of other Indebtedness that is pari passu with the Notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of Notes and such other pari passu Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other pari passu Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee shall select the Notes and such other pari passu Indebtedness to be purchased on a pro rata basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be deemed to have been reset at zero.

(a) Only applicable to Initial Notes issued on the Issue Date.

10. NOTICE OF REDEMPTION. Other than pursuant to paragraph 7 above, notice of redemption shall be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address. Notes and portions of Notes selected shall be in amounts of $1,000 or whole multiples of $1,000; except that if all of the Notes of a Holder are to be redeemed, the entire outstanding amount of Notes held by such Holder, even if not a multiple of $1,000, shall be redeemed. On and after the redemption date interest ceases to accrue on Notes, or portions thereof called for redemption.

11. DENOMINATIONS, TRANSFER, EXCHANGE. The Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Notes may be registered and Notes may be

exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Company need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding interest payment date.

12. PERSONS DEEMED OWNERS. The registered Holder of a Note may be treated as its owner for all purposes.

13. AMENDMENT, SUPPLEMENT AND WAIVER. Subject to certain exceptions, the Indenture or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes voting as a single class, and any existing default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes voting as a single class. Without the consent of any Holder of a Note, the Indenture or the Notes may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Company's obligations to Holders of the Notes in case of a merger or consolidation, or sale of substantially all of the Company's assets, to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights under the Indenture of any such Holder, or to comply with the requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act.

14. DEFAULTS AND REMEDIES. Events of Default include, in summary form: (a) default in the payment when due of principal of or premium, if any, on any Note when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise; (b) default in the payment when due of interest on, or Liquidated Damages with respect to, any

Note, and such default continues for a period of 30 days; (c) default in the performance or breach of the provisions by the Company or any of its Restricted Subsidiaries of 3.09, 4.07, 4.09 or Section 5.01 of the Indenture; (d) default in the performance by the Company or any of its Restricted Subsidiaries of Sections 4.15 or 4.16 of the Indenture, and such default continues for a period of 30 days after written notice; (e) default in the performance of or breaches any other covenant or agreement of the Company in the Indenture or under the Notes (other than a default specified in clause (a), (b), (c) or (d) above) by the Company or any of its Restricted Subsidiaries and such default or breach continues for a period of 60 days after written notice by the Trustee to the Company or by the Holders of 25% or more in aggregate principal amount of the Notes to the Company and the Trustee; (f) certain defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after the date of the Indenture; (g) default by the Company or any of its Subsidiaries in the payment of final judgments aggregating in excess of $10.0 million, which judgments are not paid, discharged or stayed for a period of 60 days; (h) except as permitted by the Indenture, any Subsidiary Guarantee shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or any Guarantor, or any person acting on behalf of any Guarantor, shall deny or disaffirm its obligations under its Subsidiary Guarantee; and (i) certain events of bankruptcy or insolvency with respect to the Company or any of its Restricted Subsidiaries. If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable, subject to certain conditions. Notwithstanding the foregoing, in the case of an Event of

Default arising from certain events of bankruptcy or insolvency, all outstanding Notes shall become due and payable without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest and premium, if any, on, or the principal of, the Notes. The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company is required upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

15. TRUSTEE DEALINGS WITH COMPANY. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the

Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not the Trustee.

16. NO RECOURSE AGAINST OTHERS. No recourse for the payment of the principal of, premium, if any, or interest or Liquidated Damages, if any, on any of the Notes, or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company contained in the Indenture or in any of the Notes, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator or past, present or future director, officer, employee, controlling person or stockholder of the Company. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

17. AUTHENTICATION. This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

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

19. ADDITIONAL RIGHTS OF HOLDERS OF RESTRICTED GLOBAL NOTES AND RESTRICTED DEFINITIVE NOTES. In addition to the rights provided to Holders of Notes under the Indenture, Holders of Restricted Global Notes and Restricted Definitive Notes shall have all the rights set forth in the Registration Rights Agreement dated as of [ ], [ ], between the parties named on the signature pages thereof, as such agreement may be amended, modified or supplemented from time to time (the "Registration Rights Agreement").

20. CUSIP NUMBERS. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

The Company shall furnish to any Holder upon written request and without charge a copy of the Indenture and/or the Registration Rights Agreement. Requests may be made to:

Grant Prideco, Inc.
1330 Post Oak Boulevard, Suite 2700

Houston, Texas 77056
Attention: Chief Financial Officer

ASSIGNMENT FORM

To assign this Note, fill in the form below: (I) or (we) assign and transfer this Note to

---

(Insert assignee's social security or tax I.D. no.)

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

and irrevocably appoint

---

to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date:

Your Signature:

(Sign exactly as your name appears on the face of this Note)

Signature Guarantee:

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Company pursuant to Section 4.15 or 4.16 of the Indenture, check the box below:

Section 4.15 Section 4.16

If you want to elect to have only part of the Note purchased by the Company pursuant to Section 4.15 or Section 4.16 of the Indenture, state the amount you elect to have purchased: $_____

Date:

Your Signature:

(Sign exactly as your name appears on the face of this Note)

Signature Guarantee:

Tax Identification No.:

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE

The initial principal amount of this Global Note is [ ] Million Dollars ($[ ]). The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, resulting in increases or decreases of the principal amount of this Global Note, have been made:

<Table>
<Caption>

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized officer of Trustee or Custodian
<S>	<C>	<C>	<C>	<C>

</Table>

EXHIBIT B

FORM OF CERTIFICATE OF TRANSFER

Grant Prideco, Inc.
1330 Post Oak Boulevard, Suite 2700
Houston, Texas 77056

Wells Fargo Bank, N.A.
505 Main Street, Suite 301
Forth Worth, Texas 76102

Re: 9% SENIOR NOTES DUE 2009 OF GRANT PRIDECO ESCROW CORP.

Reference is hereby made to the Indenture, dated as of December 4, 2002 (the "Indenture"), between Grant Prideco Escrow Corp., as issuer (the "Company"), and Wells Fargo Bank, N.A., as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____ (the "Transferor") owns and proposes to transfer the Note[s] or interest in such Note[s] specified in Annex A hereto, in the principal amount of $_____ in such Note[s] or interests (the

"Transfer"), to _____ (the "Transferee"), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

1. CHECK IF TRANSFEREE SHALL TAKE DELIVERY OF A BENEFICIAL INTEREST IN THE 144A GLOBAL NOTE OR A DEFINITIVE NOTE PURSUANT TO RULE 144A. The Transfer is being effected pursuant to and in accordance with Rule 144A under the United States Securities Act of 1933 (the "Securities Act"), and, accordingly, the Transferor hereby further certifies that the beneficial interest or Definitive Note is being transferred to a person that the Transferor reasonably believed and believes is purchasing the beneficial interest or Definitive Note for its own account, or for one or more accounts with respect to which such person exercises sole investment discretion, and such person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note shall be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the 144A Global Note or the Definitive Note and in the Indenture and the Securities Act.

2. CHECK IF TRANSFEREE SHALL TAKE DELIVERY OF A BENEFICIAL INTEREST IN THE REGULATION S GLOBAL NOTE OR A DEFINITIVE NOTE PURSUANT TO REGULATION S. The Transfer is being effected pursuant to and in accordance with Rule 904 under the Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor any person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (ii) no directed selling efforts have been made in contravention of the requirements of Rule 904(b) of Regulation S under the Securities Act, (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act and (iv) if the proposed transfer is being made prior to the expiration of the Restricted Period, the transfer is not being made to a U.S. person or for the account or benefit of a U.S. person (other than an Initial Purchaser). Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note shall be subject to the restrictions on Transfer enumerated in the Private Placement Legend printed on the Regulation S Global Note and/or the Definitive Note and in the Indenture and the Securities Act.

3. CHECK AND COMPLETE IF TRANSFEREE SHALL TAKE DELIVERY OF A BENEFICIAL INTEREST IN A DEFINITIVE NOTE PURSUANT TO ANY PROVISION OF THE SECURITIES ACT OTHER THAN RULE 144A OR REGULATION S. The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in Restricted Global Notes and Restricted Definitive Notes and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that (check one):

(a) such Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act;

or

(b) such Transfer is being effected to the Company or a subsidiary thereof;

or

(c) such Transfer is being effected pursuant to an effective registration statement under the Securities Act and in compliance with

the prospectus delivery requirements of the Securities Act;

or

(d) such Transfer is being effected to an Institutional Accredited Investor and pursuant to an exemption from the registration requirements of the Securities Act other than Rule 144A, Rule 144 or Rule 904, and the Transferor hereby further certifies that it has not engaged in any general solicitation within the meaning of Regulation D under the Securities Act and the Transfer complies with the transfer restrictions applicable to beneficial interests in a Restricted Global Note or Restricted Definitive Notes and the requirements of the exemption claimed, which certification is supported by (1) a certificate executed by the Transferee in the form of Exhibit D to the Indenture, and (2) an Opinion of Counsel provided by the Transferor or the Transferee (a copy of which the Transferor has attached to this certification), to the effect that such Transfer is in compliance with the Securities Act. Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note shall be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Definitive Notes and in the Indenture and the Securities Act.

5. CHECK IF TRANSFEREE SHALL TAKE DELIVERY OF A BENEFICIAL INTEREST IN AN UNRESTRICTED GLOBAL NOTE OR OF AN UNRESTRICTED DEFINITIVE NOTE.

(a) CHECK IF TRANSFER IS PURSUANT TO RULE 144. (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note shall no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(b) CHECK IF TRANSFER IS PURSUANT TO REGULATION S. (i) The Transfer is being effectED pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note shall no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(c) CHECK IF TRANSFER IS PURSUANT TO OTHER EXEMPTION. (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144, Rule 903 or Rule 904 and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private

Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note shall not be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes or Restricted Definitive Notes and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

[Insert Name of Transferor]

By:

Name:
Title:

Dated: , ----

ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following:

[CHECK ONE]

(a) a beneficial interest in the:

(i) 144A Global Note (CUSIP _____), or

(ii) Regulation S Global Note (CUSIP _____), or

(b) a Restricted Definitive Note.

2. After the Transfer the Transferee shall hold:

[CHECK ONE]

(a) a beneficial interest in the:

(i) 144A Global Note (CUSIP _____), or

(ii) Regulation S Global Note (CUSIP _____), or

(iii) Unrestricted Global Note (CUSIP _____); or

(b) a Restricted Definitive Note; or

(c) Unrestricted Definitive Note,

in accordance with the terms of the Indenture.

EXHIBIT C

FORM OF CERTIFICATE OF EXCHANGE

Grant Prideco, Inc.
1330 Post Oak Boulevard, Suite 2700
Houston, Texas 77056

Wells Fargo Bank, N.A.
505 Main Street, Suite 301
Forth Worth, Texas 76102

Re: 9% SENIOR NOTES DUE 2009 OF GRANT PRIDECO ESCROW CORP.

(CUSIP_____)

Reference is hereby made to the Indenture, dated as of December 4, 2002 (the "Indenture"), between Grant Prideco Escrow Corp., as issuer (the "Company"), and Wells Fargo Bank, N.A., as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____ (the "Owner") owns and proposes to exchange the Note[s] or interest in such Note[s] specified herein, in the principal amount of $_____ in such Note[s] or interests (the "Exchange"). In connection with the Exchange, the Owner hereby certifies that:

1. EXCHANGE OF RESTRICTED DEFINITIVE NOTES OR BENEFICIAL INTERESTS IN A RESTRICTED GLOBAL NOTE FOR UNRESTRICTED DEFINITIVE NOTES OR BENEFICIAL INTERESTS IN AN UNRESTRICTED GLOBAL NOTE

(a) CHECK IF EXCHANGE IS FROM BENEFICIAL INTEREST IN A RESTRICTED GLOBAL NOTE TO BENEFICIAL INTEREST IN AN UNRESTRICTED GLOBAL NOTE. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a beneficial interest in an Unrestricted Global Note in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Global Notes and pursuant to and in accordance with the United States Securities Act of 1933 (the "Securities Act"), (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest in an Unrestricted Global Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(b) CHECK IF EXCHANGE IS FROM BENEFICIAL INTEREST IN A RESTRICTED GLOBAL NOTE TO UNRESTRICTED DEFINITIVE NOTE. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(c) CHECK IF EXCHANGE IS FROM RESTRICTED DEFINITIVE NOTE TO BENEFICIAL INTEREST IN AN UNRESTRICTED GLOBAL NOTE. In connection with the Owner's Exchange of a Restricted Definitive Note for a beneficial interest in an Unrestricted Global Note, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain

compliance with the Securities Act and (iv) the beneficial interest is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(d) CHECK IF EXCHANGE IS FROM RESTRICTED DEFINITIVE NOTE TO UNRESTRICTED DEFINITIVE NOTE. In connection with the Owner's Exchange of a Restricted Definitive Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Unrestricted Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

2. EXCHANGE OF RESTRICTED DEFINITIVE NOTES OR BENEFICIAL INTERESTS IN RESTRICTED GLOBAL NOTES FOR RESTRICTED DEFINITIVE NOTES OR BENEFICIAL INTERESTS IN RESTRICTED GLOBAL NOTES

(a) CHECK IF EXCHANGE IS FROM BENEFICIAL INTEREST IN A RESTRICTED GLOBAL NOTE TO RESTRICTED DEFINITIVE NOTE. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a Restricted Definitive Note with an equal principal amount, the Owner hereby certifies that the Restricted Definitive Note is being

acquired for the Owner's own account without transfer. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the Restricted Definitive Note issued shall continue to be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Definitive Note and in the Indenture and the Securities Act.

(b) CHECK IF EXCHANGE IS FROM RESTRICTED DEFINITIVE NOTE TO BENEFICIAL INTEREST IN A RESTRICTED GLOBAL NOTE. In connection with the Exchange of the Owner's Restricted Definitive Note for a beneficial interest in the [CHECK ONE]

144A Global Note,

Regulation S Global Note,

with an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer and (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, and in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the beneficial interest issued shall be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the relevant Restricted Global Note and in the Indenture and the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

[Insert Name of Owner]

By:

Name:

Title:

Dated: , ----

EXHIBIT D

FORM OF CERTIFICATE FROM
ACQUIRING INSTITUTIONAL ACCREDITED INVESTOR

Grant Prideco, Inc.
1330 Post Oak Boulevard, Suite 2700
Houston, Texas 77056

Wells Fargo Bank, N.A.
505 Main Street, Suite 301
Forth Worth, Texas 76102

Re: 9% SENIOR NOTES DUE 2009

Reference is hereby made to the Indenture, dated as of December 4, 2002 (the "Indenture"), by and between Grant Prideco Escrow Corp. as issuer (the "Company"), and Wells Fargo Bank, N.A., as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

In connection with our proposed purchase of $_____ aggregate principal amount of:

(a) a beneficial interest in a Global Note, or

(b) a Definitive Note,

we confirm that:

1. We understand that any subsequent transfer of the Notes or any interest therein is subject to certain restrictions and conditions set forth in the Indenture and the undersigned agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes or any interest therein except in compliance with, such restrictions and conditions and the United States Securities Act of 1933, as amended (the "Securities Act").

2. We understand that the offer and sale of the Notes have not been registered under the Securities Act, and that the Notes and any interest therein may not be offered or sold except as permitted in the following sentence. We agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, that if we should sell the Notes or any interest therein, we will do so only (A) to the Company or any subsidiary thereof, (B) in accordance with Rule 144A under the Securities Act to a "qualified institutional buyer" (as defined therein), (C) to an institutional "accredited investor" (as defined below) that, prior

to such transfer, furnishes (or has furnished on its behalf by a U.S. broker-dealer) to you and to the Company a signed letter substantially in the form of this letter, (D) outside the United States in accordance with Rule 904 of Regulation S under the Securities Act, (E) pursuant to the provisions of Rule 144(k) under the Securities Act or (F) pursuant to an effective registration statement under the Securities Act, and we further agree to provide to any person purchasing the Definitive Note or beneficial interest in a Global Note from the Company in a transaction meeting the requirements of clauses (A) through (E) of this paragraph a notice advising such purchaser that resales

thereof are restricted as stated herein.

3. We understand that, on any proposed resale of the Notes or beneficial interest therein, we will be required to furnish to you and the Company such certifications, legal opinions and other information as you and the Company may reasonably require to confirm that the proposed sale complies with the foregoing restrictions. We further understand that the Notes purchased by the Company will bear a legend to the foregoing effect.

4. We are an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act) and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Notes, and we and any accounts for which we are acting are each able to bear the economic risk of our or its investment.

5. We are acquiring the Notes or beneficial interest therein purchased by the Company for our own account or for one or more accounts (each of which is an institutional "accredited investor") as to each of which we exercise sole investment discretion.

You and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

[Insert Name of Accredited Investor]

By:

Name:

Title:

Dated: , ----

EXHIBIT E

GUARANTEE

For value received, [each of] the undersigned hereby unconditionally guarantees, as principal obligor and not only as a surety, to the Holder of this Note the cash payments in United States dollars of principal of, and premium, if any, and interest on, this Note (and including Liquidated Damages payable thereon) in the amounts and at the times when due and interest on the overdue principal, premium, if any, and interest, if any, of this Note, if lawful, and the payment or performance of all other Obligations of the Company under the Indenture (as defined below) or the Note, to the Holder of this Note and the Trustee, all in accordance with and subject to the terms and limitations of this Note, Article 8 of the Indenture and this Guarantee. This Guarantee will become effective in accordance with Article 8 of the Indenture and its terms shall be evidenced therein. The validity and enforceability of this Guarantee shall not be affected by the fact that it is not affixed to any particular Note. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Indenture dated as of December 4, 2002, among Grant Prideco, Inc., a Delaware corporation, as issuer (the "Company"), each of the Guarantors named therein and Wells Fargo Bank, N.A., as trustee (the "Trustee") (as amended or supplemented, the "Indenture").

THIS GUARANTEE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Each Guarantor hereby agrees to submit to the jurisdiction of the courts of the State of New York in any action or proceeding arising out of or relating to this Guarantee.

This Guarantee is subject to release upon the terms set forth in the Indenture.

[GUARANTOR(S)]

By:

Name:
Title:

SUPPLEMENTAL INDENTURE

SUPPLEMENTAL INDENTURE, dated as of December 20, 2002, among GRANT PRIDECO, INC., a Delaware corporation ("Grant Prideco"), and GRANT PRIDECO ESCROW CORP., a Delaware corporation ("Grant Prideco Escrow Corp."), and XL SYSTEMS INTERNATIONAL, INC., a Delaware corporation, GP EXPATRIATE SERVICES, INC., a Delaware corporation, GRANT PRIDECO HOLDING, LLC, a Delaware limited liability company, XL SYSTEMS, L.P., a Texas limited partnership, GRANT PRIDECO, L.P., a Delaware limited partnership, PLEXUS DEEPWATER TECHNOLOGIES LTD., a Texas limited partnership, GRANT PRIDECO PC COMPOSITES HOLDINGS, LLC, a Delaware limited liability company, STAR OPERATING COMPANY, a Delaware corporation, TA INDUSTRIES, INC., a Delaware corporation, TUBE ALLOY CAPITAL CORPORATION, a Texas corporation, TUBE ALLOY CORPORATION, a Louisiana corporation, TEXAS ARAI, INC., a Delaware corporation, INTELLIPIPE, INC., a Delaware corporation, GRANT PRIDECO MARINE PRODUCTS AND SERVICES INTERNATIONAL INC., a Delaware corporation, REED-HYCALOG INTERNATIONAL HOLDING, LLC, a Delaware limited liability company, REED-HYCALOG NORWAY, LLC, a Delaware limited liability company, REED-HYCALOG COLOMBIA, LLC, a Delaware limited liability company, GRANT PRIDECO USA, LLC, a Delaware limited liability company, GP USA HOLDING, LLC, a Delaware limited liability company, GRANT PRIDECO FINANCE, LLC, a Delaware limited liability company, GRANT PRIDECO EUROPEAN HOLDING LLC, a Delaware limited liability company, and REED-HYCALOG RUSSIA LLC, a Delaware limited liability company (each a "Guarantor" and collectively, the "Guarantors"), and Wells Fargo Bank, N.A., as trustee under the Indenture referred to below (the "Trustee").

WITNESSETH:

WHEREAS, Grant Prideco Escrow Corp. and the Trustee heretofore executed and delivered an Indenture, dated as of December 4, 2002 (as heretofore amended and supplemented, the "Indenture"), providing for the issuance of the 9% Senior Notes due 2009 (the "Securities") (capitalized terms used herein but not otherwise defined have the meanings ascribed thereto in the Indenture);

WHEREAS, in connection with the consummation of Grant Prideco's acquisition of Reed-Hycalog, Grant Prideco Escrow Corp. will merge (the "Merger") with and into Grant Prideco;

WHEREAS, Section 5.02 of the Indenture provides that upon the execution and delivery by Grant Prideco to the Trustee of this Supplemental Indenture, Grant Prideco shall be the successor Company under the Indenture and the Securities and shall succeed to, and be substituted for, and may exercise every right and power of, Grant Prideco Escrow Corp. under the

Indenture and the Securities and Grant Prideco Escrow Corp. shall be discharged from all obligations and covenants under the Indenture and the Securities;

WHEREAS, Section 8.02 of the Indenture provides that upon execution and delivery by each of the Guarantors to the Trustee of this Supplemental Indenture and a Guarantee attached to the Indenture, the Guarantors shall each be a Guarantor under the Indenture and the Securities;

WHEREAS, Section 10.01(c) of the Indenture provides that the Company and the Trustee may amend the Indenture and the Securities without notice to or consent of any Holders of the Securities in order to comply with Article 5 of the Indenture; and

WHEREAS, the Registration Rights Agreement, dated as of December 4, 2002, by and among the parties named on the signature pages thereof and Deutsche Bank Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as initial purchasers (the "Registration Rights Agreement"), provides that upon execution and delivery by each of the Guarantors that are not parties to the Registration Rights Agreement to the Trustee of this Supplemental Indenture, such Guarantors shall each become parties thereto;

WHEREAS, this Supplemental Indenture has been duly authorized by all necessary corporate action on the part of each of Grant Prideco, Grant Prideco Escrow Corp. and the Guarantors.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt of which is hereby acknowledged, Grant Prideco, Grant Prideco Escrow Corp., the Guarantors and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders as follows:

ARTICLE I

Assumption by Successor Company

Section 1.1. Assumption of the Securities. Grant Prideco hereby expressly assumes and agrees promptly to pay, perform and discharge when due each and every debt, obligation, covenant and agreement incurred, made or to be paid, performed or discharged by Grant Prideco Escrow Corp. under the Indenture and the Securities.

Grant Prideco hereby agrees to be bound by all the terms, provisions and conditions of the Indenture and the Securities and that it shall be the successor Company and shall succeed to, and be substituted for, and may exercise every right and power of, Grant Prideco Escrow Corp., as the predecessor Company, under the Indenture and the Securities.

Each of the Guarantors hereby agrees to guarantee the obligations of Grant Prideco being assumed pursuant to the terms of this Supplemental Indenture.

Section 1.2. Discharge of Grant Prideco Escrow Corp. After giving effect to the Merger and the execution of this Supplemental Indenture by Grant Prideco, Grant Prideco Escrow Corp. is hereby expressly discharged from all debts, obligations, covenants and agreements under the Indenture and the Securities.

Section 1.3. Trustee's Acceptance. The Trustee hereby accepts this Supplemental Indenture and agrees to perform the same under the terms and conditions set forth in the Indenture.

ARTICLE II

Miscellaneous

Section 2.1. Effect of Supplemental Indenture. Upon the execution and delivery of this Supplemental Indenture by Grant Prideco, Grant Prideco Escrow Corp., the Guarantors and the Trustee, (i) the Indenture shall be supplemented in accordance herewith, and this Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder of Securities heretofore or hereafter authenticated and delivered under the Indenture shall be bound thereby and (ii) each of Grant Prideco and the Guarantors acknowledges that for the purposes of the Registration Rights Agreement the definition of "Guarantors" shall include each of the Guarantors that executes this Supplemental Indenture and any future supplemental indenture pursuant to which such entity agrees to guarantee the Notes and all provisions of the Registration Rights Agreement shall remain in full force and effect.

Section 2.2. Indenture Remains in Full Force and Effect. Except as supplemented hereby, all provisions in the Indenture shall remain in full force and effect.

Section 2.3. Indenture and Supplemental Indenture Construed Together. This Supplemental Indenture is an indenture supplemental to and in implementation of the Indenture, and the Indenture and this Supplemental Indenture shall henceforth be read and construed together.

Section 2.4. Confirmation and Preservation of Indenture. The Indenture as supplemented by this Supplemental Indenture is in all respects confirmed and preserved.

Section 2.5. Conflict with Trust Indenture Act. If any provision of this Supplemental Indenture limits, qualifies or conflicts with any provision of the TIA that is required under the TIA to be part of and govern any provision of this Supplemental Indenture, the provision

of the TIA shall control. If any provision of this Supplemental Indenture modifies or excludes any provision of the TIA that may be so modified or excluded, the provision of the TIA shall be deemed to apply to the Indenture as so modified or to be excluded by this Supplemental Indenture, as the case may be.

Section 2.6. Severability. In case any provision in this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 2.7. Benefits of Supplemental Indenture. Nothing in this Supplemental Indenture or the Securities, express or implied, shall give to any Person, other than the parties hereto and thereto and their successors hereunder and thereunder and the Holders of the Securities, any benefit of any legal or equitable right, remedy or claim under the Indenture, this Supplemental Indenture or the Securities.

Section 2.8. Successors. All agreements of Grant Prideco and the Guarantors in this Supplemental Indenture shall bind their respective successors. All agreements of the Trustee in this Supplemental Indenture shall bind its successors.

Section 2.9. Certain Duties and Responsibilities of the Trustee. In entering into this Supplemental Indenture, the Trustee shall be entitled to the benefit of every provision of the Indenture and the Securities relating to the conduct or affecting the liability or affording protection to the Trustee, whether or not elsewhere herein so provided.

Section 2.10. Governing Law. This Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the State of New York but without giving effect to applicable principles of conflicts of law to the extent that the application of the laws of another jurisdiction would be required thereby.

Section 2.11. Multiple Originals. The parties may sign any number of copies of this Supplemental Indenture, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 2.12. Headings. The Article and Section headings herein are inserted for convenience of reference only, are not intended to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

Section 2.13. The Trustee. The Trustee shall not be responsible in any manner for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which

are made by Grant Prideco, Grant Prideco Escrow Corp. and the Guarantors.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first written above.

GRANT PRIDECO, INC.

By:

Name: Philip A. Choyce
Title: Vice President, General Counsel and Secretary

GRANT PRIDECO ESCROW CORP.

By:

Name: Philip A. Choyce
Title: Vice President and Secretary

XL SYSTEMS, L.P.
By Grant Prideco Holding, LLC, its general partner
GRANT PRIDECO, L.P.
By Grant Prideco Holding, LLC, its general partner
PLEXUS DEEPWATER TECHNOLOGIES LTD.
By Grant Prideco Holding, LLC, its general partner
XL SYSTEMS INTERNATIONAL, INC.
GP EXPATRIATE SERVICES, INC.
GRANT PRIDECO HOLDING, LLC
GRANT PRIDECO PC COMPOSITES HOLDINGS, LLC
STAR OPERATING COMPANY
TA INDUSTRIES, INC.
TUBE ALLOY CAPITAL CORPORATION
TUBE ALLOY CORPORATION
TEXAS ARAI, INC.

INTELLIPIPE, INC.
GRANT PRIDECO MARINE PRODUCTS AND SERVICES INTERNATIONAL INC.
REED-HYCALOG INTERNATIONAL HOLDING, LLC
REED-HYCALOG NORWAY, LLC
REED-HYCALOG COLOMBIA, LLC
REED-HYCALOG RUSSIA, LLC

By: _____
Name: Philip A. Choyce
Title: Vice President and Secretary

GRANT PRIDECO USA, LLC
GP USA HOLDING, LLC
GRANT PRIDECO FINANCE, LLC
GRANT PRIDECO EUROPEAN HOLDING, LLC

By: _____
Name: Dave Weigel
Title: Vice President

WELLS FARGO BANK, N.A.,
as Trustee

By: _____
Name:
Title:

EXHIBIT 4.5

REGISTRATION RIGHTS AGREEMENT

Dated as of December 4, 2002

Among

GRANT PRIDECO, INC.

and

THE GUARANTORS NAMED HEREIN

as Issuers,

and

DEUTSCHE BANK SECURITIES INC.

and

MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

as Initial Purchasers

9% Senior Notes due 2009

TABLE OF CONTENTS

<Table>
<Caption>

</Table>

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is dated as of December 4, 2002, by and among GRANT PRIDECO, INC., a Delaware corporation ("Grant Prideco"), the subsidiaries of Grant Prideco that are listed on the signature page hereto (collectively, and together with an entity that in the future executes a supplemental indenture pursuant to which such entity agrees to guarantee the Notes (as defined herein), the "Guarantors" and, together with Grant Prideco, the "Issuers") and DEUTSCHE BANK SECURITIES INC. and MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED as the initial purchasers (the "Initial Purchasers").

This Agreement is entered into in connection with the Purchase Agreement by and among GRANT PRIDECO ESCROW CORP., a Delaware corporation (the "Company"), Grant Prideco and the Initial Purchasers, dated as of November 25, 2002 (the "Purchase Agreement"), which provides for, among other things, the sale by the Company to the Initial Purchasers of $175,000,000 aggregate principal amount of the Company's 9% Senior Notes due 2009 (the "Notes"). The Notes are being sold in connection with the consummation of Grant Prideco's acquisition (the "Acquisition") of substantially all of the assets and business operations of Reed-Hycalog ("Reed"), which assets and operations comprise the drill bits business of, and are wholly-owned by, Schlumberger Technology Corporation ("Schlumberger"), pursuant to an acquisition agreement by and between Schlumberger and Grant Prideco, dated as of October 25, 2002 (the "Acquisition Agreement"). In connection with the consummation of the Acquisition, the Company will merge with and into Grant Prideco , and Grant Prideco will, as described in the Offering Memorandum (as defined herein), assume the obligations of the Company under the Notes and the related Indenture (as defined herein) (the "Grant Prideco Assumption"). Upon consummation of the Grant Prideco Assumption, the Guarantors will guarantee (the "Guarantees") Grant Prideco's obligations under the Notes and the Indenture (as defined herein).

The Notes and Guarantees are collectively referenced to herein as the "Securities". In order to induce the Initial Purchasers to enter into the Purchase Agreement, the Issuers have agreed to provide the registration rights set forth in this Agreement for the benefit of the Initial Purchasers and any subsequent holder or holders of the Securities. The execution and delivery of this Agreement is a condition to the Initial Purchasers' obligation to purchase the Notes under the Purchase Agreement.

The parties hereby agree as follows:

1. Definitions

As used in this Agreement, the following terms shall have the following meanings:

Acquisition Agreement: See introductory paragraph hereto.

Acquisition Date: The date on which Grant Prideco assumes substantially all of the assets of and business operations of Reed, from Schlumberger pursuant to the Acquisition Agreement.

Additional Interest: See Section 4(a) hereof.

Advice: See the last paragraph of Section 5 hereof.

Agreement: See the introductory paragraphs hereto.

Applicable Period: See Section 2(b) hereof.

Assumption Agreement: The Assumption Agreement, including the related supplemental indentures, to be dated as of the Acquisition Date by and among Grant Prideco, the Company and the Guarantors pursuant to which Grant Prideco will assume, among other things, the obligations of the Company under the Notes and the Indenture, and the Guarantors will guarantee Grant Prideco's obligations under the Notes and the Indenture.

Business Day: Any day that is not a Saturday, Sunday or a day on which banking institutions in New York are authorized or required by law to be closed.

Company: See the introductory paragraphs hereto.

Effectiveness Date: With respect to (i) the Exchange Offer Registration Statement, the 150th day after the Acquisition Date and (ii) any Shelf Registration Statement, the 90th day after the Filing Date with respect thereto; provided, however, that if the Effectiveness Date would otherwise fall on a day that is not a Business Day, then the Effectiveness Date shall be the next succeeding Business Day.

Effectiveness Period: See Section 3(a) hereof.

Event Date: See Section 4 hereof.

Exchange Act: The Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

Exchange Notes: See Section 2(a) hereof.

Exchange Offer: See Section 2(a) hereof.

Exchange Offer Registration Statement: See Section 2(a) hereof.

Filing Date: (A) If no Registration Statement has been filed by the Issuers pursuant to this Agreement, the 60th day after the Acquisition Date; and (B) in any other case (which may be applicable notwithstanding the consummation of the Exchange Offer), the 60th day after the delivery of a Shelf Notice as required pursuant to Section 2(c) hereof; provided, however, that if the Filing Date would otherwise fall on a day that is not a Business Day, then the Filing Date shall be the next succeeding Business Day.

Grant Prideco: see the introductory paragraphs hereto.

Guarantees: See the introductory paragraphs hereto.

Guarantors: See the introductory paragraphs hereto.

Holder: Any holder of a Registrable Note or Registrable Notes.

Indenture: The Indenture, dated as of December 4, 2002, by and between the Company and Wells Fargo Bank, N.A., as Trustee, pursuant to which the Notes are being issued, as amended or supplemented from time to time in accordance with the terms thereof.

Information: See Section 5(o) hereof.

Initial Purchasers: See the introductory paragraphs hereto.

Initial Shelf Registration: See Section 3(a) hereof.

Inspectors: See Section 5(o) hereof.

Issue Date: December 4, 2002, the date of original issuance of the Notes.

Issuers: See the introductory paragraphs hereto.

NASD: See Section 5(s) hereof.

Notes: See the introductory paragraphs hereto.

Offering Memorandum: The final offering memorandum describing the business and operations of the Company and the Issuers dated November 25, 2002 in respect of the offering of the Notes.

Participant: See Section 7(a) hereof.

Participating Broker-Dealer: See Section 2(b) hereof.

Person: An individual, trustee, corporation, partnership, limited liability company, joint stock company, trust, unincorporated association, union, business association, firm or other legal entity.

Private Exchange: See Section 2(b) hereof.

Private Exchange Notes: See Section 2(b) hereof.

Prospectus: The prospectus included in any Registration Statement (including, without limitation, any prospectus subject to completion and a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A under the Securities Act and any term sheet filed pursuant to Rule 434 under the Securities Act), as amended or supplemented by any prospectus supplement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

Purchase Agreement: See the introductory paragraphs hereof.

Records: See Section 5(o) hereof.

Registrable Notes: Each Note (and the related Guarantees) upon its original issuance and at all times subsequent thereto, each Exchange Note (and the related guarantees) as to which Section 2(c)(iv) hereof is applicable upon original issuance and at all times subsequent thereto and each Private Exchange Note (and the related guarantees) upon original issuance thereof and at all times subsequent thereto, until, in each case, the earliest to occur of (i) a Registration Statement (other than, with respect to any Exchange Note as to which Section 2(c)(iv) hereof is applicable, the Exchange Offer Registration Statement) covering such Note, Exchange Note or Private Exchange Note (and the related guarantees) has been declared effective by the SEC and such Note, Exchange Note or such Private Exchange Note (and the related guarantees), as the case may be, has been disposed of in accordance with such effective Registration Statement, (ii) such Note has been exchanged pursuant to the Exchange Offer for an Exchange Note or Exchange Notes (and the related guarantees) that may be resold without restriction under state and federal securities laws, (iii) such Note, Exchange Note or

Private Exchange Note (and the related guarantees), as the case may be, ceases to be outstanding for purposes of the Indenture or (iv) such Note, Exchange Note or Private Exchange Note (and the related guarantees), as the case may be, may be resold without restriction pursuant to Rule 144(k) (as amended or replaced) under the Securities Act.

Registration Statement: Any registration statement of the Issuers that covers any of the Notes, the Exchange Notes or the Private Exchange Notes (including the related guarantees) filed with the SEC under the Securities Act, including the Prospectus, amendments and supplements to such registration

statement, including post-effective amendments, all exhibits, and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

Rule 144: Rule 144 under the Securities Act.

Rule 144A: Rule 144A under the Securities Act.

Rule 405: Rule 405 under the Securities Act.

Rule 415: Rule 415 under the Securities Act.

Rule 424: Rule 424 under the Securities Act.

SEC: The U.S. Securities and Exchange Commission.

Securities: See the introductory paragraphs hereto.

Securities Act: The Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

Shelf Notice: See Section 2(c) hereof.

Shelf Registration: See Section 3(b) hereof.

Shelf Registration Statement: Any Registration Statement relating to a Shelf Registration.

Subsequent Shelf Registration: See Section 3(b) hereof.

TIA: The Trust Indenture Act of 1939, as amended.

Trustee: The trustee under the Indenture and the trustee (if any) under any indenture governing the Exchange Notes and Private Exchange Notes (and the related guarantees).

underwritten registration or underwritten offering: A registration in which securities of one or more of the Issuers are sold to an underwriter for reoffering to the public.

Except as otherwise specifically provided, all references in this Agreement to acts, laws, statutes, rules, regulations, releases, forms, no-action letters and other regulatory requirements (collectively, "Regulatory Requirements") shall be deemed to refer also to any amendments thereto and all subsequent Regulatory Requirements adopted as a replacement thereto having substantially the same effect therewith; provided that Rule 144 shall not be deemed to amend or replace Rule 144A.

2. Exchange Offer

(a) Unless the Exchange Offer would violate applicable law or any applicable interpretation of the staff of the SEC, the Issuers shall file with the SEC, no later than the Filing Date, a Registration Statement (the "Exchange Offer Registration Statement") on an appropriate registration form with respect to a registered offer (the "Exchange Offer") to exchange any and all of the Registrable Notes for a like aggregate principal amount of debt securities of Grant Prideco, guaranteed by the Guarantors, that are identical in all material respects to the Securities (the "Exchange Notes"), except that (i) the Exchange Notes shall contain no restrictive legend thereon and (ii) interest thereon shall accrue from the last date on which interest was paid on the Notes or, if no such interest has been paid, from the Issue Date, and which are entitled to the benefits of the Indenture or a trust indenture which is identical in all material respects to the Indenture (other than such changes to the Indenture or any such identical trust indenture as are necessary to comply with the TIA) and which, in either case, has been qualified under the TIA. The Exchange Offer shall comply with all applicable tender offer rules and regulations under the Exchange Act and other applicable laws. The Issuers shall

use their reasonable best efforts to (x) cause the Exchange Offer Registration Statement to be declared effective under the Securities Act on or before the Effectiveness Date; (y) keep the Exchange Offer open for at least 30 days (or longer if required by applicable law) after the date that notice of the Exchange Offer is mailed to Holders; and (z) consummate the Exchange Offer on or prior to the 195th day following the Acquisition Date.

Each Holder (including, without limitation, each Participating Broker-Dealer) who participates in the Exchange Offer will be required to represent to the Issuers in writing (which may be contained in the applicable letter of transmittal) that: (i) any Exchange Notes acquired in exchange for Registrable Notes tendered are being acquired in the ordinary course of business of the Person receiving such Exchange Notes, whether or not such recipient is such Holder itself; (ii) at the time of the commencement or consummation of the Exchange Offer neither such Holder nor, to the actual knowledge of such Holder, any other Person receiving Exchange Notes from such Holder has an arrangement or understanding with any Person to participate in the distribution of the Exchange Notes in violation of the provisions of

the Securities Act; (iii) neither the Holder nor, to the actual knowledge of such Holder, any other Person receiving Exchange Notes from such Holder is an "affiliate" (as defined in Rule 405) of Grant Prideco or, if it is an affiliate of Grant Prideco, it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable and will provide information to be included in the Shelf Registration Statement in accordance with Section 5 hereof in order to have their Notes included in the Shelf Registration Statement and benefit from the provisions regarding Additional Interest in Section 4 hereof; (iv) neither such Holder nor, to the actual knowledge of such Holder, any other Person receiving Exchange Notes from such Holder is engaging in or intends to engage in a distribution of the Exchange Notes; and (v) if such Holder is a Participating Broker-Dealer, such Holder has acquired the Registrable Notes as a result of market-making activities or other trading activities and that it will comply with the applicable provisions of the Securities Act (including, but not limited to, the prospectus delivery requirements thereunder).

Upon consummation of the Exchange Offer in accordance with this Section 2, the provisions of this Agreement shall continue to apply, mutatis mutandis, solely with respect to Registrable Notes that are Private Exchange Notes, Exchange Notes as to which Section 2(c)(iv) is applicable and Exchange Notes held by Participating Broker-Dealers, and the Issuers shall have no further obligation to register Registrable Notes (other than Private Exchange Notes and Exchange Notes as to which clause 2(c)(iv) hereof applies) pursuant to Section 3 hereof.

No securities other than the Exchange Notes shall be included in the Exchange Offer Registration Statement.

(b) The Issuers shall include within the Prospectus contained in the Exchange Offer Registration Statement a section entitled "Plan of Distribution," reasonably acceptable to the Initial Purchasers which shall contain a summary statement of the positions taken or policies made by the staff of the SEC with respect to the potential "underwriter" status of any broker-dealer that is the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of Exchange Notes received by such broker-dealer in the Exchange Offer (a "Participating Broker-Dealer"), whether such positions or policies have been publicly disseminated by the staff of the SEC or such positions or policies represent the prevailing views of the staff of the SEC. Such "Plan of Distribution" section shall also expressly permit, to the extent permitted by applicable policies and regulations of the SEC, the use of the Prospectus by all Persons subject to the prospectus delivery requirements of the Securities Act, including, to the extent permitted by applicable policies and regulations of the SEC, all Participating Broker-Dealers, and include a statement describing the means by which Participating Broker-Dealers may resell the Exchange Notes in compliance with the Securities Act.

The Issuers shall use their reasonable best efforts to keep the Exchange Offer Registration Statement effective and to amend and supplement the Prospectus contained therein in order to permit such Prospectus to be lawfully delivered by all Persons subject to the prospectus delivery requirements of the Securities Act for such period of time as is necessary to comply with applicable law in connection with any resale of the Exchange Notes; provided, however, that such period shall not be required to exceed 180 days or such longer period if extended pursuant to the last paragraph of Section 5 hereof (the "Applicable Period").

If, prior to consummation of the Exchange Offer, the Initial Purchasers hold any Securities acquired by them that have the status of an unsold allotment in the initial distribution, the Issuers upon the request of the Initial Purchasers shall simultaneously with the delivery of the Exchange Notes issue and deliver to the Initial Purchasers, in exchange (the "Private Exchange") for such Securities held by any such Holder, a like principal amount of notes (the "Private Exchange Notes") of the Issuers, guaranteed by the Guarantors, that are identical in all material respects to the Exchange Notes except for the placement of a restrictive legend on such Private Exchange Notes. The Private Exchange Notes shall be issued pursuant to the same indenture as the Exchange Notes and bear the same CUSIP number as the Exchange Notes.

In connection with the Exchange Offer, the Issuers shall:

(1) mail, or cause to be mailed, to each Holder of record entitled to participate in the Exchange Offer a copy of the Prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(2) use their reasonable best efforts to keep the Exchange Offer open for not less than 30 days after the date that notice of the Exchange Offer is mailed to Holders (or longer if required by applicable law);

(3) utilize the services of a depositary for the Exchange Offer with an address in the Borough of Manhattan, The City of New York;

(4) permit Holders to withdraw tendered Securities at any time prior to the close of business, New York time, on the last Business Day on which the Exchange Offer remains open; and

(5) otherwise comply in all material respects with all applicable laws, rules and regulations.

As soon as practicable after the close of the Exchange Offer and the Private Exchange, if any, the Issuers shall:

(1) accept for exchange all Registrable Notes validly tendered and not validly withdrawn pursuant to the Exchange Offer and the Private Exchange, if any;

(2) deliver to the Trustee for cancellation all Registrable Notes so accepted for exchange; and

(3) cause the Trustee to authenticate and deliver promptly to each Holder of Securities, Exchange Notes or Private Exchange Notes, as the case may be, equal in principal amount to the Securities of such Holder so accepted for exchange; provided that, in the case of any Securities held in global form by a depositary, authentication and delivery to such depositary of one or more replacement Securities in global form in an equivalent principal amount thereto for the account of such Holders in accordance with the Indenture shall satisfy such authentication and delivery requirement.

The Exchange Offer and the Private Exchange shall not be subject to any conditions, other than that (i) the Exchange Offer or Private Exchange, as the case may be, does not violate applicable law or any applicable interpretation of the staff of the SEC; (ii) no action or proceeding shall have been instituted or threatened in any court or by any governmental agency which might materially impair the ability of the Issuers to proceed with the Exchange Offer or the Private Exchange, and no material adverse development shall have occurred in any existing action or proceeding with respect to the Issuers; and (iii) all governmental approvals shall have been obtained, which approvals the Issuers deem necessary for the consummation of the Exchange Offer or Private Exchange.

The Exchange Notes and the Private Exchange Notes shall be issued under (i) the Indenture or (ii) an indenture identical in all material respects to the Indenture and which, in either case, has been qualified under the TIA or is exempt from such qualification and shall provide that the Exchange Notes shall not be subject to the transfer restrictions set forth in the Indenture. The Indenture or such indenture shall provide that the Exchange Notes, the Private Exchange Notes and the Notes shall vote and consent together on all matters as one class and that none of the Exchange Notes, the Private Exchange Notes or the Notes will have the right to vote or consent as a separate class on any matter.

(c) If, (i) because of any change in law or in currently prevailing interpretations of the staff of the SEC, the Issuers are not permitted to effect the Exchange Offer, (ii) the Exchange Offer is not consummated within 195 days of the Acquisition Date, (iii) the Initial Purchasers or any holder of Private Exchange Notes so requests in writing to Grant Prideco at any time after the consummation of the Exchange Offer, or (iv) in the case of any Holder that participates in the Exchange Offer, such Holder does not receive Exchange Notes on the date of the exchange that may be sold without restriction under state and federal securities laws (other than due solely to the status of such Holder

as an affiliate of the Issuers within the meaning of the Securities Act) and so notifies Grant Prideco, within 30 days after such Holder first becomes aware of such restrictions, in the case of each of clauses (i) to and including (iv) of this sentence, then the Issuers shall promptly deliver to the Holders and the Trustee written notice thereof (the "Shelf Notice") and shall file a Shelf Registration pursuant to Section 3 hereof.

3. Shelf Registration

If at any time a Shelf Notice is delivered as contemplated by Section 2(c) hereof, then:

(a) Shelf Registration. The Issuers shall as promptly as practicable file with the SEC a Registration Statement for an offering to be made on a continuous basis pursuant to Rule 415 covering all of the Registrable Notes (the "Initial Shelf Registration"). The Issuers shall use their reasonable best efforts to file with the SEC the Initial Shelf Registration on or prior to the applicable Filing Date. The Initial Shelf Registration shall be on Form S-1 or another appropriate form permitting registration of such Registrable Notes for resale by Holders in the manner or manners designated by them (including, without limitation, one or more underwritten offerings). The Issuers shall not permit any securities other than the Registrable Notes and the Guarantees to be included in the Initial Shelf Registration or any Subsequent Shelf Registration (as defined below).

The Issuers shall use their reasonable best efforts to cause the Shelf Registration to be declared effective under the Securities Act on or prior to the Effectiveness Date and to keep the Initial Shelf Registration continuously effective under the Securities Act until the date that is two years from the Issue Date or such shorter period ending when all Registrable Notes covered by the Initial Shelf

Registration have been sold in the manner set forth and as contemplated in the Initial Shelf Registration or, if applicable, a Subsequent Shelf Registration (the "Effectiveness Period"); provided, however, that the Effectiveness Period in respect of the Initial Shelf Registration shall be extended to the extent required to permit dealers to comply with the applicable prospectus delivery requirements of Rule 174 under the Securities Act and as otherwise provided herein and shall be subject to reduction to the extent that the applicable provisions of Rule 144(k) are amended or revised to reduce the two year holding period set forth therein.

(b) Withdrawal of Stop Orders; Subsequent Shelf Registrations. If the Initial Shelf Registration or any Subsequent Shelf Registration ceases to be effective for any reason at any time during the Effectiveness Period (other than because of the sale of all of the securities registered thereunder), the Issuers shall use their reasonable best efforts to obtain the prompt withdrawal of any order suspending the effectiveness thereof, and in any event shall within 30 days of such cessation of effectiveness amend

such Shelf Registration Statement in a manner to obtain the withdrawal of the order suspending the effectiveness thereof, or file an additional Shelf Registration Statement pursuant to Rule 415 covering all of the Registrable Notes covered by and not sold under the Initial Shelf Registration or an earlier Subsequent Shelf Registration (each, a "Subsequent Shelf Registration"). If a Subsequent Shelf Registration is filed, the Issuers shall use their reasonable best efforts to cause the Subsequent Shelf Registration to be declared effective under the Securities Act as soon as practicable after such filing and to keep such subsequent Shelf Registration continuously effective for a period equal to the number of days in the Effectiveness Period less the aggregate number of days during which the Initial Shelf Registration or any Subsequent Shelf Registration was previously continuously effective. As used herein the term "Shelf Registration" means the Initial Shelf Registration and any Subsequent Shelf Registration.

(c) Supplements and Amendments. The Issuers shall promptly supplement and amend the Shelf Registration if required by the rules, regulations or instructions applicable to the registration form used for such Shelf Registration, if required by the Securities Act, or if reasonably requested by the Holders of a majority in aggregate principal amount of the Registrable Notes (or their counsel) covered by such Registration Statement with respect to the information included therein with respect to one or more of such Holders, or by any underwriter of such Registrable Notes with respect to the information included therein with respect to such underwriter.

4. Additional Interest

(a) The Issuers and the Initial Purchasers agree that the Holders will suffer damages if the Issuers fail to fulfill their obligations under Section 2 or Section 3 hereof and that it would not be feasible to ascertain the extent of such damages with precision. Accordingly, the Issuers agree to pay, jointly and severally, as liquidated damages, additional interest on the Notes ("Additional Interest") under the circumstances and to the extent set forth below (each of which shall be given independent effect):

(i) if (A) neither the Exchange Offer Registration Statement nor the Initial Shelf Registration has been filed on or prior to the Filing Date applicable thereto or (B) notwithstanding that the Issuers have consummated or will consummate the Exchange Offer, the Issuers are required to file a Shelf Registration and such Shelf Registration is not filed on or prior to the Filing Date applicable thereto, then, commencing on the day after any such Filing Date, Additional Interest shall accrue on the principal amount of the Notes at a rate of 0.50% per annum for the first 90 days immediately following such applicable Filing Date, and such Additional Interest rate shall increase by an

additional 0.50% per annum at the beginning of each subsequent 90-day period; or

(ii) if (A) neither the Exchange Offer Registration Statement nor the Initial Shelf Registration is declared effective by the SEC on or prior to the Effectiveness Date applicable thereto or (B) notwithstanding that the Issuers have consummated or will consummate the Exchange Offer, the Issuers are required to file a Shelf Registration and such Shelf Registration is not declared effective by the SEC on or prior to the Effectiveness Date applicable to such Shelf Registration, then, commencing on the day after such Effectiveness Date, Additional Interest shall accrue on the principal amount of the Notes at a rate of 0.50% per annum for the first 90 days immediately following the day after such Effectiveness Date, and such Additional Interest rate shall increase by an additional 0.50% per annum at the beginning of each subsequent 90-day period; or

(iii) if (A) the Issuers have not exchanged Exchange Notes for all Notes validly tendered in accordance with the terms of the Exchange Offer on or prior to) the earlier of the 195th day following the Acquisition Date and the 45th day from date the Exchange Offer Registration Statement was declared effective or (B) if applicable, a Shelf Registration has been declared effective and such Shelf Registration ceases to be effective at any time during the Effectiveness Period, then Additional Interest shall accrue on the principal amount of the Notes at a rate of 0.50% per annum for the first 90 days commencing on the (x) the earlier of the 195th day following the Acquisition Date and the 46th day from date the Exchange Offer Registration Statement was declared effective, in the case of (A) above, or (y) the day such Shelf Registration ceases to be effective in the case of (B) above, and such Additional Interest rate shall increase by an additional 0.50% per annum at the beginning of each such subsequent 90-day period;

provided, however, that the Additional Interest rate on the Notes may not accrue under more than one of the foregoing clauses (i) - (iii) at any one time and at no time shall the aggregate amount of Additional Interest accruing exceed in the aggregate 2.0% per annum; provided, further, however, that (1) upon the filing of the applicable Exchange Offer Registration Statement or the applicable Shelf Registration as required hereunder (in the case of clause (i) above of this Section 4), (2) upon the effectiveness of the Exchange Offer Registration Statement or the applicable Shelf Registration Statement as required hereunder (in the case of clause (ii) of this Section 4), or (3) upon the exchange of the Exchange Notes for all Notes tendered (in the case of clause (iii)(A) of this Section 4), or upon the effectiveness of the applicable Shelf Registration Statement which had ceased to remain effective (in the case of (iii)(B) of this Section 4), Additional Interest on the Notes in respect of which such events relate as a result of such clause (or the relevant subclause thereof), as the case may be, shall cease to accrue.

(b) The Issuers shall notify the Trustee within one business day after each and every date on which an event occurs in respect of which Additional Interest is required to be paid (an "Event Date"). Any amounts of Additional Interest due pursuant to (a)(i), (a)(ii) or (a)(iii) of this Section 4 will be payable in cash semiannually on each June 15 and December 15 (to the holders of record on the June 1 and December 1 immediately preceding such dates), commencing with the first such date occurring after any such Additional Interest commences to accrue. The amount of Additional Interest will be determined by multiplying the applicable Additional Interest rate by the principal amount of the Registrable Notes, multiplied by a fraction, the numerator of which is the number of days such Additional Interest rate was applicable during such period (determined on the basis of a 360 day year

comprised of twelve 30 day months and, in the case of a partial month, the actual number of days elapsed), and the denominator of which is 360.

5. Registration Procedures

In connection with the filing of any Registration Statement pursuant to Section 2 or 3 hereof, the Issuers shall effect such registrations to permit the sale of the securities covered thereby in accordance with the intended method or methods of disposition thereof, and pursuant thereto and in connection with any Registration Statement filed by the Issuers hereunder each of the Issuers shall:

(a) Prepare and file with the SEC prior to the applicable Filing Date a Registration Statement or Registration Statements as prescribed by Section 2 or 3 hereof, and use its reasonable best efforts to cause each such Registration Statement to become effective and remain effective as provided herein; provided, however, that if (1) such filing is pursuant to Section 3 hereof or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period relating thereto from whom any Issuer has received written notice that it will be a Participating Broker-Dealer in the Exchange Offer, before filing any Registration Statement or Prospectus or any amendments or supplements thereto, the Issuers shall furnish to and afford the Holders of the Registrable Notes covered by such Registration Statement (with respect to a Registration Statement filed pursuant to Section 3 hereof) or each such Participating Broker-Dealer (with respect to any such Registration Statement), as the case may be, their counsel and the managing underwriters, if any, a reasonable opportunity to review copies of all such documents (including copies of any documents to be incorporated by reference therein and all exhibits thereto) proposed to be filed (in each case at least five business days prior to such filing). The Issuers shall not file any Registration Statement or Prospectus or any amendments or supplements thereto if the Holders of a majority in aggregate principal amount of the Registrable Notes covered by such Reg-

istration Statement, their counsel, or the managing underwriters, if any, shall reasonably object on a timely basis.

(b) Prepare and file with the SEC such amendments and post-effective amendments to each Shelf Registration Statement or Exchange Offer Registration Statement, as the case may be, as may be necessary to keep such Registration Statement continuously effective for the Effectiveness Period, the Applicable Period or until consummation of the Exchange Offer, as the case may be; cause the related Prospectus to be supplemented by any Prospectus supplement required by applicable law, and as so supplemented to be filed pursuant to Rule 424; and comply with the provisions of the Securities Act and the Exchange Act applicable to it with respect to the disposition of all securities covered by such Registration Statement as so amended or in such Prospectus as so supplemented and with respect to the subsequent resale of any securities being sold by an Participating Broker-Dealer covered by any such Prospectus. The Issuers shall be deemed not to have used their reasonable best efforts to keep a Registration Statement effective if any Issuer voluntarily takes any action that would result in selling Holders of the Registrable Notes covered thereby or Participating Broker-Dealers seeking to sell Exchange Notes not being able to sell such Registrable Notes or such Exchange Notes during that period unless such action is required by applicable law or permitted by this Agreement.

(c) If (1) a Shelf Registration is filed pursuant to Section 3 hereof, or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating

Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period relating thereto from whom any Issuer has received written notice that it will be a Participating Broker-Dealer in the Exchange Offer, notify the selling Holders of Registrable Notes (with respect to a Registration Statement filed pursuant to Section 3 hereof), or each such Participating Broker-Dealer (with respect to any such Registration Statement), as the case may be, their counsel and the managing underwriters, if any, promptly (but in any event within one business day), and confirm such notice in writing, (i) when a Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to a Registration Statement or any post-effective amendment, when the same has become effective under the Securities Act (including in such notice a written statement that any Holder may, upon request, obtain, at the sole expense of the Issuers, one conformed copy of such Registration Statement or post-effective amendment including financial statements and schedules, documents incorporated or deemed to be incorporated by reference and exhibits), (ii) of the issuance by the SEC of any stop order suspending the effectiveness of a Registration Statement or of any order preventing or suspending the use of any preliminary prospectus or the initiation of any proceedings for that purpose, (iii) if at any time when a prospectus is

required by the Securities Act to be delivered in connection with sales of the Registrable Notes or resales of Exchange Notes by Participating Broker-Dealers the representations and warranties of the Issuers contained in any agreement (including any underwriting agreement) contemplated by Section 5(n) hereof cease to be true and correct, (iv) of the receipt by any Issuer of any notification with respect to the suspension of the qualification or exemption from qualification of a Registration Statement or any of the Registrable Notes or the Exchange Notes to be sold by any Participating Broker-Dealer for offer or sale in any jurisdiction, or the initiation or threatening of any proceeding for such purpose, (v) of the happening of any event, the existence of any condition or any information becoming known that makes any statement made in such Registration Statement or related Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires the making of any changes in or amendments or supplements to such Registration Statement, Prospectus or documents so that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and that in the case of the Prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (vi) of the Issuers' determination that a post-effective amendment to a Registration Statement would be appropriate.

(d) Use its reasonable best efforts to prevent the issuance of any order suspending the effectiveness of a Registration Statement or of any order preventing or suspending the use of a Prospectus or suspending the qualification (or exemption from qualification) of any of the Registrable Notes or the Exchange Notes to be sold by any Participating Broker-Dealer, for sale in any jurisdiction, and, if any such order is issued, to use its reasonable best efforts to obtain the withdrawal of any such order at the earliest practicable moment.

(e) If a Shelf Registration is filed pursuant to Section 3 and if requested during the Effectiveness Period by the managing underwriter or underwriters (if any), the Holders of a majority in aggregate principal amount of the Registrable Notes being sold in connection with an underwritten offering or any Participating Broker-Dealer, (i) as promptly as practicable incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters (if any), such Holders, any

Participating Broker-Dealer or counsel for any of them reasonably request to be included therein, (ii) make all required filings of such prospectus supplement or such post-effective amendment as soon as practicable after the Issuers have received notification of the matters to be incorporated in such prospectus supplement

or post-effective amendment, and (iii) supplement or make amendments to such Registration Statement.

(f) If (1) a Shelf Registration is filed pursuant to Section 3 hereof, or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period, furnish to each selling Holder of Registrable Notes (with respect to a Registration Statement filed pursuant to Section 3 hereof) and to each such Participating Broker-Dealer who so requests (with respect to any such Registration Statement) and to their respective counsel and each managing underwriter, if any, at the sole expense of the Issuers, one conformed copy of the Registration Statement or Registration Statements and each post-effective amendment thereto, including financial statements and schedules, and, if requested, all documents incorporated or deemed to be incorporated therein by reference and all exhibits.

(g) If (1) a Shelf Registration is filed pursuant to Section 3 hereof, or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period, deliver to each selling Holder of Registrable Notes (with respect to a Registration Statement filed pursuant to Section 3 hereof), or each such Participating Broker-Dealer (with respect to any such Registration Statement), as the case may be, their respective counsel, and the underwriters, if any, at the sole expense of the Issuers, as many copies of the Prospectus or Prospectuses (including each form of preliminary prospectus) and each amendment or supplement thereto and any documents incorporated by reference therein as such Persons may reasonably request; and, subject to the last paragraph of this Section 5, the Issuers hereby consent to the use of such Prospectus and each amendment or supplement thereto by each of the selling Holders of Registrable Notes or each such Participating Broker-Dealer, as the case may be, and the underwriters or agents, if any, and dealers, if any, in connection with the offering and sale of the Registrable Notes covered by, or the sale by Participating Broker-Dealers of the Exchange Notes pursuant to, such Prospectus and any amendment or supplement thereto.

(h) Prior to any public offering of Registrable Notes or any delivery of a Prospectus contained in the Exchange Offer Registration Statement by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period, use its reasonable best efforts to register or qualify, and to cooperate with the selling Holders of Registrable Notes or each such Participating Broker-Dealer, as the case may be, the managing underwriter or underwriters, if any, and their respective counsel in connection with the registration or qualification (or exemption from such registration or

qualification) of such Registrable Notes for offer and sale under the securities or Blue Sky laws of such jurisdictions within the United States as any selling Holder, Participating Broker-Dealer, or the managing underwriter or underwriters reasonably request in writing; provided, however, that where Exchange Notes held by Participating

Broker-Dealers or Registrable Notes are offered other than through an underwritten offering, the Issuers agree to cause their counsel to perform Blue Sky investigations and file registrations and qualifications required to be filed pursuant to this Section 5(h), keep each such registration or qualification (or exemption therefrom) effective during the period such Registration Statement is required to be kept effective and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Exchange Notes held by Participating Broker-Dealers or the Registrable Notes covered by the applicable Registration Statement; provided, however, that no Issuer shall be required to (A) qualify generally to do business in any jurisdiction where it is not then so qualified, (B) take any action that would subject it to general service of process in any such jurisdiction where it is not then so subject or (C) subject itself to taxation in excess of a nominal dollar amount in any such jurisdiction where it is not then so subject.

(i) If a Shelf Registration is filed pursuant to Section 3 hereof, cooperate with the selling Holders of Registrable Notes and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Notes to be sold, which certificates shall not bear any restrictive legends and shall be in a form eligible for deposit with The Depository Trust Company; and enable such Registrable Notes to be in such denominations (subject to applicable requirements contained in the Indenture) and registered in such names as the managing underwriter or underwriters, if any, or Holders may request.

(j) Use its reasonable best efforts to cause the Registrable Notes covered by the Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof or the underwriter or underwriters, if any, to consummate the disposition of such Registrable Notes, except as may be required solely as a consequence of the nature of such selling Holder's business, in which case the Issuers will cooperate in all respects with the filing of such Registration Statement and the granting of such approvals.

(k) If (1) a Shelf Registration is filed pursuant to Section 3 hereof, or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period, upon the occurrence of any event contemplated by paragraph 5(c)(v) or 5(c)(vi) hereof, as promptly as practicable prepare and (subject to Section 5(a) hereof) file with the

SEC, at the sole expense of the Issuers, a supplement or post-effective amendment to the Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Notes being sold thereunder (with respect to a Registration Statement filed pursuant to Section 3 hereof) or to the purchasers of the Exchange Notes to whom such Prospectus will be delivered by a Participating Broker-Dealer (with respect to any such Registration Statement), any such Prospectus will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(l) Use its reasonable best efforts to cause the Registrable Notes covered by a Registration Statement or the Exchange Notes, as the case may be, to be rated with the appropriate rating agencies, if so requested by the Holders of a majority in aggregate principal amount of Registrable Notes covered by such Registration Statement or the

Exchange Notes, as the case may be, or the managing underwriter or underwriters, if any.

(m) Prior to the effective date of the first Registration Statement relating to the Registrable Notes, (i) provide the Trustee with certificates for the Registrable Notes in a form eligible for deposit with The Depository Trust Company and (ii) provide a CUSIP number for the Registrable Notes.

(n) In connection with any underwritten offering of Registrable Notes pursuant to a Shelf Registration, enter into an underwriting agreement as is customary in underwritten offerings of debt securities similar to the Securities, and take all such other actions as are reasonably requested by the managing underwriter or underwriters in order to expedite or facilitate the registration or the disposition of such Registrable Notes and, in such connection, (i) make such representations and warranties to, and covenants with, the underwriters with respect to the business of the Issuers (including any acquired business, properties or entity, if applicable), and the Registration Statement, Prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein, in each case, as are customarily made by issuers to underwriters in underwritten offerings of debt securities similar to the Securities, and confirm the same in writing if and when requested; (ii) obtain the written opinions of counsel to the Issuers, and written updates thereof in form, scope and substance reasonably satisfactory to the managing underwriter or underwriters, addressed to the underwriters covering the matters customarily covered in opinions reasonably requested in underwritten offerings; (iii) obtain "cold comfort" letters and updates thereof in form, scope and substance reasonably satisfactory to the managing underwriter or underwriters

from the independent certified public accountants of the Issuers (and, if necessary, any other independent certified public accountants of the Issuers, or of any business acquired by the Issuers, for which financial statements and financial data are, or are required to be, included or incorporated by reference in the Registration Statement), addressed to each of the underwriters, such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with underwritten offerings of debt securities similar to the Securities; and (iv) if an underwriting agreement is entered into, the same shall contain indemnification provisions and procedures no less favorable to the sellers and underwriters, if any, than those set forth in Section 7 hereof (or such other provisions and procedures reasonably acceptable to Holders of a majority in aggregate principal amount of Registrable Notes covered by such Registration Statement and the managing underwriter or underwriters or agents, if any). The above shall be done at each closing under such underwriting agreement, or as and to the extent required thereunder.

(o) If (1) a Shelf Registration is filed pursuant to Section 3 hereof, or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period, make available for inspection by any Initial Purchaser, any selling Holder of such Registrable Notes being sold (with respect to a Registration Statement filed pursuant to Section 3 hereof), or each such Participating Broker-Dealer, as the case may be, any underwriter participating in any such disposition of Registrable Notes, if any, and any attorney, accountant or other agent retained by any such selling Holder or each such Participating Broker-Dealer (with respect to any such Registration Statement), as the case may be, or underwriter (any such Initial Purchasers, Holders, Participating Broker-Dealers, underwriters, attorneys, accountants or agents, collectively, the "Inspectors"), upon written request, at the offices where normally

kept, during reasonable business hours, all pertinent financial and other records, pertinent corporate documents and instruments of the Issuers and subsidiaries of the Issuers (collectively, the "Records"), as shall be reasonably necessary to enable them to exercise any applicable due diligence responsibilities, and cause the officers, directors and employees of the Issuers and any of their respective subsidiaries to supply all information ("Information") reasonably requested by any such Inspector in connection with such due diligence responsibilities. Each Inspector shall agree in writing that it will keep the Records and Information confidential and that it will not disclose any of the Records or Information that any Issuer determines, in good faith, to be confidential and notifies the Inspectors in writing are confidential unless (i) the disclosure of such Records or Information is necessary to avoid or correct a misstatement or omission in such Registration Statement or Prospectus, (ii) the release of such Records or Information is ordered pursuant to a subpoena or other order from a court of competent jurisdiction, (iii) disclosure of

such Records or Information is necessary or advisable, in the opinion of counsel for any Inspector, in connection with any action, claim, suit or proceeding, directly or indirectly, involving or potentially involving such Inspector and arising out of, based upon, relating to, or involving this Agreement or the Purchase Agreement, or any transactions contemplated hereby or thereby or arising hereunder or thereunder, or (iv) the information in such Records or Information has been made generally available to the public other than by an Inspector or an "affiliate" (as defined in Rule 405) thereof; provided, however, that prior notice shall be provided as soon as practicable to any Issuer of the potential disclosure of any information by such Inspector pursuant to clauses (i) or (ii) of this sentence to permit the Issuers to obtain a protective order (or waive the provisions of this paragraph (o)) and that such Inspector shall take such actions as are reasonably necessary to protect the confidentiality of such information (if practicable) to the extent such action is otherwise not inconsistent with, an impairment of or in derogation of the rights and interests of the Holder or any Inspector.

(p) Provide an indenture trustee for the Registrable Notes or the Exchange Notes, as the case may be, and cause the Indenture or the trust indenture provided for in Section 2(a) hereof, as the case may be, to be qualified under the TIA not later than the effective date of the first Registration Statement relating to the Registrable Notes; and in connection therewith, cooperate with the trustee under any such indenture and the Holders of the Registrable Notes, to effect such changes (if any) to such indenture as may be required for such indenture to be so qualified in accordance with the terms of the TIA; and execute, and use its reasonable best efforts to cause such trustee to execute, all documents as may be required to effect such changes, and all other forms and documents required to be filed with the SEC to enable such indenture to be so qualified in a timely manner.

(q) Comply with all applicable rules and regulations of the SEC and make generally available to its securityholders with regard to any applicable Registration Statement, a consolidated earnings statement satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder (or any similar rule promulgated under the Securities Act) no later than 45 days after the end of any fiscal quarter (or 90 days after the end of any 12-month period if such period is a fiscal year) (i) commencing at the end of any fiscal quarter in which Registrable Notes are sold to underwriters in a firm commitment or best efforts underwritten offering and (ii) if not sold to underwriters in such an offering, commencing on the first day of the first fiscal quarter of Grant Prideco, after the effective date of a Registration Statement, which statements shall cover said 12-month periods.

(r) Upon consummation of the Exchange Offer or a Private

Exchange, obtain an opinion of counsel to the Issuers, in a form customary for underwritten transac-

tions, addressed to the Trustee for the benefit of all Holders of Registrable Notes participating in the Exchange Offer or the Private Exchange, as the case may be, that the Exchange Notes or Private Exchange Notes, as the case may be, the related guarantees and the related indenture constitute legal, valid and binding obligations of the Issuers, enforceable against the Issuers in accordance with their respective terms, subject to customary exceptions and qualifications. If the Exchange Offer or a Private Exchange is to be consummated, upon delivery of the Registrable Notes by Holders to Issuers (or to such other Person as directed by the Issuers), in exchange for the Exchange Notes or the Private Exchange Notes, as the case may be, the Issuers shall mark, or cause to be marked, on such Registrable Notes that such Registrable Notes are being cancelled in exchange for the Exchange Notes or the Private Exchange Notes, as the case may be; in no event shall such Registrable Notes be marked as paid or otherwise satisfied.

(s) Cooperate with each seller of Registrable Notes covered by any Registration Statement and each underwriter, if any, participating in the disposition of such Registrable Notes and their respective counsel in connection with any filings required to be made with the National Association of Securities Dealers, Inc. (the "NASD").

(t) Use its reasonable best efforts to take all other steps necessary to effect the registration of the Exchange Notes and/or Registrable Notes covered by a Registration Statement contemplated hereby.

The Issuers may require each seller of Registrable Notes as to which any registration is being effected to furnish to the Issuers such information regarding such seller and the distribution of such Registrable Notes as the Issuers may, from time to time, reasonably request. The Issuers may exclude from such registration the Registrable Notes of any seller so long as such seller fails to furnish such information within a reasonable time after receiving such request. Each seller as to which any Shelf Registration is being effected agrees to furnish promptly to the Issuers all information required to be disclosed in order to make the information previously furnished to the Issuers by such seller not materially misleading.

If any such Registration Statement refers to any Holder by name or otherwise as the holder of any securities of the Issuers, then such Holder shall have the right to require (i) the insertion therein of language, in form and substance reasonably satisfactory to such Holder, to the effect that the holding by such Holder of such securities is not to be construed as a recommendation by such Holder of the investment quality of the securities covered thereby and that such holding does not imply that such Holder will assist in meeting any future financial requirements of the Issuers, or (ii) in the event that such reference to such Holder by name or otherwise is not required by the Securities Act or any similar federal statute then in force, the deletion of the reference to such Holder in any amendment or supple-

ment to the Registration Statement filed or prepared subsequent to the time that such reference ceases to be required.

Each Holder of Registrable Notes and each Participating Broker-Dealer agrees by its acquisition of such Registrable Notes or Exchange Notes to be sold by such Participating Broker-Dealer, as the case may be, that, upon actual receipt of any notice from the Issuers of the happening of any event of the kind described in Section 5(c)(ii), 5(c)(iv), 5(c)(v), or 5(c)(vi) hereof, such Holder will forthwith discontinue disposition of such Registrable

Notes covered by such Registration Statement or Prospectus or Exchange Notes to be sold by such Holder or Participating Broker-Dealer, as the case may be, until such Holder's or Participating Broker-Dealer's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 5(k) hereof, or until it is advised in writing (the "Advice") by the Issuers that the use of the applicable Prospectus may be resumed, and has received copies of any amendments or supplements thereto. In the event that the Issuers shall give any such notice, each of the Applicable Period and the Effectiveness Period shall be extended by the number of days during such periods from and including the date of the giving of such notice to and including the date when each seller of Registrable Notes covered by such Registration Statement or Exchange Notes to be sold by such Participating Broker-Dealer, as the case may be, shall have received (x) the copies of the supplemented or amended Prospectus contemplated by Section 5(k) hereof or (y) the Advice.

6. Registration Expenses

All fees and expenses incident to the performance of or compliance with this Agreement by the Issuers shall be borne by the Issuers, whether or not the Exchange Offer Registration Statement or any Shelf Registration Statement is filed or becomes effective or the Exchange Offer is consummated, including, without limitation, (i) all registration and filing fees (including, without limitation, (A) fees with respect to filings required to be made with the NASD in connection with an underwritten offering and (B) fees and expenses of compliance with state securities or Blue Sky laws (including, without limitation, fees and disbursements of counsel in connection with Blue Sky qualifications of the Registrable Notes or Exchange Notes and determination of the eligibility of the Registrable Notes or Exchange Notes for investment under the laws of such jurisdictions (x) where the holders of Registrable Notes are located, in the case of the Exchange Notes, or (y) as provided in Section 5(h) hereof, in the case of Registrable Notes or Exchange Notes to be sold by a Participating Broker-Dealer during the Applicable Period)), (ii) printing expenses, including, without limitation, expenses of printing certificates for Registrable Notes or Exchange Notes in a form eligible for deposit with The Depository Trust Company and of printing prospectuses if the printing of prospectuses is requested by the managing underwriter or underwriters, if any, by the Holders of a majority in aggregate principal amount of the Registrable Notes included in any Registration Statement or in respect of Registrable Notes or Exchange Notes to be sold by any Participat-

ing Broker-Dealer during the Applicable Period, as the case may be, (iii) messenger, telephone and delivery expenses, (iv) fees and disbursements of counsel for the Issuers and, in the case of a Shelf Registration, reasonable fees and disbursements of one special counsel for all of the sellers of Registrable Notes (exclusive of any counsel retained pursuant to Section 7 hereof), (v) fees and disbursements of all independent certified public accountants referred to in Section 5(n)(iii) hereof (including, without limitation, the expenses of any "cold comfort" letters required by or incident to such performance), (vi) Securities Act liability insurance, if the Issuers desire such insurance, (vii) fees and expenses of all other Persons retained by the Issuers, (viii) internal expenses of the Issuers (including, without limitation, all salaries and expenses of officers and employees of the Issuers performing legal or accounting duties), (ix) the expense of any annual audit, (x) any fees and expenses incurred in connection with the listing of the securities to be registered on any securities exchange, and the obtaining of a rating of the securities, in each case, if applicable, and (xi) the expenses relating to printing, word processing and distributing all Registration Statements, underwriting agreements, indentures and any other documents necessary in order to comply with this Agreement.

7. Indemnification and Contribution. (a) The Issuers agree, jointly and severally, to indemnify and hold harmless each Holder of Registrable Notes and each Participating Broker-Dealer selling Exchange Notes during the Applicable Period, and each Person, if any, who controls such Person or its affiliates within the meaning of Section 15 of the Act or Section 20 of the Exchange Act (each, a "Participant") against any losses, claims, damages or liabilities to which any Participant may become subject under the Act, the

Exchange Act or otherwise, insofar as any such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon:

(i) any untrue statement or alleged untrue statement made by any Issuer contained in any application or any other document or any amendment or supplement thereto executed by any Issuer based upon written information furnished by or on behalf of any Issuer filed in any jurisdiction in order to qualify the Notes under the securities or "Blue Sky" laws thereof or filed with the SEC or any securities association or securities exchange (each, an "Application");

(ii) any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement (or any amendment thereto) or Prospectus (as amended or supplemented if any of the Issuers has furnished any amendments or supplements thereto) or any preliminary prospectus; or

(iii) the omission or alleged omission to state, in any Registration Statement (or any amendment thereto) or Prospectus (as amended or supplemented if any of the Issuers has furnished any amendments or supplements thereto) or any preliminary prospectus or any Application or any other document or any amendment or supplement

thereto, a material fact required to be stated therein or necessary to make the statements therein not misleading;

and will reimburse, as incurred, the Participant for any legal or other expenses incurred by the Participant in connection with investigating, defending against or appearing as a third-party witness in connection with any such loss, claim, damage, liability or action; provided, however, the Issuers will not be liable in any such case to the extent that any such loss, claim, damage, or liability arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in any Registration Statement (or any amendment thereto) or Prospectus (as amended or supplemented if any of the Issuers has furnished any amendments or supplements thereto) or any preliminary prospectus or Application or any amendment or supplement thereto in reliance upon and in conformity with information relating to any Participant furnished to the Issuers by such Participant specifically for use therein. The indemnity provided for in this Section 7 will be in addition to any liability that the Issuers may otherwise have to the indemnified parties. The Issuers shall not be liable under this Section 7 for any settlement of any claim or action effected without their prior written consent, which shall not be unreasonably withheld.

(b) Each Participant, severally and not jointly, agrees to indemnify and hold harmless the Issuers, their directors, their officers who sign any Registration Statement and each person, if any, who controls the Issuers within the meaning of Section 15 of the Act or Section 20 of the Exchange Act against any losses, claims, damages or liabilities to which the Issuers or any such director, officer or controlling person may become subject under the Act, the Exchange Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement or Prospectus, any amendment or supplement thereto, or any preliminary prospectus, or (ii) the omission or the alleged omission to state therein a material fact necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information concerning such Participant, furnished to the Issuers by such Participant, specifically for use therein; and subject to the limitation set forth immediately preceding this clause, will reimburse, as incurred, any legal or other expenses incurred by the Issuers or any such director, officer or controlling person in connection with investigating or defending against or appearing as a third party witness in connection with any such loss, claim, damage, liability or action in respect thereof. The indemnity provided for in this Section 7 will be in addition to any liability that the Participants may otherwise have to the indemnified parties. The Participants shall not be liable under this Section 7 for any settlement of any claim or action effected without

their consent, which shall not be unreasonably withheld. The Issuers shall not, without the prior written consent of such Participant, effect any settlement or compromise of any pending or threatened proceeding in respect of which any

Participant is or could have been a party, or indemnity could have been sought hereunder by any Participant, unless such settlement (A) includes an unconditional written release of the Participants, in form and substance reasonably satisfactory to the Participants, from all liability on claims that are the subject matter of such proceeding and (B) does not include any statement as to an admission of fault, culpability or failure to act by or on behalf of any Participant.

(c) Promptly after receipt by an indemnified party under this Section 7 of notice of the commencement of any action for which such indemnified party is entitled to indemnification under this Section 7, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 7, notify the indemnifying party of the commencement thereof in writing; but the omission to so notify the indemnifying party (i) will not relieve it from any liability under paragraph (a) or (b) above unless and to the extent such failure results in the forfeiture by the indemnifying party of substantial rights and defenses and (ii) will not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided in paragraphs (a) and (b) above. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party; provided, however, that if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have been advised by counsel that there may be one or more legal defenses available to it and/or other indemnified parties that are different from or additional to those available to the indemnifying party, or (iii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after receipt by the indemnifying party of notice of the institution of such action, then, in each such case, the indemnifying party shall not have the right to direct the defense of such action on behalf of such indemnified party or parties and such indemnified party or parties shall have the right to select separate counsel to defend such action on behalf of such indemnified party or parties. After notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof and approval by such indemnified party of counsel appointed to defend such action, the indemnifying party will not be liable to such indemnified party under this Section 7 for any legal or other expenses, other than reasonable costs of investigation, subsequently incurred by such indemnified party in connection with the defense thereof, unless (i) the indemnified party shall have employed separate counsel in accordance with the proviso to the immediately preceding sentence (it being understood, however, that in connection with such action the indemnifying party shall not be liable for the expenses of more than one separate counsel (in addition to local counsel) in any one action or separate but substantially similar actions in the same jurisdic-

tion arising out of the same general allegations or circumstances, designated by Participants who sold a majority in interest of the Registrable Notes and Exchange Notes sold by all such Participants in the case of paragraph (a) of this Section 7 or the Issuers in the case of paragraph (b) of this Section 7, representing the indemnified parties under such paragraph (a) or paragraph (b), as the case may be, who are parties to such action or actions) or (ii) the indemnifying party has authorized in writing the employment of counsel for the indemnified party at the expense of the indemnifying party. All fees and

expenses reimbursed pursuant to this paragraph (c) shall be reimbursed as they are incurred. After such notice from the indemnifying party to such indemnified party, the indemnifying party will not be liable for the costs and expenses of any settlement of such action effected by such indemnified party without the prior written consent of the indemnifying party (which consent shall not be unreasonably withheld), unless such indemnified party waived in writing its rights under this Section 7, in which case the indemnified party may effect such a settlement without such consent.

(d) In circumstances in which the indemnity agreement provided for in the preceding paragraphs of this Section 7 is unavailable to, or insufficient to hold harmless, an indemnified party in respect of any losses, claims, damages or liabilities (or actions in respect thereof), each indemnifying party, in order to provide for just and equitable contribution, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect (i) the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party on the other from the offering of the Notes or (ii) if the allocation provided by the foregoing clause (i) is not permitted by applicable law, not only such relative benefits but also the relative fault of the indemnifying party or parties on the one hand and the indemnified party on the other in connection with the statements or omissions or alleged statements or omissions that resulted in such losses, claims, damages or liabilities (or actions in respect thereof). The relative benefits received by the Issuers on the one hand and such Participant on the other shall be deemed to be in the same proportion as the total proceeds from the offering (before deducting expenses) of the Notes received by the Issuers bear to the total net profit received by such Participant in connection with the sale of the Notes. The relative fault of the parties shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Issuers on the one hand, or the Participants on the other, the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission or alleged statement or omission, and any other equitable considerations appropriate in the circumstances. The parties agree that it would not be equitable if the amount of such contribution were determined by pro rata or per capita allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the first sentence of this paragraph (d). Notwithstanding any other provision of this paragraph (d), no Participant shall be obligated to make contributions hereunder that in the aggregate exceed the total net profit received by such

Participant in connection with the sale of the Notes, less the aggregate amount of any damages that such Participant has otherwise been required to pay by reason of the untrue or alleged untrue statements or the omissions or alleged omissions to state a material fact, and no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this paragraph (d), each person, if any, who controls a Participant within the meaning of Section 15 of the Act or Section 20 of the Exchange Act shall have the same rights to contribution as the Participants, and each director of any Issuer, each officer of any Issuer and each person, if any, who controls any Issuer within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, shall have the same rights to contribution as the Issuers. The Participants' obligation to contribute pursuant to this Section is several and not joint.

8. Rules 144 and 144A

Each of the Issuers covenants and agrees that it will file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the SEC thereunder in a timely manner in accordance with the requirements of the Securities Act and the Exchange Act and, if at any time such Issuer is not required to file such reports, such Issuer will, upon the request of any Holder or beneficial owner of Registrable Notes, make available such information necessary to permit sales pursuant to

Rule 144A. Each of the Issuers further covenants and agrees, for so long as any Registrable Notes remain outstanding that it will take such further action as any Holder of Registrable Notes may reasonably request, all to the extent required from time to time to enable such holder to sell Registrable Notes without registration under the Securities Act within the limitation of the exemptions provided by Rule 144(k) under the Securities Act and Rule 144A.

9. Underwritten Registrations

If any of the Registrable Notes covered by any Shelf Registration are to be sold in an underwritten offering, the investment banker or investment bankers and manager or managers that will manage the offering will be selected by the Holders of a majority in aggregate principal amount of such Registrable Notes included in such offering and shall be reasonably acceptable to the Issuers.

No Holder of Registrable Notes may participate in any underwritten registration hereunder unless such Holder (a) agrees to sell such Holder's Registrable Notes on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents required under the terms of such underwriting arrangements.

10. Miscellaneous

(a) No Inconsistent Agreements. The Issuers have not, as of the date hereof, and the Issuers shall not, after the date of this Agreement, enter into any agreement with respect to any of their securities that is inconsistent with the rights granted to the Holders of Registrable Notes in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Issuers' other issued and outstanding securities under any such agreements. The Issuers will not enter into any agreement with respect to any of their securities which will grant to any Person piggy-back registration rights with respect to any Registration Statement.

(b) Adjustments Affecting Registrable Notes. The Issuers shall not, directly or indirectly, take any action with respect to the Registrable Notes as a class that would adversely affect the ability of the Holders of Registrable Notes to include such Registrable Notes in a registration undertaken pursuant to this Agreement.

(c) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, otherwise than with the prior written consent of (I) Grant Prideco, and (II)(A) the Holders of not less than a majority in aggregate principal amount of the then outstanding Registrable Notes and (B) in circumstances that would adversely affect the Participating Broker-Dealers, the Participating Broker-Dealers holding not less than a majority in aggregate principal amount of the Exchange Notes held by all Participating Broker-Dealers; provided, however, that Section 7 and this Section 10(c) may not be amended, modified or supplemented without the prior written consent of each Holder and each Participating Broker-Dealer (including any person who was a Holder or Participating Broker-Dealer of Registrable Notes or Exchange Notes, as the case may be, disposed of pursuant to any Registration Statement) affected by any such amendment, modification or supplement. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of Holders of Registrable Notes whose securities are being sold pursuant to a Registration Statement and that does not directly or indirectly affect, impair, limit or compromise the rights of other Holders of Registrable Notes may be given by Holders of at least a majority in aggregate principal amount of the Registrable Notes being sold pursuant to such Registration Statement.

(d) Notices. All notices and other communications (including,

without limitation, any notices or other communications to the Trustee) provided for or permitted hereunder shall be made in writing by hand-delivery, registered first-class mail, next-day air courier or facsimile:

(i) if to a Holder of the Registrable Notes or any Participating Broker-Dealer, at the most current address of such Holder or Participating Broker-Dealer, as the case may be, set forth on the records of the registrar under the Indenture, with a copy in like manner to the Initial Purchasers as follows:

Deutsche Bank Securities Inc.
31 West 52nd Street
New York, New York 10019
Facsimile No.: (646) 324-7467
Attention: Corporate Finance Department

with a copy to:

Cahill Gordon & Reindel
80 Pine Street
New York, New York 10005
Facsimile No.: (212) 269-5420
Attention: John A. Tripodoro, Esq.

(ii) if to the Initial Purchasers, at the address specified in Section 10(d)(i);

(iii) if to the Issuers, at the address as follows:

Grant Prideco, Inc.
1330 Post Oak Boulevard
Suite 2700
Houston, Texas 77056
Facsimile No.: (832) 681-8699
Attention: Philip Choyce, Esq.

with a copy to:

Fulbright & Jaworski, LLP
1301 McKinney
Suite 5100
Houston, Texas 77010
Facsimile No.: (713) 651-5246
Attention: Charles Still, Esq.

All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; five Business Days after being deposited in

the mail, postage prepaid, if mailed; one Business Day after being timely delivered to a next-day air courier; and when receipt is acknowledged by the addressee, if sent by facsimile.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee at the address and in the manner specified in such Indenture.

(e) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto, the Holders and the Participating Broker-Dealers; provided, however, that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Registrable Notes in violation of the terms of the Purchase

Agreement or the Indenture.

(f) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(g) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(H) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED ENTIRELY WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW THAT WOULD REQUIRE THE APPLICATION OF ANY OTHER LAW.

(i) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(j) Securities Held by the Issuers or Their Affiliates. Whenever the consent or approval of Holders of a specified percentage of Registrable Notes is required hereunder, Registrable Notes held by the Issuers or their affiliates (as such term is defined in Rule 405

under the Securities Act) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

(k) Third-Party Beneficiaries. Holders of Registrable Notes and Participating Broker-Dealers are intended third-party beneficiaries of this Agreement, and this Agreement may be enforced by such Persons.

(l) Entire Agreement. This Agreement, together with the Purchase Agreement and the Indenture, is intended by the parties as a final and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein and any and all prior oral or written agreements, representations, or warranties, contracts, understandings, correspondence, conversations and memoranda between the Holders on the one hand and the Issuers on the other, or between or among any agents, representatives, parents, subsidiaries, affiliates, predecessors in interest or successors in interest with respect to the subject matter hereof and thereof are merged herein and replaced hereby.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

GRANT PRIDECO, INC.

By:

Name:
Title:

S-2

XL SYSTEMS INTERNATIONAL, INC.
GP EXPATRIATE SERVICES, INC.
GRANT PRIDECO HOLDING, LLC
XL SYSTEMS, L.P.
GRANT PRIDECO, L.P.
PLEXUS DEEPWATER TECHNOLOGIES LTD.
GRANT PRIDECO PC COMPOSITES HOLDINGS, LLC
STAR OPERATING COMPANY
TA INDUSTRIES, INC.
TUBE ALLOY CAPITAL CORPORATION
TUBE ALLOY CORPORATION
TEXAS ARAI, INC.
INTELLIPIPE, INC.
GRANT PRIDECO MARINE PRODUCTS
AND SERVICES INTERNATIONAL INC.
REED-HYCALOG INTERNATIONAL
HOLDING, LLC
REED-HYCALOG NORWAY, LLC
REED-HYCALOG COLOMBIA, LLC

By:

Name:
Title:

GRANT PRIDECO USA, LLC
GP USA HOLDING, LLC
GRANT PRIDECO FINANCE, LLC

By:

Name:
Title:

s-3

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

DEUTSCHE BANK SECURITIES INC.
MERRILL LYNCH, PIERCE, FENNER &
SMITH
INCORPORATED

By: DEUTSCHE BANK SECURITIES INC.

By:

Name:
Title:

By:

Name:
Title:

EXHIBIT 4.6

==========

CREDIT AGREEMENT

DATED AS OF DECEMBER 19, 2002

AMONG

GRANT PRIDECO, LP, XL SYSTEMS, L.P., TEXAS ARAI, INC., TUBE-ALLOY CORPORATION,
STAR OPERATING COMPANY, REED-HYCALOG OPERATING, L.P.,
AND GRANT PRIDECO CANADA LTD.
AS BORROWERS,

GRANT PRIDECO, INC.,
AS A GUARANTOR,

GRANT PRIDECO, L.P.,
AS US FUNDS ADMINISTRATOR,

GRANT PRIDECO CANADA LTD.,
AS CANADIAN FUNDS ADMINISTRATOR,

THE LENDERS SIGNATORY HERETO FROM TIME TO TIME,
AS LENDERS,

DEUTSCHE BANK TRUST COMPANY AMERICAS,
AS US AGENT,

DEUTSCHE BANK AG, CANADA BRANCH
AS CANADIAN AGENT,

TRANSAMERICA BUSINESS CAPITAL CORPORATION,
AS DOCUMENTATION AGENT

JPMORGAN CHASE BANK,
AS CO-SYNDICATION AGENT

AND

MERRILL LYNCH CAPITAL,
A DIVISION OF MERRILL LYNCH
BUSINESS FINANCIAL SERVICES, INC.,
AS CO-SYNDICATION AGENT

TABLE OF CONTENTS

<Table>
<Caption>

TABLE OF CONTENTS
(CONTINUED)

</Table>

TABLE OF CONTENTS
(CONTINUED)

<Table>
<Caption>

PAGE
<S> <C>

TABLE OF CONTENTS
(CONTINUED)

TABLE OF CONTENTS
(CONTINUED)

</Table>

ANNEXES

EXHIBITS

SCHEDULES

CREDIT AGREEMENT

This Credit Agreement is dated as of December 19, 2002 and entered into by and among Grant Prideco, LP, a Delaware limited partnership ("Grant Prideco LP"), XL Systems, L.P., a Texas limited partnership ("XL Systems, L.P."), Texas Arai, Inc., a Delaware corporation ("Texas Arai, Inc."), Tube-Alloy Corporation, a Louisiana corporation ("Tube-Alloy Corporation"), Star Operating Company, a Delaware corporation ("Star Operating Company"), Reed-Hycalog Operating, L.P., a Delaware limited partnership ("Reed"), and Grant Prideco Canada Ltd., a corporation organized, constituted and existing under the Alberta Business Corporations Act ("Grant Prideco Canada Ltd."), each individually referred to herein as a "Borrower" and collectively as "Borrowers" (provided, however, that Reed will not be a Borrower until the Reed Assumption (as defined below) becomes effective pursuant to Section 11.13, below) with Grant Prideco, LP acting in its capacity as US Funds Administrator for the Borrowers, and Grant Prideco Canada Ltd. acting in its capacity as Canadian Funds Administrator for the Borrowers, with Grant Prideco, Inc., a Delaware corporation ("Grant Prideco, Inc.") as a guarantor, each of the Lenders from time to time party hereto, Deutsche Bank Trust Company Americas, acting in its capacity as contractual representative for the US Lenders hereunder (in such capacity, the "US Agent") and Deutsche Bank AG, Canada Branch, acting in its capacity as contractual representative of the Canadian Lenders hereunder (in such capacity, "Canadian Agent"), Transamerica Business Capital Corporation, as Documentation Agent, JPMorgan Chase Bank, as Co-Syndication Agent and Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services Inc. as Co-Syndication Agent. Capitalized terms used in this Credit Agreement shall have the meanings ascribed to them in SECTION 1.1.

RECITALS

WHEREAS, Borrowers have requested that Lenders extend credit facilities to Borrowers of up to Two Hundred Forty Million Dollars ($240,000,000) in the aggregate for the purpose of (a) acquiring the Reed-Hycalog business of Schlumberger Technology Corporation (including Reed), (b) refinancing certain indebtedness of Borrowers, (c) providing working capital financing for Borrowers and (d) funding other purposes permitted hereunder;

WHEREAS, Borrowers have agreed to secure all of their obligations under the credit facilities provided herein by granting to Agent, for the benefit of Agent and Lenders, a security interest in and lien upon all of their existing and after-acquired personal and real property;

WHEREAS, Grant Prideco, Inc., a Delaware corporation ("Holdings"), is the parent company to the Borrowers and is willing to (a) guarantee all of the Obligations of Borrowers to Agents and Lenders and (b) secure its guarantee by pledging to Agent, for the benefit of Agent and Lenders, all of the Capital Securities of Borrowers or of its Subsidiaries owning same;

WHEREAS, the Subsidiary Guarantors are Subsidiaries of

Holdings and/or one of the Borrowers and are willing to (a) guarantee all of the Obligations of Borrowers to Agent and Lenders and (b) secure their respective guarantees by granting to Agent, for the benefit of Agents and Lenders, a security interest in and lien upon all of their respective existing and after-acquired personal and real property, including, without limitation, 65% of the Capital Securities of their respective Foreign Subsidiaries;

WHEREAS, Canadian Lenders have agreed to purchase and assume all of the rights and obligations of Transamerica Commercial Finance Corporation, Canada and other lenders relating to the Canadian loan commitments and outstanding Canadian revolving loans under the Existing Credit Arrangements; and

WHEREAS, based on the foregoing, Lenders are willing to make such credit facilities available to Borrowers subject to the terms and condition set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, and for other good and valuable consideration, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

1.1 GENERAL DEFINITIONS. As used herein, the following terms shall have the meanings herein specified:

"ACCEPTANCE FEE" shall mean, in respect of a Bankers' Acceptance, a fee calculated on the Face Amount of such Bankers' Acceptance at a rate per annum equal to the Applicable Margin that would be payable if the relevant Bankers' Acceptance Loan were a LIBOR Rate Loan drawn on the Drawing Date of such Bankers' Acceptance. Acceptance Fees shall be calculated on the basis of the term to maturity of the Bankers' Acceptance and a year of 365 days.

"ACQUISITION" means the transactions contemplated by the Acquisition Agreement.

"ACQUISITION AGREEMENT" means that certain Purchase Agreement by and among Seller and Holdings dated as of October 25, 2002, in the form delivered to Administrative Agent and Lenders prior to their execution of this Credit Agreement and as such agreement may be amended from time to time thereafter to the extent permitted under subsection 8.12.

"ACQUISITION FINANCING REQUIREMENTS" means the aggregate of all amounts necessary (i) to finance the purchase price payable in connection with the Acquisition, (ii) to refinance all Indebtedness outstanding under the Existing Credit Agreements, and (iii) to pay Transaction Costs.

"ACCOUNTS" shall mean, with respect to any Person, all of such Person's accounts, whether existing now or in the future, including, without limitation, (a) all accounts receivable of such Person or other accounts of such Person created by, or arising from or related to the sales of goods or rendition of services made by such Person whether under its own name, under any of its trade names, or through any of its divisions, or in the name of any other Person (b) all unpaid seller's rights of such Person (including rescission, replevin, reclamation and stoppage in transit) relating to the foregoing or arising therefrom, (c) all rights of such Person to any goods represented by any of the foregoing, including returned or repossessed goods, (d) all reserves and credit balances held by such Person with respect to any such accounts receivable or account debtors and (e) all Guarantees or collateral for any of the foregoing.

"ACCUMULATED FUNDING DEFICIENCY" shall have the meaning ascribed to that term in Section 302 of ERISA.

"ACT OF BANKRUPTCY" shall have the meaning ascribed to that term in the definition of "Eligible Accounts Receivable".

"ADJUSTED LIBOR RATE" shall mean, for any Interest Period, the rate obtained by dividing (a) the LIBOR Rate for such Interest Period by (b) a percentage equal to 1 MINUS the stated maximum rate (stated as a decimal) of all reserves, if any, required to be maintained against "Eurocurrency liabilities" as specified in Regulation D (or against any other category of liabilities which includes deposits by reference to which the interest rate on LIBOR Rate Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Lender to United States residents).

"AFFILIATE" shall mean, with respect to any Person, any Person which directly or indirectly through one or more intermediaries Controls, is Controlled by, or is under common Control with, such Person, or any Person who is a director or officer of such Person or any Subsidiary of such Person.

"AGENT" shall mean either US Agent or Canadian Agent and "AGENTS" shall mean the US Agent and the Canadian Agent collectively.

"APPLICABLE LENDING OFFICE" shall mean, with respect to each Lender, such Lender's LIBOR Lending Office in the case of a LIBOR Rate Loan, and such Lender's Domestic Lending Office in the case of a Prime Rate Loan, and, in the case of a Canadian Lender, such Lender's Canadian Lending Office in the case of a Canadian Loan.

"APPLICABLE MARGIN" shall mean, at any time with respect to any Type of Loan, the annual percentage rate set forth below corresponding to the Type of Loan and the Leverage Ratio as of the Test Date for the Applicable Margin Period, provided, however, that until the Start Date of the first Applicable Margin Period, the Applicable Margin shall equal the rate corresponding to the Type of Loan and appearing at LEVEL II of the chart set forth below:

Applicable Margin

<Table>
<Caption>

		Revolving Loans		Term Loans	
	Leverage Ratio	Prime Rate Loans	LIBOR Rate Loans	Prime Rate Loans	LIBOR Rate Loans
<S>	<C>	<C>	<C>	<C>	<C>
Level I	Greater than 3.5 to 1.00	1.75%	2.75%	2.00%	3.00%
Level II	Equal to or less than 3.5 to 1.00 but greater than 3.0 to 1.00	1.50%	2.50%	1.75%	2.75%
Level III	Equal to or less than 3.0 to 1.00 but greater than 2.5 to 1.00	1.25%	2.25%	1.50%	2.50%
Level IV	Equal to or less than 2.5 to 1.00 but greater than 2.0 to 1.00	1.00%	2.00%	1.25%	2.25%
Level V	Equal to or less than 2.0 to 1.00	0.75%	1.75%	1.00%	2.00%

</Table>

PROVIDED, that, notwithstanding the foregoing, if the Borrowers shall fail to deliver the Financial Statements that are required to be delivered pursuant to SECTION 7.1(b), from the date which is three Business Days after the date on which such financial statements were so required to be delivered until the date of actual delivery thereof, the Applicable Margin shall be a percentage per annum equal to the applicable percentage amount set forth above with respect to LEVEL I. If a Default or an Event of Default shall exist at the time any

reduction in the Applicable Margin has been or is to be implemented, that reduction shall be rescinded or deferred until the date on which such Default or Event of Default is cured or waived and at all times during the existence of such Default or Event of Default, the Applicable Margin shall be a percentage per annum equal to the applicable percentage amounts set forth above with respect to LEVEL I.

"APPLICABLE MARGIN PERIOD" shall mean each period which shall commence on the first Business Day of the month following the date on which the financial statements and compliance certificate are delivered pursuant to SECTION 7.1(b) and which shall end on the earlier of (i) the date of actual delivery of the next financial statements and compliance certificate pursuant to SECTION 7.1(b), (ii) the latest date on which the next financial statements and compliance certificate are required to be delivered pursuant to SECTION 7.1(b) and (iii) the 90th day following the commencement of such period, PROVIDED that the first Applicable Margin Period shall commence on the first Business Day of the month following the delivery of the financial statements in respect of the twelve month period ending on June 30, 2003.

"ASSET SALE" means the sale or disposition by Holdings, or any of its Subsidiaries to any Person other than a Borrower or any of their Wholly-Owned Subsidiaries that is a party to the Subsidiary Guaranty of (i) any of the stock of any of Holding's Subsidiaries, (ii) substantially all of the assets of any division or line of business of Holdings, or any of its Subsidiaries, or (iii) any other assets (whether tangible or intangible) of Holdings, or any of its Subsidiaries (other than inventory sold in the ordinary course of business). Notwithstanding anything to the contrary in the foregoing, an exchange of currencies at market value shall not be deemed to constitute an "Asset Sale."

"ASSIGNMENT AND ASSUMPTION AGREEMENT" shall mean an assignment and assumption agreement substantially in the form of Exhibit A entered into by an assigning Lender and an assignee Lender, and which has been accepted by the Agent, in accordance with SECTION 11.6.

"AUDITORS" shall mean a nationally-recognized firm of independent certified public accountants selected by the Borrowers and satisfactory to the Agent in its sole discretion. For purposes of this Credit Agreement, the Borrowers' current firm of independent certified public accountants, Ernst & Young, LLP, shall be deemed to be satisfactory to the Agent.

"BANKERS' ACCEPTANCE" shall mean a Draft accepted by a Canadian Lender pursuant to Section 2.1(c) and Schedule L.

"BANKERS' ACCEPTANCE LOANS" shall mean the creation and discount of Bankers' Acceptances as contemplated in Section 2.1(c) and Schedule L hereto.

"BANKRUPTCY CODE" shall mean United States Bankruptcy Code 11 USC Section 101 et. seq.

"BA DISCOUNT PROCEEDS" shall mean, in respect of any Bankers' Acceptance to be purchased by a Canadian Lender on any date pursuant to Section 2.1(c) and Schedule L hereto, an amount rounded to the nearest whole Canadian cent, and with one-half of one Canadian cent being rounded up, calculated on such day by dividing:

(a) the Face Amount of such Banker's Acceptance; by

(b) the sum of one plus the product of:

(i) The Discount Rate (expressed as a decimal) of such Canadian Lender applicable to such Bankers' Acceptance; and

(ii) a fraction, the numerator of which is the number of days in the term to maturity of such Banker's Acceptance and the denominator of which is 365;

with such product being rounded up or down to the fifth decimal place and ..000005 being rounded up.

"BANKRUPTCY DEFAULT" shall mean a Default which is such by virtue of SECTION 9.1(e)(ii).

"BORROWER" shall mean a US Borrower or a Canadian Borrower and "BORROWERS" shall mean all US Borrowers and Canadian Borrowers.

"BORROWER'S ACCOUNT" and "BORROWERS' ACCOUNTS" shall have the meanings ascribed to such terms in SECTION 2.6.

"BORROWER TAXES" shall have the meaning ascribed to that term in SECTION 6.20(b).

"BORROWING" shall mean a borrowing consisting of Loans of the same Type advanced, continued or converted on the same day by the Lenders or the Agent.

"BORROWING BASE" of a Borrower shall mean:

(a) Subject to CLAUSES (b), (c) and (d) below, at any time, the amount equal at such time to:

(i) Eighty five percent (85%) of the Value of Eligible Accounts Receivable of such Borrower, PLUS

(ii) the lesser of (A) eighty five percent (85%) of the Net Orderly Liquidation Value of Inventory or (B) the sum of (1) sixty percent (60%) of the Value of Eligible Inventory of such Borrower comprised of raw materials and finished goods (but excluding work in progress) and (2) thirty-five percent (35%) of the Value of Eligible Inventory of such Borrower comprised of work in progress (excluding raw materials and finished goods), provided the amount of the Borrowing Base attributable to work in progress shall not at any time exceed $10 million and provided further that the amount of the Borrowing Base calculated pursuant to this clause (ii) shall not exceed sixty percent (60%) of the sum of the amounts calculated in clauses (a)(i) and (a)(ii), MINUS

(iii) the amount of any reserves established by the US Agent pursuant to CLAUSE (b) below, without duplication of any reserves already established for the same purpose.

(b) The US Agent or, with respect to the Borrowing Base of a Canadian Borrower, Canadian Agent, at any time in the exercise of its Permitted Discretion shall be entitled to (i) establish and increase or decrease reserves against Eligible Accounts Receivable and Eligible Inventory, (ii) reduce the advance rates to be applied under CLAUSES (a)(i) AND (ii) above to a level below the rates stated therein or (following any such reduction or following any increase in such advance rates pursuant to CLAUSE (c) below) restore such advance rates to any level equal to or below the advance rates stated in CLAUSES (a)(i) and (ii) above, (iii) impose additional restrictions (or eliminate any such additional restrictions) to the standards of eligibility set forth in the respective definitions of "Eligible Accounts Receivable" and "Eligible Inventory" and (iv) establish and increase or decrease a reserve in the amount of interest payable by the Borrowers hereunder, including interest on Loans and drawings under Letters of Credit. The Borrowing Base of each Borrower shall be calculated separately.

(c) The US Agent at any time in the exercise of its Permitted Discretion shall be entitled, with the consent of all Lenders, to increase the advance rates to a level above the rates stated in CLAUSES (a)(i) and (ii) above.

(d) The Borrowing Base shall be reduced by an amount equal to any liability under Permitted Hedging Transactions which is secured.

"BORROWING BASE CERTIFICATE" shall have the meaning ascribed to that term in SECTION 7.1(f).

"BUSINESS DAY" shall mean any day other than a Saturday, Sunday or legal holiday on which commercial banks in NEW YORK, NEW YORK, are generally closed. When used in connection with LIBOR Rate Loans, this definition will also exclude any day on which commercial

banks are not open for dealing in Dollar deposits in the London (England, U.K.) interbank market. When used in connection with any Letter of Credit, this definition will also exclude any day on which the applicable Issuing Bank is not open for the general conduct of its business. When used in connection with any Canadian Loan, this definition will also exclude any day on which commercial banks in Toronto, Ontario, are generally closed.

"CANADIAN AGENT" shall have the meaning ascribed to that term in the preamble to this Credit Agreement and shall include any successor Canadian Agent appointed pursuant to Section 10.9.

"CANADIAN BORROWER" means either Grant Prideco Canada Ltd., an Alberta corporation, or any new Borrower domiciled in Canada and approved by Agent in accordance with Section 11.23; and "CANADIAN BORROWERS" means all such entities collectively.

"CANADIAN BORROWING BASE" means the sum of the Borrowing Bases of the Canadian Borrowers.

"CANADIAN DOLLARS" and "CDN. $" shall each mean freely transferable lawful money of Canada.

"CANADIAN FUNDS ADMINISTRATOR" shall mean Grant Prideco Canada Ltd in its capacity as borrowing agent and funds administrator for the Canadian Borrowers hereunder and under each of the other Credit Documents.

"CANADIAN LENDER" means any Canadian Revolving Lender or any Canadian Term Lender.

"CANADIAN LENDING OFFICE" shall mean, with respect to any Canadian Lender, the office of such Lender specified as its "Canadian Lending Office" opposite its name on Annex I, as such annex may be amended from time to time, or in the relevant Assignment and Assumption Agreement.

"CANADIAN LETTER OF CREDIT" shall mean all letters of credit (whether commercial or stand-by and whether for the purchase of inventory, equipment or otherwise) issued for the account of any Canadian Borrower by an Issuing Bank pursuant to ARTICLE 3 of this Credit Agreement and all amendments, renewals, extensions or replacements thereof.

"CANADIAN LETTER OF CREDIT OBLIGATIONS" shall mean, at any time, the sum of (a) the aggregate undrawn face amounts of all Canadian Letters of Credit outstanding at such time, PLUS (b) the aggregate unreimbursed amount of all drawings under Canadian Letters of Credit.

"CANADIAN LOAN" means a Canadian Revolving Loan or a Canadian Term Loan and includes Bankers' Acceptance Loans.

"CANADIAN PRIME RATE" shall mean, for each day in any period, a fluctuating interest rate per annum as shall be in effect from time to time, which rate per annum shall at all times for such day be equal to (i) with respect to Canadian Loans denominated in Canadian Dollars, the higher of (a) the annual rate of interest announced publicly by the Canadian Agent and

in effect as its prime rate at its principal office in Toronto, Ontario on such day for determining interest rates on Canadian Dollar-denominated commercial loans made in Canada and (b) 0.75% per annum above the CDOR Rate in effect on such date and (ii) with respect to Canadian Loans denominated in Dollars the higher of (a) the annual rate of interest announced publicly by the Canadian Agent and in effect at its principal office in Toronto, Ontario on such day as its reference rate of interest for loans in Dollars to its Canadian borrowers, and (b) the Federal Funds Rate plus 0.75% per annum.

"CANADIAN REVOLVING LENDER" means any Lender with a Canadian Revolving Loan Commitment.

"CANADIAN REVOLVING LOAN COMMITMENT" means the commitment of a Canadian Lender to make Canadian Revolving Loans to the Canadian Borrowers pursuant to Section 2.1(b)(ii), and "CANADIAN REVOLVING LOAN COMMITMENTS" means such commitments of all Canadian Lenders in the aggregate.

"CANADIAN REVOLVING LOAN EXPOSURE" means, with respect to any Canadian Lender, the aggregate amount of such Lender's outstanding Canadian Revolving Loans made in Dollars plus the aggregate amount of the Dollar Equivalent of such Lender's outstanding Canadian Revolving Loans made in Canadian Dollars plus the aggregate amount of such Lender's Proportionate Share of outstanding Canadian Letter of Credit Obligations.

"CANADIAN REVOLVING LOANS" means the Loans made by Canadian Lenders to the Canadian Borrowers pursuant to subsection 2.1(b)(ii).

"CANADIAN REVOLVING NOTE" shall mean a promissory note of a Canadian Borrower payable to the order of any Canadian Lender, in the form of EXHIBIT B-4, evidencing the aggregate Indebtedness of such Canadian Borrower to such Lender resulting from the Canadian Revolving Loans made by such Lender to such Canadian Borrower or acquired by such Lender pursuant to SECTION 11.6.

"CANADIAN SECURITY AGREEMENTS" means the Canadian Security Agreements of even date herewith, among the Canadian Agent and the Canadian Borrower, substantially in the form of Exhibit K.

"CANADIAN SUBSIDIARY" means a Foreign Subsidiary domiciled in Canada.

"CANADIAN TERM LENDER" means any Lender with a Canadian Term Loan Commitment.

"CANADIAN TERM LOAN COMMITMENT" means the commitment of a Canadian Term Lender to make Canadian Term Loans to the Canadian Borrowers pursuant to Section 2.1(a)(ii), and "CANADIAN TERM LOAN COMMITMENTS" means such commitments of all Canadian Term Lenders in the aggregate.

"CANADIAN TERM LOAN EXPOSURE" means, with respect to any Canadian Lender, as of any date of determination (i) prior to the funding of the Canadian Term Loans, that Lender's Canadian Term Loan Commitment, and (ii) after the funding of the Canadian Term Loans, the

outstanding principal amount of the Canadian Term Loans of that Lender made in Dollars plus the aggregate amount of the Dollar Equivalent of such Lender's outstanding Canadian Term Loans made in Canadian Dollars.

"CANADIAN TERM LOANS" means the Loans made by Canadian Term Lenders to the Canadian Borrowers pursuant to subsection 2.1(a)(ii).

"CANADIAN TERM NOTE" shall mean a promissory note of a Canadian Borrower payable to the order of any Canadian Term Lender, in the form of EXHIBIT B-2, evidencing the aggregate Indebtedness of such Canadian Borrower to such Lender resulting from the Canadian Term Loans made by such Lender to such Canadian Borrower or acquired by such Lender pursuant to SECTION 11.6.

"CAPITAL EXPENDITURES" shall mean, of any Person for any period, the sum of (a) all expenditures capitalized by such Person for financial statement purposes in accordance with GAAP PLUS, without duplication, (b) the entire principal amount of any debt (including obligations under capitalized leases) assumed or incurred by such Person in connection with any such expenditures. For purposes of this Credit Agreement (i) insurance proceeds and any other payments received on account of any Casualty Loss applied to the repair or replacement of the property affected by such Casualty Loss and, (ii) Property, plant or equipment owned by an entity acquired by a Person and (iii) Investments in Intelliserv/Composite pursuant to SECTION 8.9(g) or (l) shall not constitute Capital Expenditures.

"CAPITAL SECURITY" shall mean, with respect to any Person, (a) any share of capital stock of or other unit of ownership interest in such Person and (b) any security convertible into, or any option, warrant or other right to acquire, any share of capital stock of or other unit of ownership interest in such Person.

"CASH EQUIVALENTS" shall mean (a) securities issued, guarantied or insured by the United States or any of its agencies with maturities of not more than one year from the date acquired, (b) certificates of deposit with maturities of not more than one year from the date acquired issued by a US federal or state chartered commercial bank of recognized standing, which has capital and unimpaired surplus in excess of $250,000,000 and which bank or its holding company has a short-term commercial paper rating of at least A-1 or the equivalent by Standard & Poor's Corporation and at least P-1 or the equivalent by Moody's Investors Services, Inc., (c) reverse repurchase agreements with terms of not more than seven days from the date acquired, for securities of the type described in CLAUSE (a) above and entered into only with commercial banks having the qualifications described in CLAUSE (b) above, (d) commercial paper, other than commercial paper issued by any Borrower or any Affiliate of any Borrower, issued by any Person incorporated under the laws of the United States or any state thereof and rated at least A-1 or the equivalent thereof by Standard & Poor's Corporation and at least P-1 or the equivalent thereof by Moody's Investors Services, Inc., in each case with maturities of not more than one year from the date acquired, and (e) investments in money market funds which have net assets of at least $250,000,000 and at least eighty-five percent (85%) of whose assets consist of securities and other obligations of the type described in CLAUSES (a) THROUGH (d) above; (f) with respect to any Foreign Subsidiary or Canadian Borrower, such other investments in the applicable jurisdiction that are comparable in term and credit quality to those described in the foregoing clauses (a)-(e), as

approved by the Canadian Agent, with respect to Canada, and the US Agent, with respect to all other jurisdictions, in the exercise of their reasonable judgment; (g) deposit accounts (A) in a bank or trust company organized under the laws of the United States or any state thereof having capital surplus and undivided profits aggregating at least US$500,000,000 and whose commercial paper (or that of the holding company with which such bank or trust company is affiliated) is rated A-1 or better by Standard & Poor's Rating Group or P-1 or better by Moody's Investors Service, Inc. and (B) in a bank organized under the laws of the United States or any state thereof not included in the description in clause (A) above, so long as the aggregate amount on deposit in all such banks by the Borrowers and their Subsidiaries does not exceed US$5,000,000 in the aggregate; and (h) other instruments, commercial paper or investments acceptable to the Agent in its sole discretion.

"CASUALTY LOSS" shall have the meaning ascribed to that term in SECTION 7.8.

"CDN. LOANS" shall have the meaning ascribed to that term in the Existing Credit Arrangements.

"CDBT ACCOUNT" shall have the meaning ascribed to that term in SECTION 2.5(c).

"CDOR RATE" means, on any day, the annual rate of interest which is the arithmetic average of the "BA 1 month" rates applicable to $100,000, Cdn. $ bankers' acceptances identified as such on the Reuters Screen CDOR Page at approximately 10:00 a.m. on such day (as adjusted by the Canadian Agent after 10:00 a.m. (Toronto time) to reflect any error in any posted rate or in the posted average annual rate). If the rate does not appear on the Reuters Screen CDOR Page as contemplated above, then the CDOR Rate on any day shall be calculated as the arithmetic average of the discount rates applicable to one month $100,000, Cdn. $ bankers' acceptances of, and as quoted by, any of the Canadian Lenders, chosen by the Canadian Agent in its discretion, as of 10:00 a.m. (Toronto time) on the day, or if the day is not a Business Day, then on the immediately preceding Business Day.

"CHANGE OF CONTROL" shall mean one or more of the following events:

(a) less than a majority of the members of Holdings Board of Directors shall be persons who either (i) were serving as directors on the Closing Date or (ii) were nominated as directors and approved by the vote of the majority of the directors who are either directors referred to in CLAUSE (i) above or directors nominated and approved pursuant to this CLAUSE (ii); or

(b) the stockholders of Holdings shall approve any

plan or proposal for the liquidation or dissolution of Holdings; or

(c) a Person or group of Persons acting in concert shall, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, have become the direct or indirect beneficial owner (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended from time to time) of Capital Securities of Holdings representing more than twenty-five per cent (25%) of the combined voting power of the outstanding voting Capital Securities or other ownership interests for the election of directors or shall have the right to elect a majority of the Board of Directors of Holdings; or

(d) any Borrower, other than (i) Star Operating Company upon a sale complying with Section 8.5, or (ii) any US Borrower upon its merger with any other US Borrower, or any Canadian Borrower upon its merger with any other Canadian Borrower, ceases to be a Wholly Owned Subsidiary of Holdings; or

(e) a "Change of Control" or similar event occurs that constitutes a Default or an Event of Default or triggers an obligation to repurchase or redeem such Indebtedness, or offer to do so, under the terms of any document or agreement evidencing Indebtedness (other than the Obligations), including without limitation under the Existing Senior Notes or the New Senior Notes.

"CLASS" means, as applied to Lenders, each of the following four classes of Lenders: (i) Lenders having US Revolving Loan Exposure, (ii) Lenders having US Term Loan Exposure, (iii) Lenders having Canadian Revolving Loan Exposure; and (iv) Lenders having Canadian Term Loan Exposure.

"CLOSING DATE" shall mean the date on which the initial Credit Event occurs.

"CLOSING DOCUMENT LIST" shall mean the Closing Document List attached hereto as SCHEDULE A.

"CODE" shall mean the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

"COLLATERAL" shall mean any and all assets and rights and interests in or to property of each Borrower and each of the other Credit Parties, whether real or personal, tangible or intangible, on which a Lien is granted or purported to be granted to the US Agent, Canadian Agent or any Lender pursuant to the Credit Documents.

"COLLATERAL ACCESS AGREEMENTS" shall mean any landlord waivers, mortgagee waivers, bailee letters and any similar usage, access or acknowledgment agreements of any Person, such as a warehouseman, processor, lienholder or lessor, in possession of any assets of any Borrower or any other Credit Party, in each case in form and substance satisfactory to the US Agent.

"COLLATERAL DOCUMENTS" shall mean the Security Agreement, the Canadian Security Agreements, the Control Agreements, the Mortgages and all other contracts, instruments and other documents now or hereafter executed and delivered in connection with this Credit Agreement, pursuant to which Liens are granted or are purported to be granted to either Agent in the Collateral for the benefit of some or all of either Agent, the Lenders and the Issuing Banks.

"COMMITMENT" means either a US Term Loan Commitment, a US Revolving Loan Commitment, a Canadian Term Loan Commitment or a Canadian Revolving Loan Commitment.

"CONCENTRATION ACCOUNT" shall have the meaning ascribed to that term in SECTION 2.5(b)(ii).

"CONCENTRATION ACCOUNT BANK" shall have the meaning ascribed

to that term in SECTION 2.5(b)(ii).

"CONSOLIDATED ENTITY" shall mean Holdings and each of its respective Subsidiaries which are such by virtue of CLAUSE (a) of the definition thereof.

"CONSOLIDATED NET INCOME" shall mean for any period the consolidated net income of the Consolidated Entity for such period calculated in accordance with GAAP.

"CONTINUATION" shall have the meaning ascribed to that term in SECTION 4.3.

"CONTROL" shall mean, with respect to any Person, the possession, directly or indirectly, of the power to (a) vote more than fifty percent (50%) of the securities having ordinary voting power for the election of directors or managers of such Person or (b) direct or cause the direction of management and policies of a business, whether through the ownership of voting securities, by contract or otherwise either alone or in conjunction with others or any group. The words "CONTROLLING" and "CONTROLLED" have correlative meanings. For the avoidance of doubt, Voest-Alpine Stahlrohr Kindberg GmbH, Voest-Alpine Stahl AG, Voest Alpine Tubulars GmbH & Co KG and their respective Subsidiaries are not Controlled by any Credit Party as of the Closing Date.

"CONTROL AGREEMENT" shall mean an agreement in writing, in form and substance satisfactory to Agent, by and among Agent, the applicable Credit Party and any financial institution, securities intermediary, commodity intermediary or other Person who has custody, control or possession of any receipts on Accounts, deposits or investment property of such Credit Party, pursuant to which such financial institution, securities intermediary, commodity intermediary or such other Person acknowledges that such financial institution, securities intermediary, commodity intermediary or other Person has custody, control or possession of such receipts, deposits or investment property on behalf of Agent, that it will comply with entitlement orders originated by Agent with respect to such receipts, deposits or investment property, or other instructions of Agent, or (as the case may be) apply any amounts distributed on account of such assets as directed by Agent, in each case, without the further consent of such Credit Party and including such other terms and conditions as Agent may require.

"CONTROL EVENT" shall have the meaning ascribed to such term in SECTION 2.5(c).

"CONVERT," "CONVERSION" and "CONVERTED" each shall refer to a conversion of Loans of one Type into Loans of another Type pursuant to SECTION 4.3.

"COVERED TAXES" shall have the meaning ascribed to that term in SECTION 2.8(a).

"CREDIT AGREEMENT" shall mean this credit agreement, dated as of the date hereof, as the same may be modified, amended, extended, restated, amended and restated or supplemented from time to time.

"CREDIT DOCUMENTS" shall mean, collectively, this Credit Agreement, the Notes, Letters of Credit, each L/C Application, each Draft, each Bankers' Acceptance, each of the Collateral Documents, the Subsidiary Guaranty, the Fee Letter and all other documents,

agreements, instruments, opinions and certificates now or hereafter executed and delivered in connection herewith or therewith, as the same may be modified, amended, extended, restated, amended and restated or supplemented from time to time.

"CREDIT EVENT" shall mean (a) the making of a Loan and/or (b) the issuance of any Letter of Credit.

"CREDIT PARTY" OR "CREDIT PARTIES" shall mean, individually or collectively as the context requires, Holdings, each Borrower and each other Person (other than the Lenders, the Agents and the Issuing Banks) that is a pledgor under a Security Agreement, maker of a Note, guarantor under a Subsidiary Guaranty or pledgor or guarantor under any other instrument or

agreement securing or guaranteeing payment of the Obligations arising hereunder.

"CURRENCY AGREEMENT" means any foreign exchange contract, currency swap agreement, futures contract, option contract, synthetic cap or other similar agreement or arrangement to which any Credit Party is a party.

"DBT ACCOUNT" shall have the meaning ascribed to that term in SECTION 2.5(c).

"DBTCO." shall mean Deutsche Bank Trust Company Americas, a New York banking corporation, acting in its individual capacity, and its successors and assigns.

"DEFAULT" shall mean an event, condition or default which with the giving of notice, the passage of time or both would be an Event of Default.

"DEFAULTING LENDER" shall have the meaning ascribed to that term in SECTION 11.18(b).

"DEPOSITORY ACCOUNTS" shall have the meaning ascribed to that term in SECTION 7.7.

"DERIVATIVE CONTRACT" shall mean an agreement, whether or not in writing and including any master agreement, documenting, evidencing or relating to any Derivative Transaction between Holdings, or any of its Subsidiaries, and another Person.

"DERIVATIVE TRANSACTION" shall mean (a) an interest-rate transaction, including an interest-rate swap, basis swap, forward rate agreement, interest rate option (including a cap, collar, and floor), and any other instrument linked to interest rates that gives rise to similar credit risks (including when-issued securities and forward deposits accepted), (b) an exchange-rate transaction, including a cross-currency interest-rate swap, a forward foreign-exchange contract, a currency option, and any other instrument linked to exchange rates that gives rise to similar credit risks, (c) an equity derivative transaction, including an equity-linked swap, an equity-linked option, a forward equity-linked contract, and any other instrument linked to equities that gives rise to similar credit risk and (d) a commodity (including precious metal) derivative transaction, including a commodity-linked swap, a commodity-linked option, a forward commodity-linked contract, and any other instrument linked to commodities that gives rise to similar credit risks.

"DISBURSEMENT ACCOUNT" and "DISBURSEMENT ACCOUNTS" shall have the meanings ascribed to such terms in SECTION 2.2(a).

"DISBURSEMENT ACCOUNT BANK" shall mean, with respect to US Borrowers, Bankers Trust (Delaware), DBTCo., Deutsche Bank, JP Morgan Chase Bank, Syracuse or any other bank selected from time to time by the US Agent and reasonably acceptable to the US Funds Administrator, and with respect to Canadian Borrowers, The Bank of Nova Scotia or any other bank selected by the Canadian Agent reasonably acceptable to the Canadian Funds Administrator.

"DISCOUNT RATE" shall mean, in respect of any Bankers' Acceptances to be purchased by a Canadian Lender pursuant to Section 2.1(c) and Schedule L hereto, the discount rate (calculated on an annual basis and rounded to the nearest one-hundredth of 1%, with five-thousandths of 1% being rounded up) quoted by such Canadian Lender at 10:00 A.M. (Toronto time) as the discount rate at which such Canadian Lender would purchase, on the relevant Drawing Date, its own bankers' acceptances having an aggregate Face Amount equal to and with a term to maturity the same as the Bankers' Acceptances to be acquired by such Canadian Lender on such Drawing Date.

"DISQUALIFIED STOCK" means any Capital Securities of Subsidiaries that, by its terms (or by the terms of any security into which it is convertible or for which it is exercisable, redeemable or exchangeable), or upon the happening of any event or with the passage of time, matures, or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, in each case on, or prior to, the Expiration Date, or is convertible into or is exchangeable for debt securities of Holdings or any of its Subsidiaries.

"DOL" shall mean the United States Department of Labor and any

successor department or agency.

"DOLLAR EQUIVALENT" means, at any time, (x) as to any amount denominated in Canadian Dollars, the equivalent amount in Dollars as determined by the US Agent at such time on the basis of the Spot Rate for purchase of Dollars with Canadian Dollars and (y) on any date when an amount expressed in a currency other than Dollars and Canadian Dollars is to be determined in Dollars, an equivalent amount of Dollars determined at the nominal rate of exchange quoted by Agent in New York City, not later than 9:00 A.M. (New York time) on the date of determination, to prime banks in New York City for the spot purchase in the New York foreign exchange market of Dollars with such other currency.

"DOLLARS" and the sign "$" shall each mean freely transferable lawful money of the United States of America.

"DOMESTIC LENDING OFFICE" shall mean, with respect to any US Lender, the office of such Lender specified as its "Domestic Lending Office" opposite its name on ANNEX I, as such annex may be amended from time to time, or in the relevant Assignment and Assumption Agreement.

"DOMESTIC SUBSIDIARY" shall mean any Subsidiary of Holdings incorporated or organized under the laws of any state of the United States of America.

"DRAFT" shall mean, at any time, either a depository bill within the meaning of the Depository Bills and Notes Act (Canada), or a bill of exchange within the meaning of the Bills of

Exchange Act (Canada), drawn by a Canadian Borrower on a Canadian Lender or any other Person and bearing such distinguishing letters and numbers as the Canadian Lender or the Person may determine, but which at such time has not been completed as the payee or accepted by the Canadian Lender or the Person.

"DRAWING DATE" shall mean any Business Day fixed pursuant to Schedule L for the creation and purchase of Bankers' Acceptances.

"EBITDA" shall mean, for any fiscal period, without duplication, (a) Consolidated Net Income (excluding extraordinary items) of the Consolidated Entity for such period, PLUS (b) the amount of all Interest Expense (including commitment, facility and like fees and charges upon Indebtedness paid or payable for such period), income tax expense, depreciation and amortization, including amortization of any goodwill or other intangibles, for such period, all to the extent deducted in calculating Consolidated Net Income for such period, (c) any issuance of Qualified Stock attributable to non-cash compensation expense included in the calculation of Consolidated Net Income for such period, and (d) any cash refunds received during such fiscal period with respect to taxes paid in any prior fiscal period and (e) deferred compensation costs accrued but not payable during the applicable accounting period (provided that if such costs are not included as an expense when calculating Consolidated Net Income during the period when such costs are paid in cash, then such costs shall be deducted from EBITDA for such period) and PLUS or MINUS (as the case may be) (f) the cumulative effects of any change in accounting principles, PLUS or MINUS, as the case may be, (g) non-cash gains or losses, including, without limitation, the non-cash gains or losses arising from write-offs in connection with discontinued operations and the subsequent sale of any such written off operations, and (h) any gains and losses attributable to any fixed asset sales, which have been subtracted or added, as the case may be, in calculating Consolidated Net Income for such period, all determined in accordance with GAAP.

"EFFECTIVE DATE" shall mean, as applied to an L/C Notice of Drawing, the Business Day on which the Agent receives such L/C Notice of Drawing if such notice is received by it not later than 11:00 A.M. on such day and, if received after such time, the next succeeding Business Day.

"ELIGIBLE ACCOUNTS RECEIVABLE" shall mean Accounts of a Borrower payable in Dollars or, in the case of a Canadian Borrower, in Canadian Dollars or Dollars and not excluded below. In determining the amount to be so included, the face amount of such Accounts shall exclude any such Accounts that the US Agent determines to be ineligible pursuant to the definition of the term "Borrowing Base" set forth herein. Unless otherwise approved in writing by US Agent, in the exercise of its Permitted Discretion, no Account of any Borrower shall be deemed to be an Eligible Account Receivable if:

(a) it arises out of a sale made by such Borrower to an Affiliate of such or any other Borrower, or the account debtor is Holdings, a Subsidiary of Holdings, or any Affiliate of either; provided that the restrictions in this clause (a) shall not apply to Weatherford International Ltd. and its Subsidiaries if Weatherford International Ltd. has signed an agreement disclaiming and waiving any right of offset in terms and substance satisfactory to Agent in its sole discretion; or

(b) the Account is unpaid more than 60 days after the original payment due date; or

(c) the invoice for the Account provides that payment is due more than 30 days from the date of such invoice and/or the Account is unpaid more than 90 days after the original invoice date; provided, however, that an Account otherwise excluded by the terms of this clause (c) may be included in Eligible Accounts if (i) the invoice for the Account provides that payment is due no more than 90 days from the date of such invoice, (ii) the Account is not unpaid more than 60 days after the original payment due date, (iii) the Account is not unpaid more than 120 days after the original invoice date and (iv) the aggregate amount of all Accounts included in Eligible Accounts Receivable pursuant to the foregoing exception do not exceed $10 million at any one time; or

(d) it is from the same account debtor (or any Affiliate thereof) and fifty percent (50%) or more, in face amount, of all Accounts from such account debtor (and any Affiliate thereof) are ineligible pursuant to CLAUSES (b) or (c) above; or

(e) the Account, when aggregated with all other Accounts of such account debtor (and any Affiliate thereof), exceeds ten percent (10%) in face value of all Accounts of all Borrowers combined then outstanding, to the extent of such excess; PROVIDED that (i) Accounts supported or secured by an Eligible Letter of Credit shall be excluded from this clause (e) to the extent of the face amount of such Eligible Letter of Credit for the purposes of such calculation and (ii) Accounts for which the account debtor is a Person listed on Schedule C whose public debt is rated as of the date of determination as investment grade by Moody's Investor Services and Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. or its principal operating subsidiary shall be excluded from this clause (e) to the extent of the amount of such Accounts that does not exceed 20% of the face value of all Accounts combined and then outstanding; or

(f) (i) the account debtor is also a creditor of such Borrower, (ii) the account debtor has disputed its liability on, or the account debtor has made any claim with respect to, such Account or any other Account due from such account debtor to such Borrower, which has not been resolved or (iii) the Account otherwise is or may reasonably be expected to become subject to any right of setoff by the account debtor; PROVIDED that any Account deemed ineligible pursuant to this CLAUSE (f) shall only be ineligible to the extent of the amount owed by such Borrower to the account debtor, the amount of such dispute or claim, or the amount of such setoff, as applicable; or

(g) the account debtor has commenced a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any similar law in any other jurisdiction or made an assignment for the benefit of creditors, or if a decree or order for relief has been entered by a court having jurisdiction over the account debtor in an involuntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or if any other petition or other application for relief under the federal bankruptcy laws has been filed by or against the account debtor, or if the account debtor has filed a certificate of dissolution under applicable state law or shall be liquidated, dissolved or wound-up, or shall authorize or commence any action or proceeding for dissolution,

winding-up or liquidation, or if the account debtor has failed, suspended business, declared itself to be insolvent, is generally not paying its debts as they become due or has consented to or suffered a receiver, trustee, liquidator or custodian to be appointed for it or for all or a significant portion of its assets or affairs (any such act or event an "ACT OF BANKRUPTCY"), unless the payment of Accounts from such account debtor is secured by assets of, or guaranteed by, in either case in a manner satisfactory to the US Agent, a Person with respect to which an Act of Bankruptcy has not occurred and that is acceptable to the US Agent or, if the Account from such account debtor arises subsequent to a decree or order for relief with respect to such account debtor under the federal bankruptcy laws, as now or hereafter in effect, the US Agent shall have determined that the timely payment and collection of such Account will not be impaired; or

(h) the sale is to an account debtor outside of the United States, Canada or Puerto Rico, unless (i) such account debtor has supplied such Borrower with an Eligible Letter of Credit, or (ii) such Account is subject to credit insurance payable to US Agent issued by an insurer and on terms and in an amount acceptable to US Agent or (iii) the account debtor is BP Amoco Norge, all steps necessary to perfect a security interest in such account under Norwegian law have been completed to the Agent's satisfaction and the Eligible Accounts Receivables attributable to BP Amoco Norge, after including such account, would not exceed an amount that creates aggregate Borrowing Base availability of more than $5,000,000 in the aggregate; or

(i) the sale to the account debtor is on a bill-and-hold, guarantied sale, sale-and-return, sale on approval or consignment basis or made pursuant to any other written agreement providing for repurchase or return other than a Permitted Bill-and-Hold Transaction; or

(j) the US Agent determines in its Permitted Discretion that collection of such Account is insecure or that such Account may not be paid by reason of the account debtor's financial inability to pay; or

(k) the account debtor is the United States of America, any State or any political subdivision, department, agency or instrumentality thereof, unless such Borrower duly assigns its rights to payment of such Account to the Agent pursuant to the Assignment of Claims Act of 1940 (31 U.S.C. Section 3727 et seq.) or complies with any similar State or local law as US Agent shall require; or

(l) the account debtor is a Canadian federal, provincial, municipal or local government, governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, unless such Account has been assigned to the Canadian Agent on behalf of the Lenders in accordance with all applicable laws and all steps required by the Canadian Agent in connection therewith, including notice to such account debtor, have been duly taken; or

(m) the goods giving rise to such Account have not been shipped and delivered to and accepted by the account debtor (unless the sale is a Permitted Bill and Hold Transaction) or the services giving rise to such Account have not been performed by such

Borrower and accepted by the account debtor or the Account otherwise does not represent a final sale; or

(n) any documentation relating to the Account does not comply with all applicable legal requirements, including, where applicable, the Federal Consumer Credit Protection Act, the Federal Truth in Lending Act and Regulation Z of the Board of Governors of the Federal Reserve System; or

(o) an Agent does not have a valid and perfected

first priority security interest in such Account or the Account does not otherwise conform to the representations and warranties contained in the Credit Agreement, any Security Agreement or any of the other Collateral Documents; or

(p) the Accounts are subject to any adverse security deposit, progress payment or other similar advance made by or for the benefit of the applicable account debtor, but only to the extent of such adverse security deposit, progress payment or similar advance; or

(q) the Accounts are evidenced by or arise under any instrument or chattel paper unless such instruments or chattel paper have been pledged to an Agent containing such endorsement as such Agent shall require; or

(r) the account debtor has a presence in a State requiring the filing of Notice of Business Activities Report or similar report in order to permit such Borrower to seek judicial enforcement in such State of payment of such Account unless such Borrower has qualified to do business in such State or has filed a Notice of Business Activities Report or equivalent report for the then current year or such failure to file and inability to seek judicial enforcement is capable of being remedied without any material delay or material cost; or

(s) the Account consists of progress billings (such that the obligation of the account debtor with respect to such Account is conditioned upon such Borrower's satisfactory completion of any further performance under the agreement giving rise thereto); or

(t) the Account is deemed by the US Agent in its Permitted Discretion to be otherwise ineligible for inclusion in the calculation of the Borrowing Base.

"ELIGIBLE INVENTORY" shall mean Inventory of a Borrower that consists of raw materials, work in progress and finished goods and is not excluded below. In determining the amount to be so included, the amount of such Inventory shall exclude any Inventory that the US Agent determines to be ineligible pursuant to the definition of the term "Borrowing Base" set forth herein. Unless otherwise approved in writing by the US Agent, in the exercise of its Permitted Discretion, no Inventory of any Borrower shall be deemed Eligible Inventory if:

(a) the Inventory has been returned or rejected by such Borrower's customers for any reason that the Agent determines, in its Permitted Discretion, makes such goods non-saleable in the ordinary course of such Borrower's business; or

(b) the Inventory is not owned solely by such Borrower or such Borrower does not have good, valid and marketable title thereto; or

(c) the Inventory is in transit, other than Inventory in transit from (x) either the Port of Houston or one of any Borrower's warehouses or manufacturing facilities in the U.S. listed on SCHEDULE B, PART 6.8 to (y) one of any Borrower's warehouse or manufacturing facility listed on SCHEDULE B, PART 6.8, for a period not exceeding five (5) days (such included in-transit Inventory to be deemed owned by the Borrower due to receive same); or

(d) the Inventory is not stored on property that is either (i) owned or leased by such or any other Borrower or (ii) owned or leased by a warehouseman that has contracted with such Borrower to store Inventory on such warehouseman's property (PROVIDED that, with respect to Inventory of any Borrower, (A) stored on property leased by a Borrower, such Borrower shall have delivered to the US Agent (or in the case of a Canadian Borrower, Canadian Agent) a Collateral Access Agreement executed by the lessor of such property, (B) stored on property owned or leased by a warehouseman, such Borrower shall have delivered to the US Agent (or in the case of a Canadian Borrower, Canadian Agent) a Collateral Access Agreement executed by such warehouseman) and (C) stored on property owned by such Borrower which

is subject to a mortgage in favor of any Person other than an Agent or any Lender, unless such Borrower shall have delivered to the US Agent (or in the case of a Canadian Borrower, Canadian Agent) a Collateral Access Agreement executed by the mortgagee of such property; or

(e) the Inventory is not subject to a valid and perfected first priority security interest in favor of an Agent except, with respect to Eligible Inventory stored at sites described in CLAUSE (d)(ii) of this sentence, for Liens for normal and customary warehousing charges; or

(f) the Inventory has been delivered to a Borrower in Canada within the preceding 30 days, unless payment in respect of the Inventory has been made by such Borrower or the supplier of the Inventory has waived or lost its rights to repossession under the Bankruptcy and Insolvency Act (Canada) and any similar legislation or laws of general application, including, without limitation, in connection with rights of revindication; or

(g) the Inventory is obsolete or slow moving (in each case as determined by the US Agent in its Permitted Discretion) or the Inventory does not otherwise conform to the representations and warranties contained in the Credit Agreement, the Security Agreement or any of the other Collateral Documents; or

(h) the Inventory was not manufactured in accordance with or does not meet all standards imposed by all Requirements of Law or by any government agency, or department or division thereof, having regulatory authority over such goods or their manufacture, use or sale; or

(i) the Inventory consists of spare parts for equipment, packaging and shipping materials or supplies used or consumed in a Borrower's business; or

(j) the Inventory is purchased or sold on consignment; or

(k) the Inventory is located outside the United States of America or Canada (provided that, with respect to Inventory in Canada, US Agent (or in the case of Inventory of a Canadian Borrower, Canadian Agent) has determined that it has a valid and perfected first priority security interest in such Inventory); or

(l) the Inventory is subject to a license agreement or other arrangement with a third party which, in US Agent's determination, restricts the ability of the Agents to exercise their rights under any of the Credit Documents with respect to such Inventory unless such third party has entered into an agreement in form and substance satisfactory to US Agent permitting the Agents to exercise their rights with respect to such Inventory or US Agent has otherwise agreed to allow such Inventory to be eligible in US Agent's Permitted Discretion; or

(m) the Inventory is deemed by the US Agent in its Permitted Discretion to be otherwise ineligible for inclusion in the calculation of the Borrowing Base.

"ELIGIBLE LETTER OF CREDIT" means an irrevocable letter of credit in form and substance satisfactory to the appropriate Agent, issued by a financial institution satisfactory to the appropriate Agent, the proceeds of which are assigned to the appropriate Agent with the written consent of the issuer of such letter of credit.

"ENVIRONMENTAL CLAIMS" shall mean all accusations, allegations, notices of violation, liens, claims, demands, suits, or causes of action for any damage, including, without limitation, personal injury or property damage, arising out of or related to Environmental Conditions or pursuant to applicable Environmental Laws. By way of example only (and not by way of limitation), Environmental Claims include (i) claims for violations of or obligations under any contract related to applicable Environmental Laws or Environmental Conditions between the Borrower or any Subsidiary and any other

person, (ii) claims for actual or threatened damages to natural resources, (iii) claims for the recovery of response costs, or administrative or judicial orders directing the performance of investigations, responses or remedial actions under any Environmental Laws, (iv) claims pursuant to applicable Environmental Laws or Environmental Conditions for restitution, contribution, or indemnity, (v) claims for fines, penalties or liens against property pursuant to applicable Environmental Laws or Environmental Conditions, (vi) claims pursuant to applicable Environmental Laws or arising out of Environmental Conditions for injunctive relief or other orders or notices of violation from federal, state or local agencies or courts, and (vii) with regard to any present or former employees, claims relating to exposure to or injury from Environmental Conditions.

"ENVIRONMENTAL CONDITIONS" shall mean releases or threatened releases into or present in the environment (whether or not at the Real Estate), including natural resources (e.g., flora and fauna), soil, surface water, ground water, any present or potential drinking water supply, subsurface strata or ambient air of Hazardous Substances, relating to or arising out of the use, handling, storage, treatment, disposal, recycling, generation, or transportation of Hazardous Substances by the Borrower or any Subsidiary, or by their respective agents, representatives, employees or independent contractors when acting in such capacity on behalf of the Borrower or

any Subsidiary. With respect to Environmental Claims by third parties, Environmental Conditions also include the exposure of persons to Hazardous Substances at the work place or the exposure of persons or property to Hazardous Substances migrating from or otherwise emanating from the Real Estate or Former Real Estate.

"ENVIRONMENTAL LAWS" shall mean all applicable federal, state, provincial and local laws, statutes, ordinances, regulations, rules, judgments, orders, notice requirements, decrees, guidelines, policies or Requirements of Law relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, ground water, land surface, flora, fauna or subsurface strata), including, without limitation, those relating to emissions, discharges, releases or threatened releases of Hazardous Materials or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials.

"EQUIPMENT" shall mean, with respect to any Person, all of such Person's equipment, including machinery, equipment, office equipment and supplies, computers and related equipment, furniture, furnishings, tools, tooling, jigs, dies, fixtures, manufacturing implements, fork lifts, trucks, trailers, motor vehicles, and other equipment.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, and all final or temporary regulations promulgated thereunder and published, generally applicable rulings entitled to precedential effect.

"ERISA AFFILIATE" shall mean any Person required at any relevant time to be aggregated with any Credit Party under Sections 414(b), (c), (m) or (o) of the Code.

"EVENTS OF DEFAULT" shall have the meaning ascribed to that term in ARTICLE 9 of this Credit Agreement.

"EXISTING LETTER OF CREDIT" shall have the meaning ascribed to that term in ARTICLE 3.4 of this Credit Agreement.

"EXISTING CREDIT ARRANGEMENTS" means that certain Amended and Restated Loan and Security Agreement dated as of July 10, 2000 among Grant Prideco, LP, XL Systems, Inc., Texas Arai, Inc., Tube-Alloy Corporation, Drill Tube International, Inc., Petro-Drive, Inc., Grant Prideco Canada Ltd., the financial institutions party thereto, and Transamerica Business Capital Corporation (as successor in interest to Transamerica Business Credit Corporation) and Transamerica Commercial Finance Corporation, Canada as Agents.

"EXISTING SENIOR NOTE INDENTURE" means the indenture pursuant to which the Existing Senior Notes were issued, as such indenture may be amended from time to time to the extent permitted under Section 8.12.

"EXISTING SENIOR NOTES" means Holdings' 9 5/8% Senior Notes due 2007 in initial aggregate principal amount of $200,000,000.

"EXPENSES" shall mean all present and future expenses incurred by or on behalf of either Agent, in its capacity as an Agent, in connection with the Credit Agreement, any other Credit

Document or otherwise, whether incurred heretofore or hereafter, which expenses shall include, without being limited to, the cost of record searches, the fees and expenses of attorneys (including the allocated cost of internal counsel) and paralegals, all costs and expenses incurred by an Agent in opening bank accounts and lockboxes, depositing checks, receiving and transferring funds, and any charges imposed on an Agent due to insufficient funds of deposited checks and such Agent's standard fee relating thereto, collateral examination fees and expenses, fees and expenses of accountants, appraisers, field examiners or other consultants, experts or advisors employed or retained by an Agent, fees and expenses incurred by an Agent in connection with the assignments of or sales of participations in the Loans, title insurance premiums, real estate survey costs, fees and taxes relative to the filing of financing statements, costs of preparing and recording any Mortgages or any other Collateral Documents, all expenses and costs referred to in ARTICLE 4 of this Credit Agreement, all other fees and expenses required to be paid pursuant to the Fee Letter and all fees and expenses incurred in connection with releasing Collateral and the amendment or termination of any of the Credit Documents.

"EXPIRATION DATE" shall mean the earlier of (a) December 18, 2006 and (b) the date of the termination or reduction to zero (0) of each of the Revolving Loan Commitments, the Term Loan Commitments, the Canadian Term Loan Commitments and the Canadian Revolving Loan Commitments.

"FACE AMOUNT" shall mean, in respect of a Bankers' Acceptance, the amount payable to the holder thereof on its maturity. The Face Amount of any Bankers' Acceptance Loan shall be equal to the Face Amounts of the underlying Bankers' Acceptances.

"FEDERAL FUNDS RATE" shall mean, for any period, a fluctuating interest rate per annum equal, for each day during such period, to the weighted average of the rates on overnight Federal Funds transactions with members of the Federal Reserve System arranged by Federal Funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal Funds brokers of recognized standing selected by it.

"FEE LETTER" shall mean that certain letter agreement dated October 25, 2002 between the US Agent and Holdings and providing for the payment of certain fees in connection with this Credit Agreement.

"FEES" shall mean the Unused Line Fee, the Letter of Credit Fees and the Issuing Bank Fees, and, without duplication, all fees payable by Holdings under the Fee Letter.

"FINANCIAL STATEMENTS" shall mean the consolidated and, unless otherwise specified, consolidating balance sheets, statements of operations, statements of cash flows and statements of changes in shareholder's equity of the Consolidated Entity for the period specified.

"FIRST TIER REVOLVING LOANS" means any US Revolving Loans under this Credit Agreement until the aggregate principal amount of US Revolving Loans equals $65,000,000 (including any US Revolving Loans made after the outstanding principal balance of all US

Revolving Loans subsequently falls below $65,000,000, until the aggregate principal amount of such US Revolving Loans again equals $65,000,000).

"FISCAL QUARTER" shall mean any of the quarterly accounting

periods of Borrowers, ending on March 31st, June 30th, September 30th and December 31st of each year.

"FISCAL YEAR" shall mean any of the annual accounting periods of Borrowers ending on December 31st of each year.

"FIXED CHARGE COVERAGE RATIO" shall mean, for any period, without duplication, for the Consolidated Entity, the ratio of (i) EBITDA minus (a) provision for income and franchise taxes paid in cash (excluding deferred taxes), (b) Capital Expenditures, other than to the extent Capital Expenditures are funded with the proceeds of Indebtedness (other than Loans under this Credit Agreement) incurred for such purpose; (c) dividends and distributions paid in cash to holders of any shares of any class of capital stock of Holdings or any of its Subsidiaries or any warrants or options to purchase such shares of capital stock (provided that dividends paid to minority owners of Subsidiaries shall not be deducted to the extent of minority interest expense included in EBITDA), and (d) amounts paid to redeem, repurchase or retire any shares of any class of capital stock of Holdings or any of its Subsidiaries, any warrants or options to purchase such shares of capital stock except any amounts paid to purchase capital stock of Holdings for delivery to officers or employees (or accounts for their benefit) as compensation pursuant to the Grant Prideco, Inc. Executive Deferred Compensation Plan or other employee benefit plans, to the extent such purchases are reflected as expenses in calculating Consolidated Net Income, and plus the amount of cash received from issuance of Qualified Stock of Holdings divided by (ii) the sum of (x) Interest Expense paid in cash and (y) scheduled payments of principal with respect to all Indebtedness, including payments under capital leases and in respect of the Term Loans, but excluding payments of Revolving Loans which do not reduce the Commitments. For purposes of the foregoing, issuance of Qualified Stock shall not constitute a "payment".

"FOREIGN SUBSIDIARY" shall mean any Subsidiary of Holdings incorporated or organized under the laws of a jurisdiction other than a state of the United States of America, other than a Canadian Borrower.

"FORMER REAL ESTATE" shall mean all real property that was owned or leased by any Borrower or any Subsidiary of any Borrower within the last ten (10) years prior to the date hereof which is no longer owner or leased.

"FUNDS ADMINISTRATOR" shall mean either the US Funds Administrator or the Canadian Funds Administrator and "FUNDS ADMINISTRATORS" shall mean the US Funds Administrator and the Canadian Funds Administrator collectively

"FX TRADING OFFICE" means such office of US Agent as it may designate from time to time by written notice to US Funds Administrator.

"FUNDING BANK" shall have the meaning ascribed to that term in SECTION 4.9.

"GAAP" shall mean generally accepted accounting principles in the United States as in effect from time to time.

"GOVERNING DOCUMENTS" shall mean, as to any Person, the certificate or articles of incorporation and by-laws or other organizational or governing documents of such Person.

"GOVERNMENTAL AUTHORITY" shall mean any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"GP BORROWER" means any of Grant Prideco, LP, XL Systems, L.P., Texas Arai, Inc., Tube-Alloy Corporation, Star Operating Company or Grant Prideco Canada Ltd.; and "GP BORROWERS" means all such entities collectively.

"GUARANTY" of any Person means any Liability, contingent or otherwise, of such Person (other than an endorsement for collection or deposit in the ordinary course of business) (a) to pay any Liability of any other Person or to otherwise protect, or having the practical effect of protecting, the holder of any such Liability against loss (whether such obligation arises by virtue of such Person being a partner of a partnership or participant in a joint venture or by agreement to pay, to keep well, to maintain solvency, assets,

level of income or other financial condition, to purchase assets, goods, securities or services or to take or pay, or otherwise) or (b) incurred in connection with the issuance by a third Person of a Guaranty of any Liability of any other Person (whether such obligation arises by agreement to reimburse or indemnify such third Person or otherwise). The word "Guarantee" when used as a verb has the correlative meaning.

"HAZARDOUS MATERIALS" shall mean (a) any chemical, material or substance (whether solid, liquid or gas) at any time defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous waste," "restricted hazardous waste," "infectious waste," "toxic substances" or any other formulations intended to define, list or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity, reproductive toxicity, "TCLP toxicity" or words of similar import under any applicable Environmental Laws; (b) any oil, petroleum, petroleum fraction or petroleum derived substance; (c) any drilling fluids, produced waters and other wastes associated with the exploration, development or production of crude oil, natural gas or geothermal resources; (d) any flammable substances or explosives; (e) any radioactive materials; (f) asbestos in any form; (g) urea formaldehyde foam insulation; (h) electrical equipment which contains any oil or dielectric fluid containing levels of polychlorinated biphenyls in excess of fifty parts per million; (i) pesticides; and (j) radon.

"HIGHEST LAWFUL RATE" shall mean, at any time when any Obligations shall be outstanding hereunder, the maximum nonusurious interest rate, that then may be contracted for, taken, reserved, charged or received on the Obligations owing under this Credit Agreement or any of the other Credit Documents, under (a) the laws of the State of New York (or the law of any other jurisdiction whose laws may be mandatorily applicable notwithstanding other provisions of this Credit Agreement and the other Credit Documents) or (b) if higher, applicable federal laws, in any case after taking into account, to the extent permitted by applicable law, any and all relevant payments or charges under this Credit Agreement and any other Credit Documents executed in connection herewith, and any available exemptions, exceptions and exclusions.

"HOLDINGS" means Grant Prideco., Inc., a Delaware corporation.

"HOLDINGS COMMON STOCK" means the common stock of Holdings, par value $.01 per share.

"INDEBTEDNESS" of any Person means (in each case, whether such obligation is with full or limited recourse) (a) any obligation of such Person for borrowed money, (b) any obligation of such Person evidenced by a bond, debenture, note or other similar instrument, (c) any obligation of such Person to pay the deferred purchase price (deferred in excess of 90 days) of property or services, except a trade account payable that arises in the ordinary course of business but only if and so long as the same is payable on customary trade terms (it being acknowledged, however, that in some regions outside the U.S. and Canada, customers customarily fail to pay accounts payable for periods up to one year, and agreed that the failure of a Person to pay accounts payable for periods up to one year in jurisdictions where such behavior is customary shall not cause such account payable to be deemed Indebtedness), (d) any obligation of such Person as lessee under a capital lease, (e) any Mandatorily Redeemable Obligation of such Person owned by any Person other than such Person or a Subsidiary of such Person (the amount of such Mandatorily Redeemable Obligation to be determined for this purpose as the higher of the liquidation preference of and the amount payable upon redemption of such Mandatorily Redeemable Obligation), (f) any obligation of such Person to purchase securities or other property that arises out of or in connection with the sale of the same or substantially similar securities or property, (g) any obligation of such Person (whether or not contingent) to any other Person in respect of a letter of credit or other Guaranty issued by such other Person, (h) any Derivative Contract or similar obligation, other than obligations under any Permitted Hedging Transactions, obligating such Person to make payments, whether periodically or upon the happening of a contingency, except that if any agreement relating to such obligation provides for the netting of amounts payable by and to such Person thereunder or if any such agreement provides for the simultaneous payment of amounts by and to such Person, then in each such case, the amount of such obligation shall be the net amount thereof (i) any Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) a Lien on any asset of such Person

and (j) any Indebtedness of others Guaranteed by such Person.

"INTELLECTUAL PROPERTY" shall mean, with respect to any Person, all of such Person's now owned and hereafter arising or acquired: patents, patent rights, patent applications, copyrights, works which are the subject matter of copyrights, copyright registrations, trademarks, trade names, trade styles, trademark and service mark applications, and licenses and rights to use any of the foregoing; all extensions, renewals, reissues, divisions, continuations, and continuations-in-part of any of the foregoing; all rights to sue for past, present and future infringement of any of the foregoing; inventions, trade secrets, formulae, processes, compounds, drawings, designs, blueprints, surveys, reports, manuals, and operating standards; goodwill (including any goodwill associated with any trademark or the license of any trademark); customer and other lists in whatever form maintained; and trade secret rights, copyright rights, rights in works of authorship, domain names and domain name registrations; software and contract rights relating to software, in whatever form created or maintained.

"INTELLISERV/COMPOSITE" shall mean one or both (as the context may require) of the joint venture interests of Holdings in (i) Intelliserv, Inc., a Delaware corporation, 50% of which is owned by Credit Parties, and (ii) GPEX, L.P., a Texas limited partnership, 50% of which is owned by Credit Parties.

"INTEREST EXPENSE" shall mean the aggregate consolidated interest expense of the Consolidated Entity paid in cash in respect of Indebtedness determined on a consolidated basis in accordance with GAAP, including amortization of original issue discount on any Indebtedness and of all fees (including, without limitation, commitment fees, closing costs, legal fees, printing costs, SEC fees, accountants' fees and like fees and charges) payable in connection with the incurrence of such Indebtedness (to the extent included in interest expense for the relevant period in accordance with GAAP), the interest portion of any deferred payment obligation and the interest component of any capital lease obligations.

"INTEREST PERIOD" shall mean a period, commencing, in the case of the first Interest Period applicable to a LIBOR Rate Loan, on the date of the making of, or conversion into, such Loan, and, in the case of each subsequent, successive Interest Period applicable thereto, on the last day of the immediately preceding Interest Period, but without duplication of interest charges for any day that is the last day of one Interest Period and the first day of another Interest Period. The duration of each such Interest Period shall be one, two, three or six months, in each case as the appropriate Funds Administrator may, in an appropriate Notice of Borrowing, Notice of Continuation or Notice of Conversion, select; PROVIDED that the appropriate Funds Administrator may not select any Interest Period that ends after the Expiration Date. Whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, PROVIDED that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day.

"INTEREST RATE AGREEMENT" means any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or other similar agreement or arrangement to which any Credit Party is a party.

"INTERIM ADVANCE" shall mean a Loan made by the US Agent to the US Borrowers pursuant to SECTION 2.2(b)(i).

"INTERIM ADVANCE PERIOD" shall have the meaning ascribed to that term in SECTION 2.2(b)(i).

"INTERNAL REVENUE SERVICE" or "IRS" shall mean the United States Internal Revenue Service and any successor agency.

"INVENTORY" shall mean, with respect to any Person, all of such Person's inventory, including: (a) all raw materials, work in process, parts, components, assemblies, supplies and materials used or consumed in such Person's business; (b) all goods, wares and merchandise, finished or unfinished, held for sale or lease or leased or furnished or to be furnished under contracts of service; and (c) all goods returned or repossessed by such Person.

"INVESTMENT" shall mean, as applied to an investment of or by any Person, (i) all Guaranties by such Person of any Liabilities of another Person (ii) all expenditures made and all Liabilities incurred (contingently or otherwise) for or in connection with the acquisition of stock or other ownership interests of another Person or assets of another Person comprising a business; or

Indebtedness of, or for loans, advances, capital contributions or transfers of property to, another Person. In determining the aggregate amount of Investments outstanding at any particular time, (a) the amount of any Investment represented by a Guaranty shall be taken at not less than the principal amount of the Liabilities to which such Guaranty is applicable and still outstanding; (b) there shall be deducted in respect of each such Investment any amount received as a return of capital (but only by sale, repurchase, redemption, retirement, repayment, liquidating dividend or liquidating distribution); (c) there shall not be deducted in respect of any Investment any amounts received as earnings on such Investment, whether as dividends, interest or otherwise; and (d) there shall not be deducted from the original amount of any Investment, and such Investment shall be deemed to continue to be "outstanding" in such original amount notwithstanding, any (i) decrease in the market value thereof or (ii) amount thereof that may have been forgiven, released, cancelled or otherwise nullified or held to be invalid.

"ISSUING BANK" shall mean (a) any Lender and (B) any Affiliate of a Lender that, in either case is acceptable to the US Agent and the US Funds Administrator and has agreed in writing to issue Letters of Credit under this Credit Agreement; provided however that US Agent or any of its Affiliates shall not be obligated to issue any commercial Letter of Credit until such time as it notifies the US Funds Administrator otherwise.

"ISSUING BANK FEES" shall have the meaning ascribed to that term in SECTION 4.6(b).

"L/C APPLICATION" shall mean, as applied to any Issuing Bank, (a) the form then generally used by such Issuing Bank as the form to be used by a Person requesting such Issuing Bank to issue an irrevocable standby letter of credit and (b) any agreement between such Issuing Bank and such Person pursuant to which such Person agrees to reimburse such Issuing Bank for amounts disbursed by such Issuing Bank under the letter of credit to which such application relates (each a "REIMBURSEMENT AGREEMENT").

"L/C INTEREST RATE" shall have the meaning ascribed to that term in SECTION 3.5(b).

"L/C NOTICE OF DRAWING" shall mean the date on which the Issuing Bank provides the appropriate Agent with notice that a drawing has been made under a Letter of Credit.

"L/C PARTICIPATION" shall have the meaning ascribed to that term in SECTION 3.4.

"L/C PARTICIPATION FUNDING AMOUNT" shall have the meaning ascribed to that term in SECTION 3.6(b)(i)(A).

"L/C PARTICIPATION FUNDING DATE" shall have the meaning ascribed to that term in SECTION 3.6(b)(ii).

"L/C PARTICIPATION FUNDING NOTICE" shall have the meaning ascribed to that term in SECTION 3.6(b)(i)(A).

"LENDER" shall, subject to SECTION 11.18(b)(ii), mean (a) each Person listed as a "Lender" on the signature pages hereof and (b) each Person that has been assigned any or all of the rights and obligations of a Lender pursuant to SECTION 11.6.

"LETTER OF CREDIT" shall mean a US Letter of Credit or a

Canadian Letter of Credit.

"LETTER OF CREDIT FEES" shall have the meaning ascribed to that term in SECTION 4.6(a).

"LETTER OF CREDIT OBLIGATIONS" shall mean the US Letter of Credit Obligations and the Canadian Letter of Credit Obligations.

"LETTER OF CREDIT REQUEST" shall have the meaning ascribed to that term in SECTION 3.2(a).

"LEVERAGE RATIO" shall mean, as at the last day of any Fiscal Quarter, the ratio of Total Debt as of the last day of such Fiscal Quarter to EBITDA for the twelve month period ending as of the last day of such Fiscal Quarter, calculated on a Pro Forma Basis.

"LIABILITY" of any Person shall mean (in each case, whether with full or limited recourse) any indebtedness, liability, obligation, covenant or duty of or binding upon, or any term or condition to be observed by or binding upon, such Person or any of its assets, of any kind, nature or description, direct or indirect, absolute or contingent, due or not due, contractual or tortious, liquidated or unliquidated, whether arising under contract, Requirement of Law, or otherwise, whether now existing or hereafter arising, and whether for the payment of money or the performance or non-performance of any act.

"LIBOR LENDING OFFICE" shall mean, with respect to any Lender, the office of such Lender specified as its "LIBOR Lending Office" opposite its name on Annex I or in the relevant Assignment and Assumption Agreement (or, if no such office is specified, its Domestic Lending Office), or such other office or Affiliate of such Lender as such Lender may from time to time specify to the appropriate Funds Administrator and the appropriate Agent.

"LIBOR MARGIN" shall mean, at any time, the Applicable Margin for LIBOR Rate Loans at such time.

"LIBOR RATE" shall mean, with respect to any Interest Period, (a) the rate per annum for Dollar deposits approximately equal to the principal amount of the LIBOR Rate Loans for which the LIBOR Rate is being determined and with maturities comparable to the Interest Period for which such LIBOR Rate would apply, which appears on the Telerate Page 3750 at approximately 11:00 A.M., London time, on the day that is two (2) Business Days prior to the first day of such Interest Period and (b) if no such rate so appears on the Telerate Page 3750, an interest rate per annum equal to the rate (rounded upward to the nearest whole multiple of one-sixteenth (1/16) of one percent (1.00%) per annum, if such rate is not such a multiple) of the offered quotation, if any, to first class banks in the London (U.K.) interbank market by Deutsche Bank for Dollar deposits of amounts in immediately available funds comparable to the principal amount of the LIBOR Rate Loans for which the LIBOR Rate is being determined with maturities comparable to the Interest Period for which such LIBOR Rate will apply as of approximately 10:00 A.M. two (2) Business Days prior to the commencement of such Interest Period. The term "TELERATE PAGE 3750" shall mean the display designated as Page 3750 on the Telerate Services (or such other page as may replace such page on such service for the purpose of displaying a comparable rate).

"LIBOR RATE LOAN" shall mean a US Loan or a Canadian Loan made in US Dollars that bears, or is to bear, interest by reference to the LIBOR Rate.

"LIEN(S)" shall mean (a) any lien, claim, charge, pledge, security interest, deed of trust, mortgage, other encumbrance or other arrangement having the practical effect of the foregoing or other preferential arrangement of any other kind and shall include the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement and (b) in addition, in the case of any investment property, any contract or other arrangement, express or implied, under which any Person has the right to control such investment property.

"LOANS" shall mean amounts advanced by an Agent or a Lender pursuant to SECTION 2.1, 2.2(a), 2.2(b), 3.6(a) or any other provision of this Credit Agreement and includes Bankers' Acceptance Loans.

"LOCKBOXES" shall have the meaning ascribed to that term in SECTION 2.5(b)(i).

"MAJORITY CANADIAN REVOLVING LENDERS" means Canadian Lenders having or holding more than 50% of the aggregate Canadian Revolving Loan Commitments of all Canadian Lenders.

"MAJORITY CANADIAN TERM LENDERS" means Canadian Lenders having or holding more than 50% of the aggregate Canadian Term Loan Commitments of all Canadian Lenders.

"MAJORITY CLASS LENDERS" means, at any time of determination, (i) for the Class of Lenders having US Revolving Loan Commitments, Lenders having or holding more than 50% of the aggregate US Revolving Loan Commitments of all Lenders, (ii) for the Class of Lenders having US Term Loan Commitment, Lenders having or holding more than 50% of the aggregate US Term Loan Commitment of all Lenders, (iii) for the Class of Lenders having Canadian Revolving Loan Commitment, Lenders having or holding more than 50% of the aggregate Canadian Revolving Loan Commitment of all Lenders and (iv) for the Class of Lenders having Canadian Term Loan Commitment, Lenders having or holding more than 50% of the aggregate Canadian Term Loan Commitment of all Lenders.

"MAJORITY US REVOLVING LENDERS" means Lenders having or holding more than 50% of the aggregate US Revolving Loan Commitment of all Lenders.

"MAJORITY US TERM LENDERS" means Lenders having or holding more than 50% of the aggregate US Term Loan Commitment of all Lenders.

"MAJORITY LENDERS" means Lenders having or holding more than 50% of the sum of the aggregate US Term Loan Commitment of all Lenders plus the aggregate US Revolving Loan Commitment of all Lenders plus the aggregate Canadian Revolving Loan Commitment of all Lenders plus the aggregate Canadian Term Loan Commitment of all Lenders.

"MANDATORILY REDEEMABLE OBLIGATION" shall mean a Liability of Holdings or any of its Subsidiaries, or a Liability of another Person Guaranteed by Holdings or any of its Subsidiaries, to the extent that, in either case, it is redeemable, payable or required to be purchased

or otherwise retired or extinguished (a) at a fixed or determinable date, whether by operation of sinking fund or otherwise, (b) at the option of any Person other than Holdings or such Subsidiary or (c) upon the occurrence of a condition not solely within the control of such Holdings or such Subsidiary, such as a redemption required to be made out of future earnings.

"MATERIAL ADVERSE EFFECT" shall mean a material adverse effect on (a) the business, prospects, operations, results of operations, assets, liabilities or condition (financial or otherwise) of the Credit Parties, taken as a whole, (b) the value of Collateral or the amount which the Agents, the Lenders or any Issuing Bank would be likely to receive (after giving consideration to delays in payment and costs of enforcement) in the liquidation of such Collateral, (c) any Credit Party's ability to perform its obligations under the Credit Documents to which it is a party or (d) the rights and remedies of the Agents, the Lenders or any Issuing Bank under any Credit Document.

"MATERIAL CONTRACT" shall mean any contract, lease, license indenture, agreement, commitment or other arrangement (other than the Credit Documents), whether written or oral, to which Holdings or any Subsidiary thereof is a party with respect to which breaches, performances, nonperformances, cancellations or failures to renew by any party thereto singly or in the aggregate could reasonably be expected to have a Material Adverse Effect.

"MORTGAGES" shall mean the mortgage(s) or deeds(s) of trust granted by any Credit Party in favor of the Agent and any leasehold mortgage(s) granted by any Credit Party in favor of the Agent (if any) with respect to leases entered into after the Closing Date, including, without limitation, a debenture dated on or about the date hereof among Grant Prideco Canada Ltd. and the Canadian Agent.

"MULTIEMPLOYER PLAN" shall mean a "multiemployer plan" as

defined in Sections 3(37) or 4001(a)(3) of ERISA and (a) which is, or within the immediately preceding six (6) years was, contributed to by any Borrower, any Subsidiary of any Borrower or any ERISA Affiliate or (b) with respect to which any Borrower or any Subsidiary of any Borrower may incur any liability.

"NET ASSET SALE PROCEEDS" means, with respect to any Asset Sale, cash payments (including any cash received by way of deferred payment pursuant to, or by monetization of, a note receivable or otherwise, but only as and when so received) received from such Asset Sale, net of any bona fide direct costs incurred by any Credit Party in connection with such Asset Sale, including (i) income taxes reasonably estimated to be actually payable by any Credit Party within two years of the date of such Asset Sale as a result of any gain recognized in connection with such Asset Sale and (ii) payment of the outstanding principal amount of, premium or penalty, if any, and interest on any Indebtedness (other than the Loans) that is secured by a Lien on the stock or assets in question and that is required to be repaid under the terms thereof or under applicable law as a result of such Asset Sale.

"NET INSURANCE/CONDEMNATION PROCEEDS" means any cash payments or proceeds received by Holdings or any of its Subsidiaries (i) under any business interruption or casualty insurance policy in respect of a covered loss thereunder or (ii) as a result of the taking of any assets of Holdings or any of its Subsidiaries by any Person pursuant to the power of eminent domain, condemnation or otherwise, or pursuant to a sale of any such assets to a purchaser with such power under threat of such a taking, in each case net of any actual and reasonable documented costs

incurred by Holdings or any of its Subsidiaries in connection with the adjustment or settlement of any claims of Holdings or such Subsidiary in respect thereof.

"NET ORDERLY LIQUIDATION VALUE" shall mean, with respect to an asset, the net orderly liquidation value thereof, as determined by an appraiser engaged by Agent.

"NET PAYMENTS IN RESPECT OF FOREIGN SUBSIDIARIES" shall mean the excess of (a) (i) payments by Credit Parties to Foreign Subsidiaries in respect of Indebtedness owing to Foreign Subsidiaries, (ii) Guarantees of Indebtedness of Foreign Subsidiaries, (iii) payments by Credit Parties in satisfaction of obligations under Guaranties of obligations of any Foreign Subsidiaries (other than Guarantees of Indebtedness already included pursuant to the preceding clause (ii)), and (iv) loans to or equity investments in Foreign Subsidiaries (other than loans listed on Schedule G and equity investments made prior to the date of this Credit Agreement), over (b) (i) payments by Foreign Subsidiaries to Credit Parties in respect of Indebtedness owing by Foreign Subsidiaries to Credit Parties, (ii) loans to Credit Parties made by Foreign Subsidiaries in compliance with Section 8.9(e) after the date of this Credit Agreement and (iii) distributions in respect of equity by Foreign Subsidiaries to Credit Parties. However, loans to or equity investments in Foreign Subsidiaries shall not be included in the calculation of Net Payments in respect of Foreign Subsidiaries to the extent that such loans or equity investments are made to fund acquisitions permitted by Section 8.9(g) and included in calculating usage of the acquisition basket provided therein.

"NEW SENIOR NOTE INDENTURE" means the indenture pursuant to which the New Senior Notes are issued, as such indenture may be amended from time to time to the extent permitted under SECTION 8.3(d).

"NEW SENIOR NOTES" means the 9% Senior Notes due 2009 of Holdings in aggregate principal amount of $175,000,000 issued pursuant to the New Senior Note Indenture.

"NON-CANADIAN LENDER" shall mean any Lender that is a non-resident for purposes of Part XIII of the Income Tax Act (Canada) in respect of the Canadian Loans.

"NON-US LENDER" shall mean any Lender or Issuing Bank that is not a United States Person within the meaning of Section 7701(a)(30) of the Internal Revenue Code.

"NOTE" shall mean a Term Note, a Revolving Note, a Canadian Revolving Note or a Canadian Term Note.

"NOTICE OF BORROWING" shall have the meaning ascribed to that term in SECTION 2.2(a)(i).

"NOTICE OF CONTINUATION" shall have the meaning ascribed to that term in SECTION 4.3(b).

"NOTICE OF CONVERSION" shall have the meaning ascribed to that term in SECTION 4.3(a).

"OBLIGATIONS" shall mean (a) the unpaid principal of and interest on the Loans and the Notes, (b) the obligation of the Borrowers to pay to an Issuing Bank the amounts of all

drawings together with interest accrued thereon at the L/C Interest Rate, made under Letters of Credit of such Issuing Bank, (c) the Fees, (d) the Expenses, (e) all other Liabilities of the respective Credit Parties to the Agent and any Lender (in its capacity as such and not in its capacity as an Issuing Bank), which may arise under, out of, or in connection with, the Credit Agreement, the Notes, any other Credit Document or any other document made, delivered or given in connection herewith or therewith, (f) all other Liabilities of the respective Borrowers to an Issuing Bank under all its L/C Applications and Letters of Credit and (g) any Permitted Hedging Transactions of any Credit Parties owing to Lenders or their Affiliates. As used in CLAUSES (a), (b) AND (c) and wherever else the determination of the amount of "interest" is relevant, "interest" shall include interest accruing on or after the filing of, or what would have accrued but for the filing of, any petition in bankruptcy, or the commencement of any insolvency, reorganization, or like proceeding, relating to any Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding.

"OTHER TAXES" shall have the meaning ascribed to that term in SECTION 2.8(b).

"PARENT" shall mean Grant Prideco, Inc., a Delaware corporation.

"PAYMENT" shall have the meaning ascribed to that term in SECTION 2.10.

"PBGC" shall mean the Pension Benefit Guaranty Corporation and any Person succeeding to the functions thereof.

"PERMITTED BILL-AND HOLD TRANSACTION" shall mean a transaction that is invoiced as "ex works place of manufacture" and supported by all documentation (including, without limitation, third party inspection reports) necessary to establish that title to the applicable asset subject to such purchase transaction has been legally transferred to such account debtor and that such account debtor has assumed the legal risk of ownership of such asset, irrespective of whether such asset is held by such account debtor or any other Person, in form and substance acceptable to US Agent in its reasonable discretion.

"PERMITTED BUSINESS" means the drill pipe and tubular business, tubular steel mills, drilling tools, oil field goods and services, and any businesses, services or activities reasonably incident or related thereto.

"PERMITTED DISCRETION" shall mean an Agent's judgment exercised in good faith based upon its consideration of any factor which such Agent believes in good faith: (a) will or could adversely affect the value of any Collateral, the enforceability or priority of such Agent's Liens thereon or the amount which such Agent, the Lenders or any Issuing Bank would be likely to receive (after giving consideration to delays in payment and costs of enforcement) in the liquidation of such Collateral; (b) suggests that any collateral report or financial information delivered to such Agent by any Person on behalf of any Borrower is incomplete, inaccurate or misleading in any material respect; (c) materially increases the likelihood of a bankruptcy, reorganization or other insolvency proceeding involving any Borrower or any Subsidiary of any Borrower or any of the Collateral; or (d) creates or reasonably could be expected to create a Default or Event of Default. In exercising such judgment, an Agent may consider such factors already included in or tested by the definition of Eligible Accounts Receivable or Eligible

Inventory, as

well as any of the following: (i) the changes in collection history and dilution with respect to the Accounts; (ii) changes in demand for, pricing of, or product mix of Inventory; (iii) changes in any concentration of risk with respect to the respective Borrowers' Accounts or Inventory; and (iv) any other factors that are likely, in Agent's good faith judgment, to change the credit risk of lending to any Borrower on the security of any Borrowers' Accounts or Inventory. The burden of establishing lack of good faith hereunder shall be on the Borrowers.

"PERMITTED HEDGING TRANSACTIONS" shall mean an Interest Rate Agreement, commodity hedging agreement or a Currency Agreement designed to hedge against fluctuations in interest rates, commodity values or currency values, respectively, entered into by a Borrower with a Lender or its Affiliate not for purposes of speculation.

"PERMITTED LIENS" shall have the meaning ascribed to that term in SECTION 8.4.

"PERMITTED RESTRICTIVE COVENANT" shall mean (a) any covenant or restriction contained in any Credit Document, (b) any covenant or restriction binding upon any Person at the time such Person becomes a Subsidiary of any Borrower if the same is not created in contemplation thereof, (c) any covenant or restriction of the type contained in SECTION 8.13 that is contained in any contract evidencing or providing for the creation of or concerning Indebtedness secured by any Purchase Money Lien so long as such covenant or restriction is limited to the property purchased therewith and proceeds thereof, (d) any covenant or restriction described in SCHEDULE J, but only to the extent such covenant or restriction is there identified by specific reference to the provision of the contract in which such covenant or restriction is contained or (e) any covenant or restriction that (i) is not more burdensome than an existing Permitted Restrictive Covenant permitted by CLAUSE (b), (c) or (d) above; (ii) is contained in a contract constituting a renewal, extension or replacement of the Contract in which such existing Permitted Restrictive Covenant is contained; and (iii) is binding only on the Person or Persons bound by such existing Permitted Restrictive Covenant.

"PERSON" shall mean any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, entity, party or government (including any division, agency or department thereof), and, as applicable, the successors, heirs and assigns of each.

"PLAN" shall mean any employee benefit plan (within the meaning of Section 3(3) of ERISA), whether oral or written, maintained or contributed to by any Borrower, any Subsidiary of any Borrower or any ERISA Affiliate, or with respect to which any Borrower, any Subsidiary of any Borrower or any ERISA Affiliate, may incur liability.

"PRIME RATE LOAN" shall mean (i) with respect to a US Loan, a Loan that bears, or is to bear, interest by reference to the US Prime Rate and (ii) with respect to a Canadian Loan, a Loan that bears, or is to bear, interest by reference to the Canadian Prime Rate.

"PRO FORMA BASIS" means, after giving effect on a pro forma basis to any permitted acquisitions made during the relevant period and any permitted dispositions made during such period (other than sales of inventory in the ordinary course of business and dispositions of obsolete equipment) as follows:

(i) any Indebtedness incurred or assumed by Holdings or any of its Subsidiaries in connection with such permitted acquisitions and any Indebtedness repaid in connection with such permitted acquisitions or dispositions shall be deemed to have been incurred or repaid, respectively, as of the first day of the period;

(ii) if such Indebtedness incurred or assumed by

Holdings or any of its Subsidiaries in connection with such permitted acquisitions has a floating or formula rate, then the rate of interest for such Indebtedness for the applicable period shall be computed as if the rate in effect for such Indebtedness on the relevant measurement date had been the applicable rate for the entire applicable period; and

(iii) income statement items (whether positive or negative) attributable to the property or business acquired or disposed of in such permitted acquisitions or dispositions shall be included as if such acquisitions or dispositions took place on the first day of such period on a pro forma basis.

All pro forma adjustments shall be approved by the Agent in its reasonable discretion.

"PROHIBITED TRANSACTION" shall mean any transaction that is prohibited under Code Section 4975 or ERISA Section 406 and not exempt under Code Section 4975 or ERISA Section 408.

"PROPORTIONATE SHARE" shall, subject to SECTION 11.18(b)(ii), mean, (i) with respect to all payments, computations and other matters relating to the US Term Loan Commitment or the US Term Loans of any Lender, the percentage obtained by dividing (x) the US Term Loan Commitment of that Lender by (y) the Total US Term Loan Commitment, (ii) with respect to all payments, computations and other matters relating to the US Revolving Loan Commitment or the US Revolving Loans of any Lender or any Letters of Credit issued or participations therein deemed purchased by any US Lender, the percentage obtained by dividing (x) the US Revolving Loan Commitment of that Lender by (y) the Total US Revolving Loan Commitment, (iii) with respect to all payments, computations and other matters relating to the Canadian Revolving Loan Commitment or the Canadian Revolving Loans of any Canadian Lender or any Letters of Credit issued or participations therein deemed purchased by any Canadian Lender, the percentage obtained by dividing (x) the Canadian Revolving Loan Commitment of that Canadian Lender by (y) the Total Canadian Revolving Loan Commitment, (iv) with respect to all payments, computations and other matters relating to the Canadian Term Loan Commitment or the Canadian Term Loans of any Lender, the percentage obtained by dividing (x) the Canadian Term Loan Commitment of that Lender by (y) the Total Canadian Term Loan Commitment, and (v) for all other purposes with respect to each Lender, the percentage obtained by dividing (x) the sum of the US Term Loan Commitment of that Lender plus the US Revolving Loan Commitment of that Lender plus the Canadian Revolving Loan Commitment of that Lender plus the Canadian Term Loan Commitment of that Lender by (y) the sum of the Total US Term Loan Commitment plus the Total US Revolving Loan Commitment plus the Total Canadian Revolving Loan Commitment plus the Total Canadian Term Loan Commitment, in any such case as the applicable percentage may be adjusted by assignments permitted pursuant to Section 11.6(c) or required pursuant to Section 11.10(c).

"PURCHASE MONEY LIENS" shall mean Liens on any item of Equipment or Real Estate of any Credit Party acquired after the date of this Credit Agreement to secure the purchase price thereof, PROVIDED that each such Lien shall attach only to the property to be acquired and proceeds thereof.

"QUALIFIED STOCK" means, with respect to any Person, any Capital Securities of such Person that is not Disqualified Stock.

"REAL ESTATE" shall mean all real property owned or leased by any Borrower or any Subsidiary of any Borrower, together with all fixtures, improvements and other structures thereon.

"REDUCED RATE" shall have the meaning ascribed to that term in SECTION 2.8(e), relating to backup withholding tax.

"REED ASSUMPTION" shall have the meaning ascribed to that term in SECTION 11.13.

"REED CANADA" shall mean Camco International (Canada) Limited, an Ontario corporation.

"REGULATION D" shall mean Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor thereto.

"REIMBURSEMENT AGREEMENT" shall have the meaning ascribed to that term in CLAUSE (b) of the definition of "L/C Application."

"RELATED AGREEMENTS" means, collectively, the Acquisition Agreement and the New Senior Note Indenture.

"REPORTABLE EVENT" shall mean any of the events described in Section 4043 of ERISA and the regulations thereunder, for which notice to the PBGC has not been waived.

"REQUIREMENT OF LAW" shall mean, as to any Person, the Governing Documents of such Person, and any law, treaty, rule, regulation, direction, ordinance, criterion or guideline or determination of a court or other Governmental Authority or determination of an arbitrator, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"RESTRICTED PAYMENT" means, with respect to any Person, (a) any payment with respect to or on account of any of the Capital Securities of such Person, including any dividend or other distribution on, any payment of interest on or principal of, and any payment (other than a payment effected using the Qualified Stock of Grant Prideco, Inc.) on account of any purchase, redemption, retirement, exchange, defeasance or conversion of, or on account of any claim relating to or arising out of the offer, sale or purchase of, any such Capital Securities and (b) any optional payment or prepayment on or redemption, retirement, (including by making payments to a sinking or analogous fund), repurchase, defeasance or other acquisition of, any Indebtedness (other than Indebtedness pursuant to this Credit Agreement). For the purposes of this definition, a "payment" shall include the transfer of any asset or the incurrence of any Indebtedness or other Liability (the amount of any such payment to be the fair market value of such asset or the amount of such

obligation, respectively) but shall not include (i) the issuance by such Person to the holders of a class or series of a class of its Capital Securities of the same class and, if applicable, series, other than, in the case of Holdings or any Subsidiary thereof, Mandatorily Redeemable Obligations or (ii) any issuance of Qualified Stock of Grant Prideco, Inc.

"RETIREE WELFARE PLAN" means, at any time, a welfare plan (as defined in Section 3(1) of ERISA) that provides for continuing coverage or benefits for any participant or any beneficiary of a participant after such participant's termination of employment, other than continuation coverage provided pursuant to Section 4980B of the Code and at the sole expense of the participant or the beneficiary of the participant.

"REVOLVER AVAILABILITY" means, at any time, the amount by which (A) the lesser of (i) the Total Revolving Loan Commitments and (ii) the aggregate Borrowing Base of all Borrowers exceeds (B) the Total Revolving Loan Exposure.

"REVOLVING LENDER" means a Lender that has a Revolving Loan Commitment and/or that has an outstanding Revolving Loan.

"REVOLVING LOAN COMMITMENT" means the commitment of a Revolving Lender to make Revolving Loans to the Borrowers pursuant to subsection 2.1(b), and "REVOLVING LOAN COMMITMENTS" means such commitments of all Revolving Lenders in the aggregate.

"REVOLVING LOAN EXPOSURE" of a Lender means the principal amount of such Lender's Revolving Loans outstanding plus such Lender's Proportionate Share of outstanding Letter of Credit Obligations.

"REVOLVING LOANS" means the US Revolving Loans and the Canadian Revolving Loans.

"REVOLVING NOTES" shall mean the US Revolving Notes and the Canadian Revolving Notes.

"SECOND TIER REVOLVING LOANS" means any US Revolving Loans made to US Borrowers under this Credit Agreement that are not First Tier Revolving Loans.

"SECURITY AGREEMENT" shall mean the Security Agreement, of even date herewith, among the Agent and the Borrowers, substantially in the form of Exhibit J.

"SELLER" means Schlumberger Technology Corporation.

"SERVING AFFILIATE" shall mean an Affiliate of a Lender that is an Issuing Bank.

"SETTLEMENT DATE" shall have the meaning ascribed to that term in SECTION 2.3(b)(i).

"SPOT RATE" means the rate quoted by the US Agent in accordance with its customary procedures as the spot rate for the purchase by US Agent of Dollars with a currency other than Dollars or the purchase of a currency other than Dollars with Dollars, as the case may

be, through its FX Trading Office at the time such office ordinarily determines the spot rate for such currency on such date as of which the applicable foreign exchange computation is made.

"START DATE" shall mean, with respect to any Applicable Margin Period, the first day of such Applicable Margin Period.

"SUBJECT BUSINESS" means the Reed Hycalog Business of Seller and all other rights, assets and businesses to be acquired pursuant to the Acquisition Agreement.

"SUBSIDIARY" means, with respect to any Person at any time (a) any other Person the accounts of which would be consolidated with those of such first Person in its consolidated financial statements as of such time, and (b) such other Person (i) who is, at such time, Controlled by, or (ii) securities of which having ordinary voting power to elect a majority of the board of directors (or other persons having similar functions), or other ownership interests of which ordinarily constituting a majority voting interest, are at such time, directly or indirectly, owned or Controlled by such first Person, or by one or more of its Subsidiaries, or by such first Person and one or more of its Subsidiaries.

"SUBSIDIARY GUARANTOR" means any Subsidiary of Holdings that executes and delivers a counterpart to the Subsidiary Guaranty. As of the Closing Date, the Subsidiary Guarantors are those listed on Schedule D.

"SUBSIDIARY GUARANTY" means the Subsidiary Guaranty executed and delivered by the Subsidiary Guarantors on the Closing Date pursuant to SECTION 5.1(a) and thereafter supplemented under certain circumstances by certain Subsidiaries of Holdings in accordance with SECTION 7.18, as such Subsidiary Guaranty may be amended, supplemented or otherwise modified from time to time substantially in the form of Exhibit I.

"SYNDICATION DATE" shall mean the earlier of (a) the date which is ninety (90) days after the Closing Date and (b) the date on which the Agent notifies the US Funds Administrator that the primary syndication has been completed, as determined by the Agent in its sole discretion, which notice shall be promptly given.

"TAX TRANSFEREE" shall have the meaning ascribed to that term in SECTION 2.8(a).

"TAXES" shall have the meaning ascribed to that term in SECTION 2.8(a).

"TERMINATION EVENT" shall mean (a) a Reportable Event with respect to any Title IV Plan or Multiemployer Plan; (b) the withdrawal of any Borrower, any Subsidiary of any Borrower or any ERISA Affiliate from a Title IV Plan during a plan year in which such entity was a "substantial employer" as defined in Section 4001(a)(2) of ERISA; (c) the providing of notice of intent to terminate a Title IV Plan in a distress termination described in Section 4041(c) of ERISA or the treatment of any amendment as a termination under Section 4041(e) of ERISA; (d) the institution by the PBGC of proceedings to terminate a Title IV Plan or Multiemployer Plan; (e) any event or condition (i) that might

constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Title IV Plan or Multiemployer Plan, or (ii) that may result in termination of a Multiemployer Plan pursuant to Section 4041A of ERISA; or (f) the partial or complete withdrawal within the meaning of Sections 4203 and 4205 of

ERISA, of any Borrower, any Subsidiary of any Borrower or any ERISA Affiliate from a Multiemployer Plan.

"TERM LOAN COMMITMENT" means the commitment of a Lender to make Term Loans to the Borrowers pursuant to subsection 2.1(a), and "TERM LOAN COMMITMENTS" means such commitments of all Lenders in the aggregate.

"TERM LOAN EXPOSURE" means, with respect to any Lender, as of any date of determination (i) prior to the funding of the Term Loans, that Lender's Term Loan Commitment, and (ii) after the funding of the Term Loans, the outstanding principal amount of the Term Loan of that Lender.

"TERM LOANS" means the US Term Loans and the Canadian Term Loans.

"TERM NOTES" means the US Term Notes and the Canadian Term Notes.

"TEST DATE" shall mean, with respect to any Start Date, the last day of the most recent fiscal quarter of the Consolidated Entity ended immediately prior to such Start Date.

"TEST PERIOD" shall mean each period of four consecutive fiscal quarters of the Consolidated Entity then last ended (in each case taken as one accounting period).

"TITLE IV PLAN" shall mean a Plan that is an employee pension benefit plan as defined in Section 3(2) of ERISA (other than a Multiemployer Plan) for which the funding requirements under Section 412 of the Code or Section 302 of ERISA is, or within the immediately preceding six (6) years was, in whole or in part, the responsibility of any Borrower, any Subsidiary of any Borrower or any ERISA Affiliate.

"TOTAL CANADIAN REVOLVING LOAN EXPOSURE" shall mean the aggregate Canadian Revolving Loan Exposure of all Canadian Lenders.

"TOTAL CANADIAN REVOLVING LOAN COMMITMENTS" shall mean the aggregate of the Canadian Revolving Loan Commitments of all the Lenders, which in the aggregate shall not exceed $7,000,000.

"TOTAL CANADIAN TERM LOAN EXPOSURE" shall mean the aggregate Canadian Term Loan Exposure of all Canadian Lenders.

"TOTAL DEBT" shall mean, as at the last day of any Fiscal Quarter, the aggregate amount of all Indebtedness of the Consolidated Entity determined in accordance with GAAP as of the last day of such Fiscal Quarter.

"TOTAL REVOLVING LOAN COMMITMENTS" shall mean the aggregate of the US Revolving Loan Commitments and the Canadian Revolving Loan Commitments of all the Lenders.

"TOTAL REVOLVING LOAN EXPOSURE" shall mean the aggregate Total US Revolving Loan Exposure and the Total Canadian Revolving Loan Exposure.

"TOTAL US REVOLVING LOAN COMMITMENTS" shall mean the aggregate of the US Revolving Loan Commitments of all the Lenders, which in the aggregate shall not exceed $183,000,000.

"TOTAL US REVOLVING LOAN EXPOSURE" shall mean, at any time, an amount equal to the sum of (a) the US Letter of Credit Obligations and (b) the principal amount of outstanding US Revolving Loans (including Interim Advances).

"TOTAL US TERM LOAN EXPOSURE" shall mean the aggregate US Term Loan Exposure of all Lenders.

"TRANSACTION COSTS" means the fees, costs and expenses payable by Holdings on or before the Closing Date in connection with the transactions contemplated by the Loan Documents and the Related Agreements.

"TRIGGER EVENT" means the occurrence of four consecutive Fiscal Quarters in which the Fixed Charge Coverage Ratio is less than 1.0 to 1.0.

"TYPE" shall mean, with respect to any Loan, whether such Loan is a LIBOR Rate Loan, a Prime Rate Loan or a Bankers' Acceptance Loan.

"UCC" shall mean the Uniform Commercial Code as in effect from time to time in the State of New York; PROVIDED that if, with respect to any financing statement or by reason of any provisions of law, the perfection or the effect of perfection or non-perfection of the Liens granted to the Agent pursuant to the applicable Credit Document is governed by the Uniform Commercial Code as in effect in a jurisdiction of the United States other than the State of New York, then "UCC" shall mean the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions of this Credit Agreement, each Credit Document and any financing statement relating to such perfection or effect of perfection or non-perfection; and further provided that in respect of any Lien governed by the laws of a province of Canada, other than the laws of the province of Quebec, "UCC" shall mean the Personal Property Security Act in effect from time to time in such province and in respect of any Lien governed by the laws of the province of Quebec, "UCC" shall mean the applicable provisions of the Civil Code of Quebec.

"UNFUNDED PENSION LIABILITY" means, at any time, the aggregate amount, if any, of the sum of (a) the amount by which the present value of all accrued benefits under each Title IV Plan exceeds the fair market value of all assets of such Title IV Plan allocable to such benefits in accordance with Title IV of ERISA, all determined as of the most recent valuation date for each such Title IV Plan using the actuarial assumptions for funding purposes in effect under such Title IV Plan, and (b) for a period of 5 years following a transaction which might reasonably be expected to be covered by Section 4069 of ERISA, the liabilities (whether or not accrued) that could be avoided by any Borrower, Subsidiary of any Borrower or any ERISA Affiliate as a result of such transaction.

"UNUSED LINE FEE" shall mean a non-refundable fee equal to a per annum percentage of the amount by which the Revolving Loan Commitments exceed the sum of the Total Revolving Loan Exposure, such percentage equaling, during any Applicable Margin Period, the

percentage set forth below corresponding to the Leverage Ratio as of the Test Date for such Applicable Margin Period, provided, however, that until the Start Date of the first Applicable Margin Period, the Unused Line Fee shall equal the rate appearing at LEVEL II of the chart set forth below:

<Table>
<Caption>

	Leverage Ratio	Unused Line Fee
<S>	<C>	<C>
Level I	Greater than 3.5 to 1.00	.50%
Level II	Equal to or less than 3.5 to 1.00 but greater than 3.0 to 1.00	.375%
Level III	Equal to or less than 3.0 to 1.00 but greater than 2.5 to 1.00	.375%
Level IV	Equal to or less than 2.5 to 1.00 but greater than 2.0 to 1.00	.375%
Level V	Equal to or less than 2.0 to 1.00	.25%

</Table>

PROVIDED, that, notwithstanding the foregoing, if the Borrowers shall fail to deliver the financial statements that are required to be delivered pursuant to SECTION 7.1(b), from the date which is three Business Days after the date on which such financial statements were so required to be delivered until the date of actual delivery thereof, the Unused Line Fee shall be a percentage per annum equal to the applicable percentage amount set forth above with respect to LEVEL I. If a Default or an Event of Default shall exist at the time any reduction in the Unused Line Fee has been or is to be implemented, that reduction shall be rescinded or deferred until the date on which such Default or Event of Default is cured or waived and at all times during the existence of such Default or Event of Default, the Unused Line Fee shall be a percentage per annum equal to the applicable percentage amounts set forth above with respect to LEVEL I.

"US AGENT" shall have the meaning ascribed to that term in the preamble to this Credit Agreement and shall include any successor US Agent appointed pursuant to SECTION 10.9.

"US BORROWER" means (i) any of Grant Prideco, LP, XL Systems, L.P., Texas Arai, Inc., Tube-Alloy Corporation, Star Operating Company or (ii) Reed-Hycalog Operating, L.P., after the effectiveness of the Reed Assumption or (iii) any new Borrower domiciled in the U.S. and approved by US Agent in accordance with Section 11.23; and "US BORROWERS" means all such entities collectively.

"US BORROWING BASE" means the sum of the Borrowing Bases for the US Borrowers.

"US FUNDS ADMINISTRATOR" shall mean Grant Prideco, LP in its capacity as borrowing agent and funds administrator for the US Borrowers hereunder and under each of the other Credit Documents.

"US LENDER" means any US Revolving Lender or any US Term Lender.

"US LETTER OF CREDIT" shall mean all letters of credit (whether commercial or stand-by and whether for the purchase of inventory, equipment or otherwise) issued for the account of any US Borrower by an Issuing Bank pursuant to ARTICLE 3 of this Credit Agreement and all amendments, renewals, extensions or replacements thereof.

"US LETTER OF CREDIT OBLIGATIONS" shall mean, at any time, the sum of (a) the aggregate undrawn face amounts of all US Letters of Credit outstanding at such time, PLUS (b) the aggregate unreimbursed amount of all drawings under US Letters of Credit.

"US LOANS" means the US Term Loans and the US Revolving Loans.

"US PRIME RATE" shall mean the rate that Deutsche Bank announces from time to time in New York, New York as its US Prime Rate in the United States, as in effect from time to time. The US Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. Deutsche Bank, DBTCo. and each of the other Lenders may make commercial loans or other loans at rates of interest at, above or below the US Prime Rate.

"US REVOLVING LENDER" means any Lender that has a US Revolving Loan Commitment and/or that has an outstanding US Revolving Loan.

"US REVOLVING LOAN COMMITMENT" means the commitment of a US Revolving Lender to make US Revolving Loans to the US Borrowers pursuant to subsection 2.1(b)(i), and "US REVOLVING LOAN COMMITMENTS" means such commitments of all US Revolving Lenders in the aggregate.

"US REVOLVING LOAN EXPOSURE" of a US Lender means the principal amount of such Lender's US Revolving Loans outstanding plus such Lender's Proportionate Share of outstanding US Letter of Credit Obligations.

"US REVOLVING LOANS" means the Loans made by US Revolving Lenders to the US Borrowers pursuant to subsection 2.1(b)(i).

"US REVOLVING NOTE" shall mean a promissory note of the Borrowers payable to the order of any US Revolving Lender, in the form of

EXHIBIT B-3, evidencing the aggregate Indebtedness of the US Borrowers to such Lender resulting from the US Revolving Loans made by such Lender or acquired by such Lender pursuant to SECTION 11.6.

"US TERM LENDER" means any Lender that has a US Term Loan Commitment and/or that has an outstanding US Term Loan.

"US TERM LOAN COMMITMENT" means the commitment of a Lender to make US Term Loans to the Borrowers pursuant to subsection 2.1(a)(i), and "US TERM LOAN COMMITMENTS" means such commitments of all Lenders in the aggregate.

"US TERM LOAN EXPOSURE" means, with respect to any Lender, as of any date of determination (i) prior to the funding of the US Term Loans, that Lender's US Term Loan Commitment, and (ii) after the funding of the US Term Loans, the outstanding principal amount of the US Term Loan of that Lender.

"US TERM LOANS" means the Loans made by Lenders to the US Borrowers pursuant to subsection 2.1(a).

"US TERM NOTES" means shall mean a promissory note of the Borrowers payable to the order of any Lender, in the form of EXHIBIT B-1, evidencing the aggregate Indebtedness of the Borrowers to such Lender resulting from the US Term Loans made by such Lender or acquired by such Lender pursuant to SECTION 11.6.

"VALUE" shall mean, as determined by an Agent in good faith, (a) with respect to Eligible Accounts Receivable, the gross face amount of Eligible Accounts Receivable less the sum of (i) sales, excise or similar taxes included in the amount thereof and (ii) returns, discounts, claims, credits, charges and allowances of any nature at any time issued, owing, granted, outstanding, available or claimed with respect thereto and (b) with respect to Eligible Inventory, the lower of (i) cost computed on a first-in first-out basis in accordance with GAAP or (ii) market value.

"WELFARE PLAN" means a Plan described in Section 3(1) of ERISA.

"WHOLLY OWNED SUBSIDIARY" shall mean, with respect to any Person, any Subsidiary of such Person all of the Capital Securities of which (except directors' qualifying shares) are, directly or indirectly, owned or Controlled by such Person or one or more Wholly Owned Subsidiaries of such Person or by such Person and one or more of such Subsidiaries.

1.2 ACCOUNTING TERMS AND DETERMINATIONS. Unless otherwise defined or specified herein, all accounting terms used herein shall have the meanings customarily given in accordance with GAAP, and all financial computations to be made under this Credit Agreement shall, unless otherwise specifically provided herein, be made in accordance with GAAP applied on a basis consistent in all material respects with the Financial Statements delivered to the Agent and the Lenders on the Closing Date. All accounting determinations for purposes of determining compliance with SECTION 8.1 shall be made in accordance with GAAP and applied on a basis consistent in all material respects with the Financial Statements delivered to the Agent and the Lenders on the Closing Date. The Financial Statement required to be delivered hereunder from and after the Closing Date and all financial records shall be maintained in accordance with GAAP or, if GAAP shall change from the basis used in preparing the Financial Statements delivered to the Agent and the Lenders on the Closing Date, the certificates required to be delivered pursuant to SECTION 7.1 demonstrating compliance with the covenants contained herein shall include calculations setting forth the adjustments necessary to demonstrate how the Borrowers are in compliance with the financial covenants based upon GAAP as in effect on the Closing Date. If any

Borrower shall change its method of inventory accounting from the first-in-first-out method, all calculations necessary to determine compliance with the covenants contained herein shall be made as if such method of inventory accounting had not been so changed.

1.3 OTHER INTERPRETIVE PROVISIONS. Terms not otherwise defined herein which are defined in the UCC shall have the meanings given them in the UCC. The words "hereof" "herein" and "hereunder" and words of similar import when used in this Credit Agreement shall refer to this Credit Agreement as a whole and not to any particular provision of this Credit Agreement, and references to Article, Section, Annex, Schedule, Exhibit and like references are references to this Credit Agreement unless otherwise specified. Any item or list of items set forth following the word "including," "include" or "includes" is set forth only for the purpose of indicating that, regardless of whatever other items are in the category in which such item or items are "included," such item or items are in such category, and shall not be construed as indicating that the items in the category are limited to such items or to items similar to such items. An Event of Default shall "continue" or be "continuing" until such Event of Default has been waived in accordance with SECTION 11.10. Except as otherwise specified herein, all references herein (a) to any Person shall be deemed to include such Person's successors and assigns, (b) to any Requirement of Law defined or referred to herein shall be deemed references to such Requirement of Law or any successor Requirement of Law as the same may have been or may be amended or supplemented from time to time, (c) to any Credit Document or Collateral Document defined or referred to herein shall be deemed references to such Credit Document or Collateral Document (and, in the case of any Note or any other instrument, any instrument issued in substitution therefor) as the terms thereof may have been or may be amended, supplemented, waived or otherwise modified from time to time, PROVIDED that, in the case of any L/C Application or Letter of Credit, any such amendment, supplement, waiver or other modification shall have been approved in writing by the Agent and (d) to any other document, agreement, instrument or contract shall include references to all amendments, supplements, waivers or other modifications thereto to the extent not otherwise prohibited under the terms of this Credit Agreement. Whenever the context so requires, the neuter gender includes the masculine or feminine, the masculine gender includes the feminine, and the singular number includes the plural, and vice versa. Except as otherwise specified herein, all references to the time of day shall be deemed to be to the City of New York time as then in effect.

ARTICLE 2

LOANS

2.1 COMMITMENTS; BANKERS' ACCEPTANCES; DELIVERY OF NOTES.

(a) Term Loans.

(i) US Term Loans. Subject to the terms and conditions set forth in this Credit Agreement, each Lender that has a US Term Loan Commitment severally agrees to make US Term Loans in Dollars to one or more of the US Borrowers on a joint and several basis on the Closing Date in an amount not exceeding such Lender's Proportionate Share of the aggregate amount of the US Term Loan Commitments to be used for the purposes identified in SECTION 7.11. The amount of each Lender's US Term Loan Commitment is set forth opposite its name on Annex 1 annexed hereto and the aggregate

amount of the US Term Loan Commitments is $47,000,000; provided, that the amount of the US Term Loan Exposure shall be reduced from time by the amount of any payments applied to the principal thereof pursuant to SECTION 2.4. Each Lender's US Term Loan Commitment shall expire immediately and without further action on January 31, 2003 if the US Term Loans are not made on or before that date. The US Borrowers may make only one borrowing under the US Term Loan Commitments. Amounts borrowed under this Section 2.1(a)(i) and subsequently repaid or prepaid may not be reborrowed.

(ii) Canadian Term Loans. Subject to the terms and conditions set forth in this Credit Agreement, each Canadian Lender that has a Canadian Term Loan Commitment severally agrees to make Canadian Term Loans in Dollars or Canadian Dollars to one or more of the Canadian Borrowers on a joint and several basis on the Closing Date in an aggregate amount not exceeding such Lender's Proportionate Share of the aggregate amount of the Canadian Term Loan Commitments to be used for the purposes identified in SECTION 7.11. The amount of each Lender's Canadian Term Loan Commitment is set forth opposite its name

on Annex 1 annexed hereto and the aggregate amount of the Canadian Term Loan Commitments is $3,000,000; provided, that the amount of the Canadian Term Loan Exposure shall be reduced from time by the amount of any payments applied to the principal thereof pursuant to SECTION 2.4. Each Lender's Canadian Term Loan Commitment shall expire immediately and without further action on January 31, 2003 if the Canadian Term Loans are not made on or before that date. The Canadian Borrowers may make only one borrowing under the Canadian Term Loan Commitments. Amounts borrowed under this Section 2.1(a)(ii) and subsequently repaid or prepaid may not be reborrowed.

(b) Revolving Loans.

(i) US Revolving Loans. Subject to the terms and conditions set forth in this Credit Agreement, on and after the Closing Date and to and excluding the Expiration Date, each Lender with a US Revolving Loan Commitment severally agrees to make from time to time US Revolving Loans in Dollars to the US Borrowers hereunder on a joint and several basis; PROVIDED that no such Loan shall be made for the account of any US Borrower if after giving effect to the making of such Loan and the simultaneous application of the proceeds thereof, (i) the aggregate amount of the US Revolving Loan Exposure of such Lender would exceed the US Revolving Loan Commitment of such Lender or (ii) the Total US Revolving Loan Exposure would exceed the Total US Revolving Loan Commitments or (iii) the Total US Revolving Loan Exposure would, subject to SECTION 2.2(b), exceed the US Borrowing Base or (iv) the Total US Revolving Loan Exposure in respect of such Borrower would exceed such Borrower's separate US Borrowing Base. The original amount of each Lender's US Revolving Loan Commitment is set forth opposite its name on Annex 1 annexed hereto and the aggregate amount of the US Revolving Loan Commitment is $183,000,000; provided, that, the US Revolving Loan Commitments of the US Revolving Lenders shall be adjusted to give effect to any assignments of the US Revolving Loan Commitments pursuant to SECTION 11.6(b) and shall be reduced from time to time by the amount of any reductions thereto made pursuant to SECTION 2.4. Each Lender's US Revolving Loan Commitment shall expire immediately and without further action on January 31, 2003 if the Term Loans are not made on or before that date.

(ii) Canadian Revolving Loans. Each of the Canadian Lenders with a Canadian Revolving Loan Commitment severally agrees to purchase and assume the Canadian loan commitments under the Existing Credit Arrangements and its pro rata share of Cdn. Loans outstanding thereunder as of the Closing Date in an amount equal to the Canadian Revolving Loan Commitment of such Canadian Lender. Such assumed commitments are hereby amended and restated in their entirety on the terms set forth in this Credit Agreement and shall constitute Canadian Revolving Loan Commitments for all purposes of this Credit Agreement. Such Cdn. Loans purchased by the Canadian Lenders shall constitute Canadian Revolving Loans for all purposes of this Credit Agreement, and shall be subject to the terms of this Credit Agreement. The Canadian Lenders are not subject to or bound by any of the terms or provisions of the Existing Credit Arrangements. Subject to the terms and conditions set forth in this Credit Agreement, on and after the Closing Date and to and excluding the Expiration Date, each of the Canadian Lenders with a Canadian Revolving Loan Commitment severally agrees to make from time to time Canadian Revolving Loans in either Dollars or Canadian Dollars to the Canadian Borrowers on a joint and several basis hereunder; PROVIDED that no such Loan shall be made for the account of a Canadian Borrower if after giving effect to the making of such Loan and the simultaneous application of the proceeds thereof, (i) the aggregate amount of the Canadian Revolving Loan Exposure of such Lender would exceed the Canadian Revolving Loan Commitment of such Lender, (ii) the Total Canadian Revolving Loan Exposure would exceed the Total Canadian Revolving Loan Commitments, (iii) the Total Canadian Revolving Loan Exposure would exceed, the Canadian Borrowing Base or (iv) the Total Canadian Revolving Loan Exposure in respect of such Canadian Borrower would exceed such Canadian Borrower's separate Canadian Borrowing Base. The original amount of each Lender's Canadian Revolving Loan Commitment is set forth opposite its name on Annex 1 annexed hereto and the aggregate amount of the Canadian Revolving Loan Commitments is $7,000,000; provided, that, the Canadian Revolving Loan

Commitments of the Canadian Revolving Lenders shall be adjusted to give effect to any assignments of the Canadian Revolving Loan Commitments pursuant to SECTION 11.6(b) and shall be reduced from time to time by the amount of any reductions thereto made pursuant to SECTION 2.4. Each Lender's Canadian Revolving Loan Commitment shall expire immediately and without further action on January 31, 2003 if the Canadian Term Loans are not made on or before that date.

(c) Bankers' Acceptance Loans. Borrowings of Canadian Loans may, at the option of the Canadian Borrowers, be made by the Canadian Lenders by means of the creation and discount of Bankers' Acceptances in Canadian Dollars on the terms and conditions provided for herein and in Schedule L hereto (the terms and conditions of which shall be deemed to be incorporated by reference into this Credit Agreement).

(d) Each of the US Borrowers hereby agrees to execute and deliver to each Lender a US Revolving Note to evidence the US Revolving Loans to the US Borrowers by such Lender and a US Term Note to evidence the US Term Loans to the US Borrowers by such Lender. Each of the Canadian Borrowers hereby agrees to execute and deliver to each Canadian Lender a Canadian Revolving Note to evidence the Canadian Revolving Loans to such Canadian Borrower by such Canadian Lender and a Canadian Term Note to evidence the Canadian Term Loans to such Canadian Borrower by such Canadian Lender.

2.2 BORROWING MECHANICS; INTERIM ADVANCES.

(a) Term Loans and Revolving Loans. Except as provided in SECTIONS 2.2(b), 2.3(b) AND 3.6(a), Borrowings shall be made on notice from the appropriate Funds Administrator to the appropriate Agent, given not later than 11:00 A.M. on the Business Day on which a proposed Borrowing consisting of Prime Rate Loans is requested to be made and on the third Business Day prior to the date of any proposed Borrowing consisting of LIBOR Rate Loans is requested to be made.

(i) Each Notice of Borrowing shall be given by, alternatively, telephone, facsimile or electronic E-mail transmission, and, if by telephone or electronic E-mail transmission, confirmed in writing on the same Business Day to the extent requested by an Agent substantially in the form of Exhibit C (the "NOTICE OF BORROWING") which notice, if dealing with US Revolving Loans, shall state whether the requested Loans will be First Tier Revolving Loans or Second Tier Revolving Loans and shall calculate the basis for such Borrower's ability to borrow such sums under the Existing Senior Note Indenture and the New Senior Note Indenture. Each Notice of Borrowing shall be irrevocable by and binding on the appropriate Funds Administrator and Borrowers.

(ii) The Funds Administrators shall notify the Agents in writing of the names of the officers of the Funds Administrators authorized to request Loans on behalf of the Borrowers and specifying which of those officers are also, or, if none are, the other officers that are, authorized to direct the disbursement of Loans in a manner contrary to standing disbursement instructions, and shall provide the Agents with a specimen signature of each such officer. In the absence of a specification of those officers who are authorized to vary standing disbursement instructions, the Agents may assume that each officer authorized to request Loans also has such authority. The Agents shall be entitled to rely conclusively on the authority of such officers of the Funds Administrators to request Loans on behalf of the Borrowers, or to vary standing disbursement instructions, until the Agents receive written notice to the contrary. Agents shall have no duty to verify the authenticity of the signature appearing on any Notice of Borrowing or other writing delivered pursuant to this SECTION 2.2(a) and, with respect to an oral or electronic E-mail request for Loans, the Agents shall have no duty to verify the identity of any individual representing himself as one of the officers of the Funds Administrators authorized to make such request on behalf of the Borrowers. Neither of the Agents nor any of the Lenders shall incur any liability to the Funds Administrators or any of the Borrowers as a result of (A) acting upon any telephonic or electronic E-mail notice referred to in this SECTION 2.2(a) if the appropriate Agent believes in good faith such notice to have been given by a duly authorized officer

of the Funds Administrators or other individual authorized to request Loans on behalf of the Borrowers or to direct the disbursement thereof in a manner contrary to standing disbursement instructions, or (B) otherwise acting in good faith under this SECTION 2.2(a) and an advance made and disbursed pursuant to any such telephonic or electronic E-mail notice shall be deemed to be a Loan for all purposes of this Credit Agreement.

(iii) In its Notice of Borrowing, a Funds Administrator may request one or more Borrowings on a single day. Each such Borrowing shall, unless otherwise specifically provided herein, consist entirely of Loans of the same Type and shall, in the case of a Borrowing of LIBOR Rate Loans, be in an aggregate amount per Borrower, for all Lenders, of not less than $1,000,000 or an integral multiple of $1,000,000 in excess thereof and shall, in the case of Canadian Loans, consist entirely of Loans in the same currency.

(iv) Notwithstanding anything to the contrary herein, the Canadian Funds Administrator may not choose LIBOR Rate Loans for Canadian Loans made in Canadian Dollars (and may not convert Loans made in Canadian Dollars to LIBOR Rate Loans). The right of a Funds Administrator to choose LIBOR Rate Loans is also subject to the provisions of SECTION 4.3(c).

The Funds Administrators have informed the Agents that they have decided to open separate checking accounts in the name of each Borrower (each, a "DISBURSEMENT ACCOUNT" and collectively, the "DISBURSEMENT ACCOUNTS") with the applicable Disbursement Account Bank for the purpose of paying trade payables and other operating expenses and to fund other operating needs of the Borrowers. The Lenders hereby authorize the Agents, and so long as the conditions for Borrowing specified in the proviso to Section 2.1(b) and in Article 5 are satisfied or so long as an Interim Advance Period exists, the appropriate Agent on behalf of the US Lenders or Canadian Lenders (as appropriate) may but shall not be obligated to make loans to cover the respective amounts of checks presented for payment and other disbursements from any Borrower's Disbursement Account. Advice from the Disbursement Account Bank of amounts required to cover such amounts for any Borrower, together with authorization (verbal or otherwise) by an authorized officer of the appropriate Funds Administrator, will be deemed sufficient notice of Borrowing. All of such Borrowings shall be Prime Rate Loans.

(b) (i) In the event the US Borrowers are unable to comply with (A) the Borrowing Base limitation set forth in clause (iii) or clause (iv) of the PROVISO to SECTION 2.1(b)(i) or (B) the conditions precedent set forth in SECTION 5.2 to a Credit Event, the Lenders authorize the US Agent, in its sole discretion (but without obligation to do so), to make US Revolving Loans ("INTERIM ADVANCES") to the US Borrowers during the period commencing on the date the US Agent first receives a Notice of Borrowing requesting an Interim Advance until the earliest of (1) the fifteen (15th) Business Day after such date, (2) the date the US Borrowers are again able to comply with such Borrowing Base limitation and conditions precedent, or obtains an amendment or waiver with respect thereto and (3) the date the Majority US Revolving Lenders instruct the US Agent, or the US Agent determines, to cease making Interim Advances (in each case, the "INTERIM ADVANCE PERIOD").

(ii) The US Agent shall not, in any event, (A) make any Interim Advance during any Interim Advance Period if, after giving effect to such Interim Advance, Total US Revolving Loan Exposure would exceed one hundred ten percent (110%) of Total US Revolving Loan Exposure on the first day of such Interim Advance Period (calculated without giving effect to Interim Advances made on such day) and (B) make any Interim

Advance if, after giving effect to such Interim Advance, Total US Revolving Loan Exposure would exceed the Total US Revolving Loan Commitments.

(iii) All amounts received by the US Agent during an Interim Advance Period on account of the Obligations, whether in the form of payments from any US Borrower, collections on the Collateral of a US Borrower or otherwise, shall, so long as any Interim Advances made during such Interim Advance Period are outstanding, be applied by the US Agent, FIRST, to the repayment of such Interim Advances and, SECOND, in accordance with SECTION 2.5(e)(i).

(iv) Each Interim Advance shall be settled with the US Lenders on the first Settlement Date after such Interim Advance is made. In such event, US Agent shall include such US Revolving Loans in the notice contemplated by clauses (i) and (ii) of SECTIONS 2.3(b), and such US Revolving Loans shall be settled among the US Agent and the US Lenders in accordance with SECTION 2.3(b).

(c) The failure of any Lender to make the Loan to be made by it as part of any Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Loan on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Loan to be made by such other Lender on the date of any Borrowing.

(d) In addition to being evidenced, as provided in SECTION 2.6, by the Borrowers' Accounts, each Lender's Loans, the US Borrowers' joint and several obligations to repay such Loans with interest in accordance with the terms of this Credit Agreement and the Canadian Borrowers' joint and several obligations to repay the Canadian Loans with interest in accordance with the terms of this Credit Agreement shall be evidenced by this Credit Agreement, the records of such Lender and such Lender's Term Notes and/or Revolving Notes. The records of each Lender shall be prima facie evidence of such Lender's Loans and accrued interest thereon and of all payments made in respect thereof.

(e) Each Lender shall be entitled to earn interest at the then applicable rate of interest, calculated in accordance with ARTICLE 4, on outstanding Loans which it has funded to an Agent; PROVIDED that in the case of interest accrued but unpaid at the time of a Bankruptcy Default and interest accruing thereafter and during a Bankruptcy Default, such Lender shall be entitled to receive only its Proportionate Share of amounts actually received by such Agent in respect of such interest; FURTHER PROVIDED that if any amount received by such Agent in respect of such interest and distributed by it is thereafter recovered from such Agent, such Lender shall, upon request, repay to such Agent its Proportionate Share of the amount so recovered to the extent received by it, but without interest (unless such Agent is required to pay interest on the amount recovered, in which case such Lender shall be required to pay interest at a like rate).

(f) Notwithstanding the obligation of the Funds Administrators to send written confirmation of a Notice of Borrowing made by telephone or electronic E-mail transmission if and when requested by an Agent, in the event that an Agent agrees to accept a Notice of Borrowing made by telephone or electronic E-mail transmission, such Notice of Borrowing shall be binding on the appropriate Funds Administrator and each of the appropriate Borrowers whether or not written confirmation is sent by the Funds Administrator or requested by an Agent. Either Agent may act

prior to the receipt of any requested written confirmation, without any liability whatsoever, based upon telephonic or electronic E-mail notice believed by such Agent in good faith to be from the Funds Administrator or its agents. The appropriate Agent's records of the terms of any telephonic or electronic E-mail transmission Notices of Borrowing shall be conclusive on the Funds Administrators, each Borrower and the Lenders in the absence of gross negligence or willful misconduct on the part of such Agent in connection therewith.

(g) From time to time, any Borrower may request that the Inventory be appraised by an appraiser of recognized national standing selected by the appropriate Agent and approved (such approval not to be unreasonably withheld) by the appropriate Funds Administrator. The US Funds Administrator shall pay the cost of such appraisal with respect to the Inventory of any US Borrower, and the Canadian Funds Administrator shall pay the cost of such appraisal with respect to the Inventory of any Canadian Borrower.

2.3 SETTLEMENTS AMONG THE AGENTS AND THE LENDERS.

(a) Except as provided in SECTION 2.3(b), (i) the US Agent shall give to each US Lender prompt notice of each Notice of Borrowing requesting US Loans by telecopy or facsimile transmission; no later than 2:00 P.M. (eastern standard time) on the date of receipt of each such Notice of Borrowing (unless such Notice of Borrowing specifies the Closing Date as the date of Borrowing, in which case no later than 11:00 A.M. on the Closing Date), each US Lender will make available for the account of its Applicable Lending Office, to the US Agent at the address of the US Agent set forth on Annex I, in immediately available funds, its Proportionate Share of such Borrowing requested to be made, and (ii) the Canadian Agent shall give to each Canadian Lender prompt notice of each Notice of Borrowing, requesting Canadian Loans by telecopy or facsimile transmission; no later than 2:00 P.M. (eastern standard time) on the date of receipt of each such Notice of Borrowing (unless such Notice of Borrowing specifies the Closing Date as the date of Borrowing, in which case no later than 11:00 A.M. on the Closing Date), each Canadian Lender will make available for the account of its Applicable Lending Office, to the Canadian Agent at the address of the Canadian Agent set forth on Annex I, in immediately available funds, its Proportionate Share of such Borrowing requested to be made. Unless an Agent shall have been notified by any Lender prior to the date of Borrowing that such Lender does not intend to make available to such Agent its portion of a Borrowing to be made on such date, such Agent may assume that such Lender will make such amount available to such Agent on the Settlement Date and such Agent, in reliance upon such assumption, may but shall not be obligated to make available the amount of the Borrowing to be provided by such Lender. If and to the extent such Lender shall not have so made available to the appropriate Agent its Proportionate Share on such date and such Agent shall have so made available to a Borrower a corresponding amount on behalf of such Lender, such Agent may recover such amount on demand from such Lender in accordance with SECTION 11.18. If such Lender does not pay such corresponding amount promptly upon such Agent's demand therefor, such Agent may promptly notify the appropriate Funds Administrator and the appropriate Borrowers shall immediately repay such corresponding amount to such Agent together with accrued interest thereon at the applicable rate or rates provided in SECTIONS 4.1, 4.2, AND 4.4.

(b) Unless the Majority US Revolving Lenders have instructed the US Agent to the contrary, the US Agent on behalf of the Lenders may but shall not be obligated to make US

Revolving Loans to the US Borrowers under SECTION 2.2 without prior notice of the proposed Borrowing to the Lenders. Unless the Majority Canadian Revolving Lenders have instructed the Canadian Agent to the contrary, the Canadian Agent, on behalf of the Canadian Revolving Lenders, may, but shall not be obligated to make Canadian Revolving Loans in Dollars or in Canadian Dollars to a Canadian Borrower under Section 2.2 without prior notice of the proposed Borrowing to the Canadian Revolving Lenders. Loans made pursuant to the previous two sentences shall be Prime Rate Loans and shall be subject to the following settlement arrangements:

(i) The amount of each Lender's Proportionate Share of US Revolving Loans shall be computed weekly (or more frequently in the US Agent's discretion) and shall be adjusted upward or downward on the basis of the amount of outstanding Revolving Loans as of 5:00 P.M. (eastern standard time) on the last Business Day of the period specified by the US Agent (such date, the "SETTLEMENT DATE"). The US Agent shall deliver to each of the US Lenders promptly after the Settlement Date a notice of the amount of outstanding US Revolving Loans for such period. The US Lenders shall transfer to the US Agent, or, subject to SECTION 11.18(b)(i), the US Agent shall transfer to the US Lenders, such amounts as are necessary so that (after giving effect to all such transfers) the amount of US Revolving Loans made by each US Lender shall be equal to such Lender's Proportionate Share of the aggregate amount of US Revolving Loans outstanding as of such Settlement Date. During a Bankruptcy Default, amounts required to be transferred by the US Lenders to the US Agent shall, instead of constituting US Revolving Loans to the US Borrowers, be in the form of participations purchased by the US Lenders in the outstanding Revolving Loans of DBTCo., acting as US Agent. If the summary statement is received by the US Lenders prior to 12:00 noon (eastern standard time) on any Business Day, each US Lender shall make the transfers described above in immediately available funds no later than 2:00 P.M. (eastern standard time) on the day such summary statement was received; and if

such summary statement is received by the US Lenders after 12:00 noon (eastern standard time) on such day, each US Lender shall make such transfers no later than 2:00 P.M. (eastern standard time) on the next succeeding Business Day. The obligation of each of the US Lenders to transfer such funds shall be irrevocable and unconditional and without recourse to or warranty by the US Agent. Each of the US Agent and the US Lenders agrees to mark its books and records on the Settlement Date to show at all times the dollar amount of its Proportionate Share of the outstanding US Revolving Loans.

(ii) The amount of each Canadian Lender's Proportionate Share of Canadian Revolving Loans shall be computed weekly (or more frequently in the Canadian Agent's discretion) and shall be adjusted upward or downward on the basis of the amount of outstanding Canadian Revolving Loans as of 5:00 P.M. (eastern standard time) on the last Business Day of the period specified by the Canadian Agent (such date, the "SETTLEMENT DATE"). The Canadian Agent shall deliver to each of the Canadian Revolving Lenders promptly after the Settlement Date a summary statement of the amount of outstanding Canadian Revolving Loans for such period. The Canadian Lenders shall transfer to the Canadian Agent, or, subject to SECTION 11.18, the Canadian Agent shall transfer to the Canadian Lenders, such amounts as are necessary so that (after giving effect to all such transfers) the amount of Canadian Revolving Loans made by each Canadian Lender shall be equal to such Canadian Lender's Proportionate Share of the aggregate amount of Canadian Revolving Loans outstanding as of such Settlement Date. During a

Bankruptcy Default, amounts required to be transferred by the Canadian Lenders to the Canadian Agent shall, instead of constituting Canadian Revolving Loans to the Borrower, be in the form of participations purchased by the Canadian Lenders in the outstanding Canadian Revolving Loans of Deutsche Bank AG, Canada Branch, acting as Canadian Agent. If the summary statement is received by the Canadian Lenders prior to 12:00 noon (eastern standard time) on any Business Day, each Canadian Lender shall make the transfers described above in immediately available funds no later than 2:00 P.M. (eastern standard time) on the day such summary statement was received; and if such summary statement is received by the Canadian Lenders after 12:00 noon (eastern standard time) on such day, each Canadian Lender shall make such transfers no later than 2:00 P.M. (eastern standard time) on the next succeeding Business Day. The obligation of each of the Canadian Lenders to transfer such funds shall be irrevocable and unconditional and without recourse to or warranty by the Canadian Agent. Each of the Canadian Agent and the Canadian Lenders agrees to mark its books and records on the Settlement Date to show at all times the amount of its Proportionate Share of the outstanding Canadian Revolving Loans.

(iii) To the extent that the settlement described above shall not yet have occurred, upon repayment of Loans by the Borrowers, each Agent may first apply such amounts repaid directly to the amounts made available by such Agent pursuant to this SECTION 2.3(b).

(iv) Because the Agents on behalf of the Lenders may be advancing and/or may be repaid Revolving Loans prior to the time when the Lenders will actually advance and/or be repaid such Loans, interest with respect to such Loans shall be allocated by each Agent to each Lender and such Agent in accordance with the amount of such Loans actually advanced by and repaid to each Lender and such Agent and shall accrue from and including the date such Loans are so advanced to but excluding the date such Loans are either repaid by the Borrowers in accordance with SECTION 2.4 or actually settled by the applicable Lender as described in this SECTION 2.3(b).

2.4 SCHEDULED PAYMENTS OF TERM LOANS; MANDATORY PAYMENTS; MANDATORY REDUCTION OF COMMITMENTS.

(a) Scheduled Payments of Term Loans.

(i) US Term Loans. US Borrowers shall make principal payments on the US Term Loans in installments on the dates and in the

amounts set forth below:

<Table>
<Caption>

DATE	SCHEDULED REPAYMENT
<S>	<C>
March 31, 2003	$ 1,678,571.43
June 30, 2003	$ 1,678,571.43
September 30, 2003	$ 1,678,571.43

</Table>

<Table>
<Caption>

DATE	SCHEDULED REPAYMENT
<S>	<C>
December 31, 2003	$ 1,678,571.43
March 31, 2004	$ 1,678,571.43
June 30, 2004	$ 1,678,571.43
September 30, 2004	$ 1,678,571.43
December 31, 2004	$ 1,678,571.43
March 31, 2005	$ 1,678,571.43
June 30, 2005	$ 1,678,571.43
September 30, 2005	$ 1,678,571.43
December 31, 2005	$ 1,678,571.43
March 31, 2006	$ 1,678,571.43
June 30, 2006	$ 1,678,571.43
September 30, 2006	$ 1,678,571.43
December 18, 2006	$21,821,428.55

</Table>

; provided that the scheduled installments of principal of the US Term Loans set forth above shall be reduced in connection with any voluntary or mandatory prepayments of the US Term Loans in accordance with Sections 2.4(g) and 2.4(h); and provided, further that the US Term Loans and all other amounts owed hereunder with respect to the US Term Loans shall be paid in full no later than the Expiration Date, and the final installment payable by US Borrowers in respect of the US Term Loans on such date shall be in an amount, if such amount is different from that specified above, sufficient to repay all amounts owing by Borrowers under this Credit Agreement with respect to the US Term Loans.

(ii) Canadian Term Loans. Canadian Borrowers shall make principal payments on the Canadian Term Loans in the currency in which such Loans were made in installments on the dates and in the amounts set forth below:

<Table>
<Caption>

DATE	SCHEDULED REPAYMENT
<S>	<C>
March 31, 2003	$ 107,142.86
June 30, 2003	$ 107,142.86
September 30, 2003	$ 107,142.86

</Table>

<Table>
<Caption>

DATE	SCHEDULED REPAYMENT
<S>	<C>
December 31, 2003	$ 107,142.86
March 31, 2004	$ 107,142.86
June 30, 2004	$ 107,142.86
September 30, 2004	$ 107,142.86
December 31, 2004	$ 107,142.86
March 31, 2005	$ 107,142.86

June 30, 2005	$ 107,142.86
September 30, 2005	$ 107,142.86
December 31, 2005	$ 107,142.86
March 31, 2006	$ 107,142.86
June 30, 2006	$ 107,142.86
September 30, 2006	$ 107,142.86
December 18, 2006	$1,392,857.10

</Table>

provided that the scheduled installments of principal of the Canadian Term Loans set forth above shall be reduced in connection with any voluntary or mandatory prepayments of the Canadian Term Loans in accordance with Sections 2.4(g) and 2.4(h); and provided, further that the Canadian Term Loans and all other amounts owed hereunder with respect to the Canadian Term Loans shall be paid in full no later than the Expiration Date, and the final installment payable by Canadian Borrowers in respect of the Canadian Term Loans on such date shall be in an amount, if such amount is different from that specified above, sufficient to repay all amounts owing by Canadian Borrowers under this Credit Agreement with respect to the Canadian Term Loans.

(b) Reductions of Revolving Loan Commitments. The amount by which the Total Revolving Loan Exposure in respect of any Borrower exceeds such Borrower's separate Borrowing Base at any time shall be immediately due and payable without the necessity of any notice or demand, except to the extent of any Interim Advances within any Interim Advance Period which have not been settled with the US Lenders pursuant to SECTION 2.2(b)(iv) and except to the extent that one or more Borrowers with sufficient Borrowing Base assumes Loans of such Borrower in sufficient amounts to cure such overage, and such assumption is documented as required by the following sentence (provided, however, that Canadian Borrowers may not assume US Loans and US Borrowers may not assume Canadian Loans). If a Borrower assumes Loans of another Borrower, the appropriate Funds Administrator shall deliver written notice of such assumption to the appropriate Agent, which notice may be included as part of a Borrowing Base Certificate and shall also certify that appropriate intercompany consideration has been received by the assuming Borrower. For avoidance of doubt, assumption of all or a portion of an existing US Revolving Loan by a Borrower does not require transfer of cash (except to the extent any of the Borrowers choose to transfer cash between them in consideration of such assumption.) Repayments of such excess amounts shall be applied, FIRST, to the repayment of US Revolving

Loans made to such Borrower, SECOND, to the payment of outstanding reimbursement obligations with respect to Letters of Credit issued for such Borrower, and, THIRD, to the securing, with cash or Cash Equivalents as provided in the second paragraph of SECTION 9.2 (but without the requirement of any demand provided for in such paragraph), of the Letter of Credit Obligations (in each case to the extent the same are such by virtue of CLAUSE (a) of the definition thereof with respect to Letters of Credit issued for such Borrower).

(i) On the Expiration Date, (A) the US Revolving Loan Commitment of each US Lender and (B) the Canadian Revolving Loan Commitment of each Canadian Lender, shall each automatically reduce to zero and may not be reinstated.

(ii) The US Borrowers may reduce or terminate the US Revolving Loan Commitments and the Canadian Borrowers may reduce or terminate the Canadian Revolving Loan Commitments, in each case, at any time and from time to time in whole or in part by reducing or terminating such Commitments; PROVIDED that each such reduction must be in an amount not less than the lesser of (x) the then-existing aggregate Commitments of the relevant Type and (y) $5,000,000 (and in increments of $1,000,000), in the case of the US Revolving Loan Commitments, or $1,000,000 (and in increments of $1,000,000), in the case of the Canadian Revolving Loan Commitments; and PROVIDED FURTHER that (A) if the US Borrowers seek to reduce the US Revolving Loan Commitments to an amount less than $15,000,000, then the US Revolving Loan Commitments shall, at the option of the US Agent, be reduced to zero, (B) if the Canadian Borrowers seek to reduce the Canadian Revolving Loan Commitments to an amount less than $5,000,000, then the Canadian Revolving Loan Commitments shall, at the option of the Canadian Agent, be reduced to zero and (C) once reduced the amount of any such reductions in any Commitment may not be reinstated.

(iii) The amount by which the US Revolving Loan Exposure exceeds the aggregate amount of the US Revolving Loan Commitments shall be immediately due and payable by the US Borrowers without the necessity of any notice or demand. Repayments of such excess amounts shall be applied, FIRST, to the repayment of US Revolving Loans, SECOND, to the payment of outstanding reimbursement obligations with respect to US Letters of Credit, and, THIRD, to the securing, with cash or Cash Equivalents as provided in the second paragraph of SECTION 9.2 (but without the requirement of any demand provided for in such paragraph), of the Letter of Credit Obligations (in each case to the extent the same are such by virtue of CLAUSE (a) of the definition thereof).

(iv) The amount by which the Total Canadian Revolving Loan Exposure exceeds the aggregate amount of the Canadian Revolving Loan Commitments shall be immediately due and payable without necessity of any notice or demand. Repayments of such excess amounts shall be applied to the repayment of the Canadian Revolving Loans.

(c) If Holdings issues Capital Securities other than the New Senior Notes, no later than the Business Day following the date of receipt of the proceeds thereof, the Borrowers shall prepay the Loans (without a reduction in Revolving Loan Commitments) in accordance with SECTION 2.4(h) in an amount equal to fifty percent (50%) of such proceeds, and net of, reasonable out-of-pocket fees, costs and expenses incurred in connection therewith.

(d) If Holdings, or any of its Subsidiaries issues Indebtedness for borrowed money, other than the New Senior Notes, no later than the Business Day following the date of receipt of the proceeds thereof, the Borrowers shall apply the proceeds thereof, net of reasonable, out-of-pocket fees, costs and expenses incurred in connection therewith, to prepay the Loans (without a reduction in Revolving Loan Commitments) in accordance with SECTION 2.4(h) in an amount equal to the remaining net proceeds.

(e) The US Borrowers or Canadian Borrowers, as appropriate, shall pay an amount equal to any Net Asset Sale Proceeds to the appropriate Agent for application in accordance with Section 2.4(h) by no later than the first Business Day following the date of receipt thereof by Holdings or any of its Subsidiaries, provided, however, that so long as no Event of Default shall have occurred and be continuing, the amount required to be paid pursuant to this sentence shall not exceed the amount of the outstanding US Revolving Loans or Canadian Revolving Loans, as appropriate and such amount shall be applied to prepay outstanding US Revolving Loans or Canadian Revolving Loans, as appropriate, without a reduction in Revolving Loan Commitments, to the full extent thereof (and may be reborrowed from time to time for purposes of such reinvestment, or repayment of Loans as contemplated below, subject to all applicable borrowing requirements under this Credit Agreement). (For purposes of this Section 2.4(e), the Canadian Borrowers shall be obligated to pay with respect to Net Asset Sale Proceeds received by them or their Subsidiaries, and the US Borrowers shall be obligated to pay with respect to all other Net Asset Sale Proceeds.) The US Borrowers or Canadian Borrowers, as appropriate, shall deliver to the appropriate Agent, within thirty (30) days after receipt of any Net Asset Sale Proceeds, a certificate from an officer of the appropriate Funds Administrator setting forth (x) that portion of such Net Asset Sale Proceeds that Holdings or the applicable Subsidiary intends to reinvest in equipment or other productive assets of the general type used in the business of Holdings and its Subsidiaries within 180 days of such date of receipt and (y) the proposed use of such portion of the Net Asset Sale Proceeds and such other information with respect to such reinvestment as the appropriate Agent may reasonably request. Concurrently with the delivery of such certificate, the appropriate Borrowers shall pay to the appropriate Agent an amount equal to the portion of such Net Asset Sale Proceeds which the Borrowers have not elected in such certificate to reinvest, and the appropriate Agent shall apply such payment in accordance with Section 2.4(h). Holdings shall, or shall cause one or more of its Subsidiaries to, promptly and diligently apply such portion to such reinvestment purposes. In addition, no later than 180 days after receipt of such Net Asset Sale Proceeds that have not theretofore been applied to the Loans or that have not been so reinvested as provided above, make an additional prepayment of the Loans in accordance with SECTION 2.4(h) in the full amount of all such Net Asset Sale Proceeds. Notwithstanding the foregoing, (a) Net Asset Sale Proceeds received within 180 days after the Closing Date in respect of

dispositions of the assets described on Schedule I, and (b) the first $1,000,000 of Net Asset Sale Proceeds from Asset Sales to Foreign Subsidiaries by Credit Parties shall be exempt from the prepayment requirements of this Section 2.4(e).

(f) The US Borrowers or Canadian Borrowers, as appropriate, shall pay an amount equal to any Net Insurance/Condemnation Proceeds to the appropriate Agent for application in accordance with Section 2.4(h) by no later than the first Business Day following the date of receipt thereof by Holdings or any of its Subsidiaries, provided, however, that so long as no Event of Default shall have occurred and be continuing, the amount required to be paid pursuant to this sentence shall not exceed the amount of the outstanding US Revolving Loans or Canadian

Revolving Loans, as appropriate and such amount shall be applied to prepay outstanding US Revolving Loans or Canadian Revolving Loans, as appropriate, without a reduction in Revolving Loan Commitments, to the full extent thereof (and may be reborrowed from time to time for purposes of such reinvestment, or repayment of Loans as contemplated below, subject to all applicable borrowing requirements under this Credit Agreement). (For purposes of this Section 2.4(f), the Canadian Borrowers shall be obligated to pay with respect to Net Insurance/Condemnation Proceeds received by them or their Subsidiaries, and the US Borrowers shall be obligated to pay with respect to all other Net Insurance/Condemnation Proceeds). The US Borrowers or Canadian Borrowers, as appropriate, shall deliver to the appropriate Agent, within thirty (30) days after receipt of any Net Insurance/Condemnation Proceeds a certificate from an officer of the appropriate Funds Administrator setting forth (x) that portion of such Net Insurance/Condemnation Proceeds, if any, that Holdings or the applicable Subsidiary intends to reinvest in equipment or other productive assets of the general type used in the business of Holdings and its Subsidiaries within 180 days of such date of receipt and (y) the proposed use of such portion of the Net Insurance/Condemnation Proceeds and such other information with respect to such reinvestment as the appropriate Agent may reasonably request. Holdings shall, or shall cause one or more of its Subsidiaries to, promptly and diligently apply the portion of such Net Insurance/Condemnation Proceeds which the Borrowers have elected to reinvest to such reinvestment purposes. In addition, no later than 180 days after receipt of such Net Insurance/Condemnation Proceeds, to the extent of any portion thereof that has not been applied to the Loans in accordance with Section 2.4(h) or that has not been so reinvested as provided above, the appropriate Borrowers shall make an additional prepayment of the Loans in accordance with SECTION 2.4(h) in the full amount of such portion of Net Insurance/Condemnation Proceeds. For purposes of the preceding sentence, proceeds that the Borrowers have elected in such certificate to reinvest toward repair or restoration of the property damage resulting in such insurance proceeds shall be deemed reinvested to the extent such work has been contracted for within such 180-day period and such work is thereafter diligently pursued to completion.

(g) Any Borrower may, upon not less than one Business Day's prior written or telephonic notice, in the case of Prime Rate Loans, and three Business Days' prior written or telephonic notice, in the case of LIBOR Rate Loans, in each case given to Agent by 12:00 Noon (New York City time) on the date required and, if given by telephone, promptly confirmed in writing to the appropriate Agent (which original written or telephonic notice the appropriate Agent will promptly transmit by telefacsimile or telephone to each Lender for the Loans to be prepaid), at any time and from time to time prepay any Term Loans and/or Revolving Loans on any Business Day in whole or in part in an aggregate minimum amount of $1,000,000 in the case of Prime Rate Loans and $5,000,000 in the case of LIBOR Rate Loans and, in each case, multiples of $500,000 in excess of that amount; provided, however, that a LIBOR Rate Loan may only be prepaid on the expiration of the Interest Period applicable thereto unless Borrowers pay all amounts owing to Lenders under Section 4.7B. Notice of prepayment having been given as aforesaid, the principal amount of the Loans specified in such notice shall become due and payable on the prepayment date specified therein. Any such voluntary prepayment shall be applied as specified by the Borrower in the applicable notice of prepayment; provided that in the event Borrowers fail to specify the Loans to which any such prepayment shall be applied, such prepayment shall be applied first to repay outstanding Term Loans on a pro rata basis to the full extent thereof, and second to repay outstanding Revolving Loans on a pro rata basis to the full extent thereof. Any voluntary

prepayments of the Term Loans pursuant to this section shall be applied to reduce the scheduled installments of principal of the Term Loans in inverse chronological order.

(h) Any amount required to be applied as a mandatory prepayment of the Loans pursuant to this SECTION 2.4 shall be applied first to prepay the Term Loans on a pro rata basis to the full extent thereof, and second, to the extent of any remaining portion of such amount, to prepay the Revolving Loans on a pro rata basis to the full extent thereof (without reducing the Revolving Loan Commitments, except as provided above). Mandatory prepayments of the Term Loans shall be applied to reduce the scheduled installments of principal of the Term Loans in inverse chronological order. Mandatory prepayments pursuant to this SECTION 2.4 shall be made by the Borrowers on a pro rata basis in accordance with the respective outstanding principal amounts of their Term Loans, until the Term Loans have been repaid in full, and then in accordance with the respective outstanding principal amounts of their Revolving Loans until all Revolving Loans have been repaid in full. For purposes of the preceding sentence, proration based on outstanding Revolving Loans among US Borrowers shall be made first on the basis of the respective outstanding principal amount of their Second Tier Revolving Loans until the Second Tier Revolving Loans have been repaid in full, and then on the basis of the respective outstanding principal amount of their First Tier Revolving Loans.

(i) The GP Borrowers have instructed the US Agent to apply the proceeds of the US Term Loans made to the GP Borrowers, when such Loans are made, to repay outstanding US Revolving Loans made to such GP Borrowers on the Closing Date (up to the amount of such Revolving Loans).

2.5 PAYMENTS AND COMPUTATIONS.

(a) (i) The US Borrowers shall, subject, in the case of payments in respect of Letters of Credit, pursuant to the final sentence of this SECTION 2.5(a)(i), make each payment under the Credit Documents and under the Notes not later than 2:00 P.M. (eastern standard time) on the day when due in Dollars to the US Agent at its address designated in or pursuant to SECTION 11.5 in immediately available funds. The obligations of the US Borrowers to the Lenders with respect to such payments shall be discharged by making such payments to the US Agent pursuant to this SECTION 2.5 or by the US Agent, in its discretion, adding such payments to the principal amount of the US Revolving Loans outstanding by charging such payments to the appropriate Borrower's Account pursuant to SECTION 2.6. Amounts payable by the Borrowers in respect of any Letter of Credit should be made by the Borrowers to the appropriate Agent until the appropriate Funds Administrator shall have received notice from the appropriate Agent that the appropriate Agent has received payments equal to the aggregate amount of all drawings thereunder, PLUS interest thereon from the date such drawings were disbursed at the L/C Interest Rate.

(ii) The Canadian Borrowers shall make each payment under the Credit Documents and under the Canadian Notes not later than 2:00 P.M. (eastern standard time) on the day when due in Dollars, except for payments in respect of Loans made in Canadian Dollars which shall be made in Canadian Dollars, to the Canadian Agent at its address designated in or pursuant to SECTION 11.5 in immediately available funds. The obligations of the Canadian Borrowers to the Lenders with respect to such payments shall be

discharged by making such payments to the Canadian Agent pursuant to this SECTION 2.5 or by the Canadian Agent, in its discretion, adding such payments to the principal amount of the Canadian Revolving Loans outstanding by charging such payments to the appropriate Canadian Borrower's Account pursuant to SECTION 2.6. Amounts payable by the Canadian Borrowers in respect of any Letter of Credit should be made by the Canadian Borrowers to the appropriate Agent until the appropriate Funds Administrator shall have received notice from the appropriate Agent that the appropriate Agent has received payments equal to the aggregate amount of all drawings thereunder, plus interest thereon from

the date such drawings were disbursed at the L/C Interest Rate.

(iii) All amounts drawn under Eligible Letters of Credit (or any other letters of credit the proceeds of which are assigned to Agent) shall be wired by the issuer directly into the DBT Account, or the CDBT Account, as appropriate, and applied to the repayment of Revolving Loans outstanding (without reduction of Revolving Loan Commitments), provided, however, that proceeds of letters of credit issued to Canadian Borrowers shall not be applied to US Revolving Loans and, so long as no Event of Default has occurred and is continuing, proceeds of letters of credit issued to US Borrowers shall not be applied to Canadian Revolving Loans. So long as no Event of Default has occurred and is continuing, any excess of such proceeds of letters of credit over the Revolving Loans to which they are applicable shall be disbursed to the appropriate Funds Administrator. After the occurrence and during the continuance of an Event of Default, the appropriate Agent may, at its election and in its sole discretion, (a) apply the proceeds realized from letters of credit to payment of accrued and unpaid interest or outstanding principal under Loans or any other Obligations then due and payable, or (b) hold such proceeds as additional Collateral to secure any other Obligations then due and payable but, in each case, such proceeds of letters of credit issued to Canadian Borrowers shall not be applied to US Revolving Loans.

(b) (i) Each Borrower shall have established and shall maintain, at one or more financial institutions selected by such Borrower and acceptable to the appropriate Agent, one or more lockboxes (with respect to each Borrower, such Borrower's "Lockboxes") and shall instruct all account debtors on the Accounts of such Borrower to remit all payments to such Borrower's Lockboxes. Each Borrower, the US Agent (or, in the case of a Canadian Borrower, Canadian Agent) and the applicable financial institutions shall have entered into a Control Agreement providing, among other things, that all receipts in the Lockboxes shall be transferred by 5:00 pm on each Business Day to the Concentration Account. All amounts received by any Borrower from any account debtor, in addition to all other cash received from any other source, shall upon receipt be deposited into the applicable Concentration Account.

(ii) Each Borrower, the US Agent (or, in the case of a Canadian Borrower, the Canadian Agent) and one or more financial institutions selected by such Borrower and acceptable to such Agent (each a "CONCENTRATION ACCOUNT BANK") shall enter into a Control Agreement, providing, among other things, that (A) such Agent will open an account at each Concentration Account Bank (each a "CONCENTRATION ACCOUNT") and (B) all receipts and other amounts received in the Lockboxes and Depository Accounts

of each Borrower shall be transferred at the end of each day to the appropriate Concentration Account.

(iii) The closing of any Lockbox or Depository Account or Control Account and the termination of any Control Agreement shall require in each case the prior written consent of the US Agent.

(c) From and after any date on which Revolver Availability is less than $40,000,000 (a "Control Event") and until the Revolver Availability is thereafter restored to and remains equal to or greater than $50,000,000 for 180 consecutive days, upon the terms and subject to the conditions set forth in the applicable Control Agreement, (i) all available amounts held in each Concentration Account of a US Borrower shall be wired each Business Day into an account (the "DBT ACCOUNT") maintained by the US Agent at DBTCo. and applied to the repayment of US Revolving Loans outstanding (without reduction of US Revolving Loan Commitments), and (ii) all available amounts held in the Concentration Account of a Canadian Borrower shall be wired each Business Day into an account (the "CDBT ACCOUNT") maintained by the Canadian Agent at Deutsche Bank AG, Canada Branch and applied to the repayment of Canadian Revolving Loans outstanding (without reduction of the Canadian Revolving Loan Commitments).

(d) Upon the occurrence of an Event of Default, (i) all

available amounts held in each Concentration Account of a US Borrower shall be wired each Business Day into the DBT Account and applied in accordance with SECTION 2.5(e)(i), below, and (ii) all available amounts held in the Concentration Account of a Canadian Borrower shall be wired each Business Day into the CDBT Account and applied in accordance with SECTION 2.5(e)(ii), below.

(e) Amounts collected by US Agent by realization of Collateral pursuant to the Security Agreement after an Event of Default shall be shared ratably with the Canadian Agent for distribution to the Canadian Lenders.

(i) All amounts received by the US Agent for distribution hereunder or under any of the other Loan Documents shall, subject to SECTION 2.2(b)(iii), SECTION 2.4(h), and SECTION 2.5(c) be distributed in the following order and, if to Lenders, according to each Lender's Proportionate Share with respect to each category set forth below:

FIRST, to the payment of any Fees, Expenses, Interim Advances, amounts advanced by the US Agent on behalf of the Lenders pursuant to SECTION 2.3(b) and interest accrued thereon or other Obligations due and payable to the US Agent under any of the Credit Documents in its capacity as US Agent (but excluding US Loans held by the Agent other than such Interim Advances or amounts advanced pursuant to SECTION 2.3(b) and excluding those Obligations specifically referred to in this SECTION 2.5(e)(i) "EIGHTH");

SECOND, during a Bankruptcy Default, to the payment of the unpaid principal amounts of the drawings under US Letters of Credit payable to each Issuing

Bank, together with accrued but unpaid interest thereon at the L/C Interest Rate;

THIRD, to the ratable payment of any Fees and other Obligations due and payable to the US Lenders under any of the Credit Documents, other than to a Lender in its capacity as an Issuing Bank and other than those Obligations specifically referred to in this SECTION 2.5(e)(i) "FIRST" or "EIGHTH";

FOURTH, to the ratable payment of interest due on the US Loans;

FIFTH, to the ratable payment of principal due on the US Loans;

SIXTH, to the ratable payment of other Liabilities not specifically referred to in this SECTION 2.5(e)(i) due and payable to the US Lenders (in their capacities as such, and not in their capacity as an Issuing Bank) under the Credit Documents other than those Obligations specifically referred to in this SECTION 2.5(e)(i) "FIRST" or "EIGHTH";

SEVENTH, to the ratable payment of other Liabilities not specifically referred to in this SECTION 2.5(e)(i) due and payable to the Issuing Banks under L/C Applications made by any US Borrower and US Letters of Credit; and

EIGHTH, to the ratable payment of any Obligations owing to any US Lender or its Affiliate in its capacity as a party to any Permitted Hedging Transaction.

(ii) All amounts received by the Canadian Agent for distribution hereunder or under any of the other Loan Documents shall,

subject to SECTION 2.2(b)(iii), SECTION 2.4(h) AND SECTION 2.5(c), be distributed in the following order and, if to Canadian Lenders, according to each Canadian Lender's Proportionate Share with respect to each category set forth below:

FIRST, to the payment of any Fees, Expenses, amounts advanced by the Canadian Agent on behalf of the Lenders pursuant to SECTION 2.3(b) and interest accrued thereon or other Obligations due and payable to the Canadian Agent under any of the Credit Documents in its capacity as Canadian Agent (but excluding Canadian Loans held by the Agent other than such amounts advanced pursuant to SECTION 2.3(b) and those Obligations specifically referred to in this SECTION 2.5(e)(ii) "EIGHTH");

SECOND, during a Bankruptcy Default, to the payment of the unpaid principal amounts of the drawings under Canadian Letters of Credit payable to each Issuing Bank, together with accrued but unpaid interest thereon at the L/C Interest Rate;

THIRD, to the ratable payment of any Fees and other Obligations due and payable to the Canadian Lenders under any of the Credit Documents, other than to a Lender in its capacity as an Issuing Bank and other than those

Obligations specifically referred to in this SECTION 2.5(e)(ii) "FIRST" or "EIGHTH";

FOURTH, to the ratable payment of interest due on the Canadian Loans;

FIFTH, to the ratable payment of principal due on the Canadian Loans;

SIXTH, to the ratable payment of other Liabilities not specifically referred to in this SECTION 2.5(e)(ii) due and payable to the Canadian Lenders (in their capacities as such, and not in their capacity as an Issuing Bank) under the Credit Documents other than those Obligations specifically referred to in this SECTION 2.5(e)(ii) "FIRST" or "EIGHTH";

SEVENTH, to the ratable payment of other Liabilities not specifically referred to in this SECTION 2.5(e)(ii) due and payable to the Issuing Banks under L/C Applications made by Canadian Borrowers and Canadian Letters of Credit; and

EIGHTH, to the ratable payment of any Obligations owing to any Canadian Lender or its Affiliate in its capacity as a party to any Permitted Hedging Transaction.

(iii) Each Person receiving a payment from an Agent pursuant to SECTION 2.5(e)(i) or 2.5(e)(ii) shall, for all purposes of this Credit Agreement and other Credit Documents, be deemed to have applied that payment in the order specified in SECTION 2.5(e)(i) or 2.5(e)(ii), as applicable.

2.6 MAINTENANCE OF ACCOUNT. The US Agent shall maintain a separate account on its books and records in the name of each US Borrower and Canadian Agent shall maintain a separate account on its books and records in the name of each Canadian Borrower (each a "BORROWER'S ACCOUNT" and collectively, the "BORROWERS' ACCOUNTS") in which each Borrower will be charged or credited with (w) the proceeds, if any, of each Loan received by or for the account of such Borrower, (x) payments made to the US Agent or the Canadian Agent, as the case may be, on account of the Obligations of such Borrower, whether from collection of proceeds of Collateral or otherwise, (y) the aggregate face amount of all

outstanding Letters of Credit (or an appropriate allocation thereof, if the Letters of Credit are issued for the direct benefit of more than one Borrower) issued for the benefit of such Borrower, and (z) all other Fees, Expenses and other Obligations attributable to such Borrower as determined by the appropriate Agent. In no event shall prior recourse to any Accounts or other Collateral be a prerequisite to an Agent's right to demand payment of any Obligation upon its maturity.

2.7 STATEMENT OF ACCOUNT. After the end of each month, the Agents shall send the Funds Administrators a statement accounting for the charges, loans, advances and other transactions occurring among and between the Agents, the Lenders, the Funds Administrators and the Borrowers during that month. The monthly statements shall, absent manifest error, be an account stated, which is final, conclusive and binding on the Borrowers; provided that any failure to so record any transaction or any error in so recording shall not limit or otherwise affect any Borrower's duty to pay the Obligations.

2.8 WITHHOLDING AND OTHER TAXES.

(a) Any and all payments by the Borrowers hereunder, under the Notes or in respect of Letters of Credit or Bankers' Acceptances which are made to or for the benefit of any Lender (whether in its capacity as a Lender or an Issuing Bank, and as used in SECTION 2.8, the term "LENDER" shall mean a Lender in each such capacity, and shall also include each Serving Affiliate of such Lender) or an Agent shall be made, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings and penalties, interests and all other liabilities with respect thereto (collectively, "TAXES"), excluding, (i) in the case of each such Lender or an Agent, Taxes imposed on its net income (including any Taxes imposed on branch profits) and franchise taxes imposed on it, by the jurisdiction under the laws of which such Lender, or an Agent (as the case may be) is organized or any political subdivision thereof, (ii) in the case of each such Lender, Taxes imposed on its net income (including any Taxes imposed on branch profits) and franchise Taxes imposed on it by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof, (iii) in the case of any Non-US Lender, any Taxes that are in effect and that would apply to a payment hereunder in respect of the US Term Loans or the US Revolving Loans, under the US Term Notes or US Revolving Notes or in respect of Letters of Credit made to such Non-US Lender as of the Closing Date, (iv) in the case of any Non-Canadian Lender, any taxes that are in effect and that would apply to a payment hereunder in respect of the Canadian Loans, under the Canadian Term Notes or Canadian Revolving Notes, or in respect of Bankers' Acceptances made or Canadian Letters of Credit made to such Non-Canadian Lenders as of the Closing Date and (v) if any Non-US Lender in the case of a US Loan or US Letter of Credit, or a Non-Canadian Lender in the case of a Canadian Loan or a Canadian Letter of Credit, acquires any interest in this Credit Agreement, any Note or any L/C Participation pursuant to the provisions hereof, or a Lender or an Agent changes the office in which any Loan or any L/C Participation is made, accounted for or booked, to an office outside the United States in the case of a US Term Loan or US Revolving Loan or to an office outside Canada in the case of a Canadian Loan, or a Lender if an Issuing Bank, changes the office at which any Letter of Credit is maintained to an office outside the United States in the case of a US Letter of Credit, or Canada, in the case of a Canadian Letter of Credit (any such Person, or such Lender or the Agent in that event, being referred to as a "TAX TRANSFEREE"), any Taxes to the extent that they are in effect and would apply to a payment to such Tax Transferee as of the date of the acquisition of such interest or change in office, as the case may be, except to the extent Covered Taxes (as defined below) would have resulted from such payments made hereunder, under the Notes or in respect of Letters of Credit made to a Lender or an Agent immediately prior to such acquisition of such interest or such change in office (all such non-excluded Taxes being hereinafter referred to as "COVERED TAXES" provided that notwithstanding references to a "Reduced Rate" below, "Covered Taxes" shall not include any withholding at a Reduced Rate pursuant to laws in effect on the Closing Date. If any Borrower shall be required by law to deduct or withhold any Covered Taxes from or in respect of any sum payable hereunder, under any Note or in respect of any Letter of Credit to or for the benefit of any Lender, an Agent or any Tax Transferee, (A) the sum payable shall be increased as may be necessary so that after making all required deductions or withholdings of Covered Taxes (including deductions or withholdings of Covered Taxes applicable to additional sums payable under this SECTION 2.8) such Lender, the Agent or such Tax Transferee, as the case may be, receives an amount equal to the sum it would have received had no such deductions or withholdings been

made, (B) such Borrower shall make such deductions or withholdings and (C) such Borrower shall

pay the full amount so deducted or withheld to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, each Borrower agrees to pay any present or future stamp, recording, documentary, excise, privilege, property, intangible or similar levies that arise at any time or from time to time (i) from any payment made under any and all Credit Documents, (ii) from the transfer of the rights of any Lender under any Credit Documents to any transferee or (iii) from the execution or delivery by the appropriate Funds Administrator or any Borrower of, or from the filing or recording or maintenance of, or otherwise with respect to the exercise by the Agent or the Lenders of their rights under, any and all Credit Documents (hereinafter referred to as "OTHER TAXES").

(c) The Borrowers will jointly and severally indemnify each Lender, the Agent, and any Tax Transferee for the full amount of (i) Covered Taxes imposed on or with respect to amounts payable hereunder, under any Note or in respect of any Letter of Credit, (ii) Other Taxes and (iii) any Taxes imposed by any jurisdiction on amounts payable under this SECTION 2.8, paid by such Lender, the Agent or such Tax Transferee, as the case may be, and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto whether or not such Taxes were correctly or legally asserted by the relevant taxing or other Governmental Authority. Notwithstanding the foregoing, the Canadian Borrowers will not have any indemnification obligations to any Lender, the Agent, or any Tax Transferee for Taxes or Other Taxes imposed on or in respect of any amounts loaned to any US Borrower under this Credit Agreement. As a result, the indemnification obligations of the Canadian Borrowers with respect to Taxes and Other Taxes under this Credit Agreement shall be limited to Taxes or Other Taxes imposed on or in respect of any amounts loaned to Canadian Borrowers under this Credit Agreement. Payment under this indemnification shall be made within thirty (30) days from the date such Lender, the Agent or such Tax Transferee certifies and sets forth in reasonable detail the calculation thereof as to the amount and type of such Taxes. Any such certificate submitted by such Lender, the Agent or such Tax Transferee in good faith to a Funds Administrator shall, absent manifest error, be deemed final, conclusive and binding on all parties for purposes of this Credit Agreement (but not for purposes of any Credit Party's dealings with the relevant taxing or other authorities).

(d) Within 60 days after the date of payment of any Covered Taxes or Other Taxes, the US Funds Administrator will furnish to the Agent, at its address referred to in SECTION 11.5, the original or a certified copy of a receipt evidencing payment thereof.

(e) On or before the Closing Date, each Non-US Lender that is a US Lender shall deliver to the Agent and the US Funds Administrator (i) two valid, duly completed copies of IRS Form W-8BEN or W-8ECI or successor applicable form, as the case may be, and any other required form, certifying in each case that such Non-US Lender is entitled to receive payments under this Credit Agreement, the Term Notes and/or Revolving Notes or any Letter of Credit payable to it without deduction or withholding of any United States federal income taxes or with such withholding imposed at a reduced rate (the "Reduced Rate") and (ii) a valid, duly completed IRS Form W-8BEN or W-9 or successor applicable form, as the case may be, to establish an exemption from United States backup withholding tax. Each such Non-US Lender shall also deliver to the Agent and the US Funds Administrator two further copies of said Forms or other manner of required certification, as the case may be, on or before the date that any such form

expires or becomes obsolete or otherwise is required to be resubmitted as a condition to obtaining an exemption from a required withholding of United States federal income tax or entitlement to having such withholding imposed at the Reduced Rate or after the occurrence of any event requiring a change in the most recent form previously delivered by it to the US Funds Administrator and the Agent, and such extensions or renewals thereof as may reasonably be requested by the US Funds Administrator and the Agent, certifying (A) in the case of a Form

W-8BEN or W-8ECI, that such Non-US Lender is entitled to receive payments in respect of the US Term Loans, the US Revolving Loans, under this Credit Agreement, US Term Notes, US Revolving Notes and any Letter of Credit without deduction or withholding of any United States federal income taxes or with such withholding imposed at a Reduced Rate, unless in any such case any change in a tax treaty to which the United States is a party, or any change in law or regulation of the United States or official interpretation thereof has occurred after the Closing Date and prior to the date on which any such delivery would otherwise be required that renders all such forms inapplicable or that would prevent such Non-US Lender from duly completing and delivering any such form with respect to it, and such Non-US Lender advises the US Funds Administrator and the Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax or with such withholding at the Reduced Rate, as the case may be, or (B) in the case of a Form W-8BEN or W-9, or otherwise establishing an exemption from United States backup withholding tax. Any Canadian Lender that is a Non-Canadian Lender shall promptly notify the Canadian Funds Administrator and the Canadian Agent of such fact promptly upon becoming a Canadian Lender and shall thereafter provide to the Canadian Funds Administrator and the Canadian Agent such certifications as may be necessary to facilitate proper withholding to be made.

(f) If a Tax Transferee that is a Non-US Lender acquires an interest in any US Term Loan, US Revolving Loan, US Term Note, US Revolving Note or L/C Participation or a Lender changes the office through which its US Term Loans or US Revolving Loans or any L/C Participation are made, accounted for or booked, to an office outside the United States or a Non-US Lender if an Issuing Bank, changes the office at which any Letter of Credit is maintained to an office outside the United States, the transferor, or the applicable Lender, in the case of a change of office, shall cause such Tax Transferee to agree that, on or prior to the effective date of such acquisition or change, as the case may be, it will deliver to the US Funds Administrator and the Agent (i) two valid, duly completed copies of IRS Form W-8BEN or W-8ECI or successor applicable form, as the case may be, and any other required form, certifying in each case that such Tax Transferee is entitled to receive payments under this Credit Agreement in respect of the US Term Loans, US Revolving Loans, US Term Notes, US Revolving Notes and any Letter of Credit payable to it without deduction or withholding of United States federal income tax or with such withholding imposed at a Reduced Rate and (ii) a valid, duly completed IRS Form W-8BEN or W-9 or successor applicable form, as the case may be, to establish an exemption from United States backup withholding tax. Each Tax Transferee further undertakes to deliver two further copies of the said Forms or other manner of required certification, as the case may be, on or before the date that any such form expires or becomes obsolete or otherwise is required to be resubmitted as a condition to obtaining an exemption from a required withholding of United States federal income tax or entitlement to having such withholding imposed at the Reduced Rate or after the occurrence of any event requiring a change in the most recent form previously delivered by it to the US Funds Administrator and the Agent, and such extensions or renewals thereof as may reasonably be requested by the US Funds Administrator and the Agent, certifying (A) in the case of a Form

W-8BEN or W-8ECI that such Tax Transferee is entitled to receive payments under this Credit Agreement, in respect of the US Term Loans, US Revolving Loans, US Term Notes, US Revolving Notes and any Letter of Credit without deduction or withholding of any United States federal income taxes or with such withholding imposed at the Reduced Rate, unless any change in treaty, law or regulation or official interpretation thereof has occurred after the effective date of such acquisition or change and prior to the date on which any such delivery would otherwise be required that renders all such forms inapplicable or that would prevent such Tax Transferee from duly completing and delivering any such form with respect to it, and such Tax Transferee advises the US Funds Administrator and the Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax or with such withholding at the Reduced Rate, as the case may be, or (B) in the case of a Form W-8BEN or W-9, or otherwise establishing an exemption from United States backup withholding tax.

(g) If any Taxes for which any Borrower would be required to make payment under this SECTION 2.8 are imposed, the applicable Lender or the Agent, as the case may be, shall use its best efforts to avoid or reduce such Taxes by taking any appropriate action (including assigning its rights hereunder to a related entity or a different office) which would not in the sole opinion of such Lender or the Agent be otherwise disadvantageous to such Lender or the

Agent, as the case may be.

(h) Without prejudice to the survival of any other agreement of the Borrowers hereunder, the agreements and obligations of the Borrowers contained in this SECTION 2.8 shall survive the payment in full of the Obligations.

(i) Each Lender shall cause each of its Serving Affiliates that is a Non-US Lender to take the actions required to be taken by such Serving Affiliate as a Non-US Lender under SECTION 2.8(e), (f) AND (g).

2.9 AFFECTED LENDERS. If any Borrower is obligated to pay to any Lender (whether in its capacity as a Lender or an Issuing Bank) or any Serving Affiliate of such Lender any amount under SECTIONS 2.8 OR 4.7, or if any Lender is a Defaulting Lender, the Borrowers may, if no Default or Event of Default then exists, replace such Lender or Serving Affiliate with another lender acceptable to the Agent, and such Lender hereby agrees to be so replaced or to cause such Serving Affiliate to be replaced, subject to the following:

(a) (i) The obligations of the Borrowers hereunder to the Lender to be replaced (in its capacity as a Lender, and including such increased or additional costs incurred from the date of notice to the appropriate Funds Administrator of such increase or additional costs through the date such Lender is replaced hereunder) shall be paid in full to such Lender concurrently with such replacement; and

(ii) the obligations of the Borrowers hereunder to the Lender to be replaced in its capacity as an Issuing Bank, or to its Serving Affiliate in such capacity, shall continue until (A) each Letter of Credit issued by that Person has expired or been drawn in full, (B) all outstanding reimbursement obligations with respect to Letters of Credit, together with interest thereon at the L/C Interest Rate, shall have been paid in full, and (C) all Liabilities under each L/C Application, to the extent due, have been paid in full and,

to the extent not due, been secured to the satisfaction of such Person, to the extent due, have been paid in full and, to the extent not due, been secured to the satisfaction of such Person.

(b) If such replacement is a result of increased costs under SECTIONS 2.8 OR 4.7, the replacement Lender shall be a bank or other financial institution that is not subject to such increased costs which caused the Borrowers' election to replace any Lender hereunder, and each such replacement Lender shall execute and deliver to the Agent such documentation satisfactory to the appropriate Agent pursuant to which such replacement Lender is to become a party hereto, conforming to the provisions of SECTION 11.6, with a Commitment equal to that of the Lender being replaced and shall make Loans in the aggregate principal amount equal to the aggregate outstanding principal amount of the Loans of the Lender being replaced;

(c) Upon such execution of such documents referred to in CLAUSE (b) and repayment of the amounts referred to in CLAUSE (a), the replacement lender shall be a "Lender" with Commitments as specified herein above and the Lender being replaced shall cease to be a "Lender" hereunder, except with respect to indemnification provisions under this Credit Agreement, which shall survive as to such replaced Lender and except to the extent such Lender continues to be an Issuing Bank pursuant to SECTION 2.9(a)(ii);

(d) The Agents shall reasonably cooperate in effectuating the replacement of any Lender under this SECTION 2.9, but at no time shall either Agent be obligated to initiate any such replacement;

(e) Any Lender replaced under this SECTION 2.9 shall be replaced at the Borrowers' sole cost and expense and at no cost or expense to the Agents or any of the Lenders; and

(f) If the Borrowers propose to replace any Lender pursuant to this SECTION 2.9 because the Lender seeks reimbursement under either SECTION 2.8 or 4.7, then it must also replace any other Lender who seeks similar levels of reimbursement (as a percentage of such Lender's Commitment) under such Sections.

2.10 SHARING OF PAYMENTS.

(a) (i) If any US Lender (including a US Lender in its capacity as an Issuing Bank) shall obtain any payment (whether voluntary, involuntary, and whether through the exercise of any right of set-off by virtue of its claim in any applicable bankruptcy, insolvency or other similar proceeding being deemed secured by a Liability owed by it to any Credit Party, including a claim deemed secured under Section 506 of the Bankruptcy Code, or otherwise) (each a "PAYMENT"), on account of (A) the US Term Loans or US Revolving Loans made by it, (B) its L/C Participations or (C) any of the other Obligations (other than Obligations in respect of Canadian Loans) due and payable to it in excess of its Proportionate Share of payments on account of the Term Loans or Revolving Loans or L/C Participations or such other Obligations obtained by all the US Lenders, such US Lender shall forthwith purchase from the other US Lenders such participations in the US Term Loans or US Revolving Loans made by them, in their participation in Letters of Credit or their other such Obligations (other than Obligations in respect of Canadian Loans) as shall be then due and payable as shall be necessary to cause such purchasing US Lender

to share the excess payment ratably with each of them; HOWEVER, PROVIDED that if all or any portion of such excess payment is thereafter recovered from such purchasing US Lender, such purchase from each US Lender shall be rescinded and each such US Lender shall repay to the purchasing US Lender the purchase price to the extent of such recovery together with an amount equal to such US Lender's ratable share (according to the proportion of (1) the amount of such US Lender's required repayment to (2) the total amount so recovered from the purchasing US Lender) of any interest or other amount paid or payable by the purchasing US Lender in respect to the total amount so recovered;

(ii) If any Canadian Lender shall obtain any Payment, on account of (A) the Canadian Revolving Loans or Canadian Term Loans made by it, (B) its L/C Participations, or (C) any of the other Obligations due and payable to it in excess of its Proportionate Share of payments on account of the Canadian Revolving Loans, Canadian Term Loans or L/C Participations or such other Obligations in respect of the Canadian Loans obtained by all the Canadian Lenders, such Canadian Lender shall forthwith purchase from the other Canadian Lenders such participations in the Canadian Loans made by them or their other such Obligations as shall be then due and payable as shall be necessary to cause such purchasing Canadian Lender to share the excess payment ratably with each of them; HOWEVER, PROVIDED that if all or any portion of such excess payment is thereafter recovered from such purchasing Canadian Lender, such purchase from each Canadian Lender shall be rescinded and each such Canadian Lender shall repay to the purchasing Canadian Lender the purchase price to the extent of such recovery together with an amount equal to such Canadian Lender's ratable share (according to the proportion of (1) the amount of such Canadian Lender's required repayment to (2) the total amount so recovered from the purchasing Canadian Lender) of any interest or other amount paid or payable by the purchasing Canadian Lender in respect to the total amount so recovered;

(iii) Each Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this SECTION 2.10 may, to the fullest extent permitted by law, exercise all of its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of such Borrower in the amount of such participation.

(iv) For purposes of this SECTION 2.10, the unreimbursed drawings under Letters of Credit issued by an Issuing Bank shall be deemed to constitute "Revolving Loans" made by such Issuing Bank, and such Issuing Bank agrees that it shall apply all Payments received by it in its capacity as an Issuing Bank to the payment or the collateralization of the Liabilities of the Borrowers to it that constitute unreimbursed drawings under Letters of Credit issued by it before applying them to any other Liabilities due it.

(b) If an Issuing Bank is an Affiliate of a Lender, such Lender shall cause such Affiliate to comply with the provisions of SUBSECTION (a) of this SECTION 2.10 as fully as though such Affiliate were a Lender subject to such subsection.

ARTICLE 3

LETTERS OF CREDIT

3.1 ISSUANCE OF LETTERS OF CREDIT. (a) The appropriate Funds Administrator may from time to time during the period from the Closing Date to the 30th day prior to the Expiration Date request the US Agent to direct an Issuing Bank to issue a Letter of Credit for the account of a US Borrower or request the Canadian Agent to direct an Issuing Bank to issue a Letter of Credit for the account of a Canadian Borrower. No such request shall be granted if, after such issuance:

(i) (A) With respect to US Letters of Credit, the Total US Revolving Loan Exposure would exceed the Total US Revolving Loan Commitments or (B) Total US Revolving Loan Exposure would exceed the US Borrowing Base or (C) US Letter of Credit Obligations would exceed $20,000,000 or (D) the Total US Revolving Loan Exposure in respect of such US Borrower would exceed such Borrower's separate US Borrowing Base;

(ii) (A) With respect to Canadian Letters of Credit, the Total Canadian Revolving Loan Exposure would exceed the Total Canadian Revolving Loan Commitments or (B) Total Canadian Revolving Loan Exposure would exceed the Canadian Borrowing Base or (C) Canadian Letter of Credit Obligations would exceed $1,000,000 or (D) the Total Canadian Revolving Loan Exposure in respect of such Canadian Borrower would exceed such Borrower's separate Canadian Borrowing Base;

(iii) (A) (1) any order, judgment or decree of any Governmental Authority or arbitrator shall enjoin or restrain such Borrower from procuring, such Issuing Bank from issuing, or a Lender from acquiring an L/C Participation in, such Letter of Credit, or (2) any Requirement of Law applicable to such Borrower, such Issuing Bank or a Lender or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such Borrower, such Issuing Bank or a Lender shall prohibit, or request that, any such Person refrain from procuring, issuing or acquiring an L/C Participation in, such Letter of Credit, as applicable, or, from performing its obligations under such Letter of Credit or its L/C Participation thereunder, as applicable;

(B) any Requirement of Law applicable to such Issuing Bank or a Lender or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such Issuing Bank or a Lender shall impose upon such Issuing Bank or such Lender (1) any restriction or reserve or capital requirement or (2) any cost or expense with respect to, in the case of such Issuing Bank, such Letter of Credit and, in the case of such Lender, such L/C Participation (for which such Issuing Bank or such Lender shall not otherwise be compensated) not in effect as of the Closing Date, and which such Issuing Bank or such Lender deems in good faith to be material to it;

(iv) any Lender is a Defaulting Lender, unless the appropriate Agent and Issuing Bank have entered into satisfactory arrangements with the Borrowers to eliminate such Agent's and such Issuing Bank's risk with respect to such Lender, including cash collateralization of such Lender's Proportionate Share of Letter of Credit Obligations;

(v) such Letter of Credit would require drawings other than sight drawings (but drawing requirements specifying certificates of the beneficiary, customary in standby letters of credit, are not precluded by the foregoing);

(vi) unless the appropriate Agent and the applicable Issuing Lender shall have approved the issuance of a specific Letter of

Credit in another foreign currency, such Letter of Credit is denominated in a currency other than U.S. Dollars, a currency which is freely tradable and freely convertible into U.S. Dollars and, with respect to any commercial Letter of Credit, Borrower has not entered into an appropriate Permitted Hedging Transaction; or

(vii) Agent has determined that any of the conditions set forth in SECTION 5.2 shall not be satisfied.

(b) The US Agent may assume, as to any US Borrower, any Issuing Bank and any US Lender and Canadian Agent may assume, as to any Canadian Borrower, any Issuing Bank and any Canadian Lender, that none of the conditions specified in SECTION 3.1(a) are applicable as to such Person, unless the Agent shall have received a notice from such Person specifically entitled "Notice under SECTION 3.1(a)," specifying the condition or conditions that are applicable to such Person. Any such notice shall continue in effect until the appropriate Agent shall have received from the Person originally sending such notice a subsequent notice, entitled "Revocation of Notice under SECTION 3.1(a)," stating that the condition or conditions specified in such Person's earlier notice are no longer applicable.

3.2 PROCEDURE FOR ISSUANCE.

(a) The appropriate Funds Administrator may from time to time request the Agent to direct the issuance of a Letter of Credit by delivering to the appropriate Agent a request for the issuance of a Letter of Credit in the form of Exhibit H annexed hereto (the "LETTER OF CREDIT REQUEST") no later than 1:00 P.M. (New York City time) at least three (3) Business Days (or such shorter period as may be agreed to by the appropriate Agent and the applicable Issuing Bank requested to issue such Letter of Credit) in advance of the proposed date of issuance. Prior to the date of issuance of each Letter of Credit, the appropriate Funds Administrator shall provide to the appropriate Agent a precise description of the documents and the text of any certificate to be presented by the beneficiary of such Letter of Credit. Agent and the Issuing Bank shall have the right to make any changes to any format and text prior to the issuance of any Letter of Credit. In the event that the Agent, in its sole discretion, elects not to issue such Letter of Credit, it shall promptly so notify the Funds Administrator and the Funds Administrator may then submit the Letter of Credit Request to another Issuing Bank. If all Issuing Banks elect not to issue such Letter of Credit, then notwithstanding the prior election of Agent not to issue such Letter of Credit, then (i) in the case of a standby Letter of Credit, Agent shall be the Issuing Lender with respect to such Letter of Credit and (ii) in the case of a commercial Letter of Credit, Agent may either elect to be

the Issuing Bank with respect to such Letter of Credit or Agent may deny the Letter of Credit Request, in its sole discretion. If any Issuing Bank shall so request, the Funds Administrator shall in addition to the Letter of Credit Request, submit to the Issuing Bank such Issuing Bank's standard L/C Application; provided that in the event of a conflict between the covenants, terms and conditions of any such L/C Application and the covenants, terms and conditions of this Credit Agreement, the covenants, terms and conditions of this Credit Agreement shall govern. Promptly after the issuance of or amendment of any standby Letter of Credit, the Issuing Bank shall promptly notify the appropriate Agent and Funds Administrator, in writing, of such issuance or amendment, and such notice will be accompanied by a copy of such issuance or amendment. Promptly upon receipt of such notice, the Agent shall notify each other Lender of such issuance or amendment, and if so requested by any Lender, the Agent shall provide such Lender with a copy of such issuance or amendment. With regards to commercial Letters of Credit, each Issuing Lender shall on the first Business Day of each week furnish the US Agent or the Canadian Agent, as the case may be (with a copy to Borrowers), by facsimile, with a report of the daily aggregate outstanding commercial Letters of Credit issued by such Issuing Lender.

(b) The transmittal by the Funds Administrator of each Letter of Credit Request shall be deemed to be a representation and warranty made by each of the Borrowers, both at the time of such transmittal and at the time of the issuance of the requested Letter of Credit, that the Letter of Credit may be issued in accordance with and will not violate any of the requirements of SECTION 3.1.

3.3 TERMS OF LETTERS OF CREDIT. The Agent shall not direct the issuance

of any Letter of Credit unless:

(i) if it is a standby Letter of Credit its term does not exceed the earlier of the date which is (i) five Business Days prior to the Expiration Date or (ii) one year after the date of issuance of such standby Letter of Credit; provided that the immediately preceding clause (ii) shall not prevent any Issuing Lender from agreeing that a standby Letter of Credit will automatically be extended for one or more successive periods not to exceed one year unless such Issuing Lender elects not to extend for any such additional period; or

(ii) if it is a commercial Letter of Credit its term does not exceed the earlier of the date which is (i) the date which is 30 days prior to the Expiration Date and (ii) the date which is 180 days from the date of issuance of such commercial Letter of Credit.

3.4 LENDERS' PARTICIPATION.

(a) Immediately upon issuance by any Issuing Bank of a Letter of Credit, each US Lender (if a US Letter of Credit) or Canadian Lender (if a Canadian Letter of Credit), shall be deemed to have irrevocably and unconditionally acquired from such Issuing Bank, without recourse or warranty, an undivided interest and participation (an "L/C PARTICIPATION"), to the extent of such Lender's Proportionate Share, in such Issuing Bank's rights to be paid the principal amount of, together with interest accrued on, drawings under such Letter of Credit and in any security therefor or Guaranty pertaining thereto.

(b) (i) Each Issuing Bank shall, subject to Section 3.4(c), remit to the US Agent or the Canadian Agent, as the case may be, for the account of each US Lender or Canadian Lender such Lender's Proportionate Share of each payment of principal and interest (to the extent such interest does not exceed the L/C Interest Rate) received by such Issuing Bank on account of any drawing under such Letter of Credit (A) with respect to which such Issuing Bank has delivered an L/C Notice of Drawing to the Agent during a Bankruptcy Default and (B) that is received by such Issuing Bank on or after the date of such L/C Notice of Drawing; provided, that in the event that any such payment received by any Issuing Bank shall be required to be returned by such Issuing Bank, such Lender shall return to such Issuing Bank the portion thereof previously distributed by it to the US Agent, but without interest thereon (unless such Issuing Bank is required to pay interest on the amount returned, in which case such Lender shall be required to pay interest at the same rate).

(ii) (A) Payments required to be made by any Issuing Bank to the Agent for the account of a Lender, together with interest thereon at the rate specified in SECTION 3.4(b)(ii)(B), shall be made to the Agent, if the amount in respect of which the payment is to be made to the Agent is received by such Issuing Bank on or before 1:00 P.M. of such Issuing Bank's time on a Business Day, on the day received and, if received after such time, on or before 11:00 A.M. of such Issuing Bank's time, on the next succeeding Business Day.

(B) Interest shall be payable by each Issuing Bank on amounts required to be paid by it to the US Agent pursuant to SECTION 3.4(b)(ii)(A) from the date such payments are due until such amounts are paid in full at, for the first three Business Days, the Federal Funds Rate, and, thereafter, the US Prime Rate.

(c) Until an Issuing Bank shall have received from a Lender, or the Agent on behalf of such Lender, payment in full of the amount required to be paid by such Lender to such Issuing Bank pursuant to SECTION 3.6(b)(ii), such Issuing Bank may hold all amounts otherwise payable by it to the US Agent for the account of such Lender pursuant to SECTION 3.4(b)(i) as collateral to secure such Lender's obligation to make such payment to it.

(d) No Issuing Bank shall, without the prior written consent of the Majority US Lenders or the Majority Canadian Lenders as appropriate:

(i) compromise or reduce the principal amount of the reimbursement obligation with respect to a Letter of Credit, or extend

the due date, of any drawing under any Letter of Credit in which a Lender has an L/C Participation or reduce the interest rate applicable to such drawing;

(ii) release any collateral securing any Borrower's obligation to pay the amount of such drawing and interest accrued thereon; or

(iii) amend, modify or waive any other right or condition under the L/C Application, including any Reimbursement Agreement.

3.5 MATURITY OF DRAWINGS; INTEREST THEREON.

(a) Drawings under any Letter of Credit shall, notwithstanding anything to the contrary contained therein or in the related L/C Application, mature and become due and payable, and shall be repaid to the appropriate Agent for the account of the applicable Issuing Bank by the Borrowers in full, together with interest accrued thereon, from the date and at the rate specified in SECTION 3.5(b), on the Effective Date of the L/C Notice of Drawing in respect of such drawing.

(b) Borrowers shall, notwithstanding anything to the contrary contained in any Letter of Credit or in the related L/C Application, pay interest on the outstanding principal amount of each drawing under such Letter of Credit at a rate per annum equal to the rate set forth in SECTION 4.2 (the "L/C INTEREST RATE") from the date such drawing is disbursed by the applicable Issuing Bank to the date such drawing is reimbursed by the Borrowers. Interest on each such drawing shall be payable when such drawing shall be due (whether at maturity, by reason of acceleration or otherwise) and, prior to such time, on demand.

3.6 PAYMENT OF AMOUNTS DRAWN UNDER LETTERS OF CREDIT; FUNDING OF L/C PARTICIPATIONS. In the event of any drawing under any Letter of Credit, the applicable Issuing Bank may deliver an L/C Notice of Drawing to the appropriate Agent and such Agent shall:

(a) unless a Bankruptcy Default exists, treat each L/C Notice of Drawing on its Effective Date as a Notice of Borrowing requesting Prime Rate Revolving Loans in a principal amount equal to the amount of such drawing (or the Dollar Equivalent thereof in the case of any drawing under a Letter of Credit denominated in a currency other than Dollars), PLUS interest on the amount of such drawing at the L/C Interest Rate from the day such drawing was disbursed until the date of such L/C Notice of Drawing (unless such drawing was disbursed and repaid on the same day, in which case interest shall be payable for such day); and if for any reason, the Issuing Lender is not reimbursed on or before the Business Day immediately following the date on which such drawing is honored (or the Dollar Equivalent thereof in the case of any drawing under a Letter of Credit denominated in a currency other than Dollars), each such L/C Notice of Drawing shall have the same force and effect as a Notice of Borrowing given by the Funds Administrator for and on behalf of the Borrowers, except that the conditions to borrowing specified in SECTION 2.2 and SECTION 5.2 (other than that a Bankruptcy Default shall not exist) shall not apply;

(b) (i) (A) during a Bankruptcy Default, on the Effective Date of an L/C Notice of Drawing, notify (an "L/C Participation Funding Notice") each Lender of the amount of such drawing, and of interest accrued thereon at the L/C Interest Rate from the date specified in such L/C Notice of Drawing as the date such drawing was disbursed by the applicable Issuing Bank to the L/C Participation Funding Date and of such Lender's Proportionate Share of such amount (an "L/C Participation Funding Amount").

(B) The US Agent shall give an L/C Participation Funding Notice to each US Lender not later than 3:00 P.M. (eastern standard time) time on the day the US Agent receives an L/C Notice of Drawing, if such Notice of Drawing was received by it at or before 12:00 noon (eastern standard time) on a Business Day and, if not, not later than 12:00 noon (eastern standard time) on the next succeeding Business Day. The Canadian Agent shall give an L/C Participation Funding Notice to each Canadian Lender not later

than 3:00 P.M. (eastern standard time) on the day the Canadian Agent receives an L/C Notice of Drawing, if such Notice of Drawing was received by it at or before 12:00 noon (eastern standard time) on a Business Day and, if not, not later than 12:00 noon (eastern standard time) on the next succeeding Business Day.

(ii) Each Lender shall make available to the appropriate Agent for the benefit of the applicable Issuing Bank an amount equal to such Lender's L/C Participation Funding Amount in immediately available funds, not later than 1:00 P.M. on the Business Day (the "L/C Participation Funding Date") next succeeding the date of the applicable L/C Participation Funding Notice, together with interest on such amount from the L/C Participation Funding Date until such amount is paid in full at, for the first three Business Days, the Federal Funds Rate and, thereafter, the US Prime Rate.

(iii) In the event that any Lender fails to make available to the Agent such Lender's L/C Participation Funding Amount as provided in SECTION 3.6(b)(ii), the Agent may, but shall not be obligated to, fund the amount of such Lender's L/C Participation Funding Amount and recover such amount on demand from such Lender in accordance with SECTION 11.18.

(iv) The appropriate Agent shall distribute to each Lender which has paid all amounts payable by it under this SECTION 3.6(b) with respect to any Letter of Credit such Lender's Proportionate Share of all payments subsequently received by the Agent from or for the account of the Borrowers in reimbursement of the principal amount of all drawings thereunder PLUS interest thereon from the date such drawings were disbursed at the L/C Interest Rate, provided that in the event that any such payment received by the Agent for the account of any Issuing Bank shall be required to be returned by the Agent, such Lender shall return to the Agent the portion thereof previously distributed by the Agent to it, but without interest thereon (unless the Agent or such Issuing Bank is required to pay interest on the amount returned, in which case the Lender shall be required to pay interest at the same rate).

(v) If a Bankruptcy Default occurs at or after the time an Agent receives an L/C Notice of Drawing and before the Agent has given the applicable L/C Participation Funding Notice, or, if it has given such notice, before all of the Lenders have funded their L/C Participation Funding Amounts, a Bankruptcy Default shall be deemed to "exist", and the provisions of this SECTION 3.6(b) shall be applicable.

3.7 NATURE OF ISSUING BANK'S DUTIES. In determining whether to pay under any Letter of Credit, the Issuing Bank issuing such Letter of Credit shall be responsible only to determine that the documents and certificates required to be delivered under such Letter of Credit have been delivered and that they comply on their face with the requirements of such Letter of Credit. As between the Borrowers, any Issuing Bank and each Lender, the Borrowers assume all risks of the acts and omissions of any Issuing Bank, or misuse of any Letter of Credit by the respective beneficiaries of such Letter of Credit. In furtherance and not in limitation of the foregoing, neither any Issuing Bank, the Agent nor any of the Lenders shall be responsible (a) for the form, validity, sufficiency, accuracy, genuineness or legal effects of any document submitted by any party in connection with the application for and issuance of or any drawing honored under any Letter of

Credit even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged, (b) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any 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) for failure of the beneficiary of any Letter of Credit to strictly comply with conditions required in order to draw upon such Letter of Credit, (d) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex,

telecopy, facsimile or otherwise, whether or not they be in cipher, (e) for errors in interpretation of technical terms, (f) for any loss or delay in the transmission or otherwise of an document required in order to make a drawing under any Letter of Credit, or of the proceeds thereof and (g) for the misapplication by the beneficiary of any Letter of Credit of the proceeds of any drawing honored under such Letter of Credit. Any action taken or omitted to be taken by any Issuing Bank under or in connection with any Letter of Credit shall not create any liability on the part of the Agent or any Lender to any Borrower.

3.8 OBLIGATIONS ABSOLUTE. The joint and several obligations of the US Borrowers to reimburse each Issuing Bank for drawings honored under a Letter of Credit issued by such Issuing Bank and the joint and several obligations of the Canadian Borrowers to reimburse each Issuing Bank for drawings honored under a Canadian Letter of Credit issued by such Issuing Bank, together with interest as herein provided, and the obligations of the Lenders under SECTION 3.6 shall be unconditional and irrevocable and shall be paid strictly in accordance with the terms of this Credit Agreement, without any reduction or deduction whatsoever, including any reduction or deduction for any set-off, recoupment or counterclaim, under all circumstances including the following circumstances:

(a) any lack of validity or enforceability of any Letter of Credit;

(b) the existence of any claim, set-off, defense or other right which any Borrower or any Affiliate of any Borrower may have at any time against a beneficiary or any transferee of any Letter of Credit (or any Persons for whom any such beneficiary or transferee may be acting), the applicable Issuing Bank, any Lender or any other Person, whether in connection with this Credit Agreement, the transactions contemplated herein or any unrelated transaction;

(c) any draft, demand, certificate or any other documents presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being 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 Credit Documents;

(e) payment by the applicable Issuing Bank under any Letter of Credit against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Letter of Credit;

(f) failure of any drawing under a Letter of Credit or any non-application or misapplication by the beneficiary of the proceeds of any drawing; or

(g) the fact that a Default or an Event of Default shall have occurred and be continuing;

PROVIDED that no payment by a Borrower or a Lender to any Issuing Bank shall constitute a waiver or release by such Borrower or such Lender of any right it may have against such Issuing Bank, including, in the case of a Borrower, a claim that such Issuing Bank acted with willful misconduct or gross negligence as determined by the final judgment of a court of competent jurisdiction in determining whether documents presented under a Letter of Credit complied with the terms of such Letter of Credit.

ARTICLE 4

INTEREST, FEES AND EXPENSES

4.1 INTEREST ON LIBOR RATE LOANS; PRICING FOR BANKERS' ACCEPTANCES. (a) Subject to the provisions of SECTION 4.4, each LIBOR Rate Loan shall bear interest on its unpaid principal amount at a rate per annum equal to the applicable Adjusted LIBOR Rate PLUS the Applicable Margin, as the same may be adjusted pursuant to the provisions of the definition of Applicable Margin. Such interest shall be payable on the last day of each Interest Period with respect to such LIBOR Rate Loan (or, in the case of Interest Periods in excess of three months on each of the ninetieth (90th) day and the last day of such Interest Period), at the date of Conversion of such LIBOR Rate Loan (or a portion thereof) to a Prime Rate Loan and at maturity of such LIBOR Rate Loan, and after

maturity of such LIBOR Rate Loan (whether by acceleration or otherwise), upon demand. The appropriate Agent upon determining the Adjusted LIBOR Rate for any Interest Period shall promptly notify the appropriate Funds Administrator and the appropriate Lenders by telephone (confirmed promptly in writing) or in writing thereof.

(b) Fees and purchase prices for Bankers' Acceptances shall be determined in accordance with the provisions of Schedule L.

4.2 INTEREST ON PRIME RATE LOANS.

(a) Subject to the provisions of SECTION 4.4, each US Loan that is a Prime Rate Loan shall bear interest on its unpaid principal amount at a rate per annum equal to the US Prime Rate PLUS the Applicable Margin, as the same may be adjusted pursuant to the provisions of the definition of Applicable Margin. Such interest shall be payable monthly as of the end of each month, at the date of conversion of such Prime Rate Loan (or a portion thereof) to a LIBOR Rate Loan and at maturity of such Prime Rate Loan, and after maturity of such Prime Rate Loan (whether by acceleration or otherwise), upon demand. In the event of any change in said US Prime Rate, the rate hereunder shall change, effective as of the day the US Prime Rate changes.

(b) Subject to the provisions of SECTION 4.4, each Canadian Loan that is a Prime Rate Loan shall bear interest on its unpaid principal amount at a rate per annum equal to the Canadian Prime Rate PLUS the Applicable Margin, as the same may be adjusted pursuant to the provisions of the definition of Applicable Margin. Such interest shall be payable monthly as of the end of each month, at the date of conversion of such Prime Rate Loan (or a portion thereof) to a LIBOR Rate Loan (in the case of a Prime Rate Loan made in Dollars), or a Banker's Acceptance

Loan (in the case of a Prime Rate Loan made in Canadian Dollars), and at maturity of such Prime Rate Loan, and after maturity of such Prime Rate Loan (whether by acceleration or otherwise), upon demand. In the event of any change in said Canadian Prime Rate, the rate hereunder shall change, effective as of the day the Canadian Prime Rate changes.

4.3 NOTICE OF CONTINUATION AND NOTICE OF CONVERSION.

(a) With respect to any Borrowing consisting of LIBOR Rate Loans or Bankers' Acceptance Loans, the Borrowers may (so long as no Default or Event of Default has occurred and is continuing, subject to the provisions of SECTION 4.4(c)), elect to maintain such Borrowing or any portion thereof as consisting of LIBOR Rate Loans or Bankers' Acceptance Loans, as the case may be, by selecting a new Interest Period for such Borrowing in the case of a LIBOR Rate Loan, or a new maturity date, in the case of a Bankers' Acceptance Loan, which new Interest Period or maturity date, as the case may be, shall commence on the last day of the immediately preceding Interest Period or maturity date of a Bankers' Acceptance Loan, as the case may be. Each selection of a new Interest Period (a "CONTINUATION") shall be made by notice given not later than 12:00 noon on the third Business Day prior to the date of any such Continuation relating to LIBOR Rate Loans, by the appropriate Funds Administrator to the appropriate Agent. Such notice of a Continuation (a "NOTICE OF CONTINUATION") shall be in substantially the form of EXHIBIT C-1, specifying (i) the date of such Continuation, (ii) the aggregate amount of Loans subject to such Continuation and (iii) the duration of the selected Interest Period or maturity date of a Bankers' Acceptance Loan, as the case may be, all of which shall be specified in such manner as is necessary to comply with all limitations on Loans outstanding hereunder. The Borrowers may elect to continue more than one Borrowing consisting of LIBOR Rate Loans by combining such Borrowings into one Borrowing and selecting a new Interest Period pursuant to this SECTION 4.4(a); PROVIDED that each of the Borrowings so combined shall consist of Loans having Interest Periods ending on the same date. If the Borrowers shall fail to select a new Interest Period for any Borrowing consisting of LIBOR Rate Loans in accordance with this SECTION 4.4(a), such Loans will automatically, on the last day of the then existing Interest Period therefor, Convert into Prime Rate Loans.

(b) The Borrowers may on any Business Day (so long as no Default or Event of Default has occurred and is continuing), upon notice (each such notice, a "NOTICE OF CONVERSION") given by the appropriate Funds Administrator to the appropriate Agent, and subject to the provisions of SECTION

4.4(c), Convert the entire amount of or a portion of all Loans of one Type comprising the same Borrowing into Loans of another Type; however, provided that any Conversion of any LIBOR Rate Loans into Loans of another Type shall be made on, and only on, the last day of an Interest Period for such LIBOR Rate Loans and, upon Conversion of any Loans into Loans of another Type, the Borrowers shall pay accrued interest to the date of Conversion on the principal amount Converted. Each such Notice of Conversion shall be given not later than 12:00 noon on the Business Day prior to the date of any proposed Conversion into Prime Rate Loans and on the third Business Day prior to the date of any proposed Conversion into LIBOR Rate Loans. Subject to the restrictions specified above, each Notice of Conversion shall be in substantially the form of EXHIBIT C-2 hereto specifying (i) the requested date of such Conversion, (ii) the Type of Loans to be Converted, (iii) the portion of such Type of Loan to be Converted, (iv) the Type of Loan such Loans are to be Converted into (v) if such Conversion is into LIBOR Rate Loans, the duration of the Interest Period of such Loan and (vi) if such Conversion is into Bankers'

Acceptance Loans, the term of such Loan. Each Conversion shall be in an aggregate amount of Loans of not less than $1,000,000 or any integral multiple of $1,000,000 in excess thereof. The Borrowers may elect to Convert the entire amount of or a portion of all Loans of one Type comprising more than one Borrowing into Loans of another Type by combining such Borrowings into one Borrowing consisting of Loans of another Type; PROVIDED that if the Borrowings so combined consist of LIBOR Rate Loans, such Loans shall have Interest Periods ending on the same date and if the Borrowings so combined consist of Bankers' Acceptance Loans, such Loans mature on the same date.

(c) Notwithstanding anything contained in SUBSECTIONS (a) AND (b) above or elsewhere in this Credit Agreement to the contrary,

(i) (A) if the appropriate Agent is unable to determine the LIBOR Rate for LIBOR Rate Loans comprising any requested Borrowing, Continuation or Conversion, the right of the Borrowers to select or maintain LIBOR Rate Loans for such Borrowing or any subsequent Borrowing shall be suspended until the appropriate Agent shall notify the appropriate Funds Administrator and the Lenders that the circumstances causing such suspension no longer exist, and each Loan comprising such Borrowing shall be a Loan of a Type that is unaffected by such circumstances, as selected by the Borrowers pursuant to this Credit Agreement;

(B) if a Lender shall, at any time, notify the Agent that, because of a change in applicable law after the date such Lender became a Lender, it has become unlawful for such Lender to participate in any requested Borrowing, Continuation or Conversion of LIBOR Rate Loans, to continue its LIBOR Rate Loans, or to comply with its obligations hereunder in respect thereof, that Lender's obligation to participate in any such requested Borrowing, Continuation or Conversion shall be discharged by such Lender's making its participation therein in the form of a Prime Rate Loan, and any of such Lender's LIBOR Rate Loans not otherwise being converted shall be converted into Prime Rate Loans on the earlier of (1) the last day of the applicable Interest Period and (2) the last day such Lender may lawfully continue to maintain LIBOR Rate Loans, provided that any Prime Rate Loan that, but for this CLAUSE (B), would have been a LIBOR Rate Loan shall constitute part of the Borrowing of which any such LIBOR Rate Loan was or would have been a part;

(ii) if, at least one Business Day before the date of any requested Borrowing, Continuation or Conversion, the Majority Class Lenders for a Class shall notify the appropriate Agent that the LIBOR Rate for Loans to be made by such Class comprising such Borrowing will not adequately reflect the cost to such Lenders of making or funding their respective Loans for such Borrowing, the right of the Borrowers to select LIBOR Rate Loans for such Borrowing shall be suspended until the appropriate Agent shall notify the appropriate Funds Administrator and the Lenders that the circumstances causing such suspension no longer exist, and each Loan comprising such Borrowing shall be a Loan of a Type that is unaffected by such circumstances, as selected by the Borrowers pursuant to this Credit Agreement;

(iii) the Borrowers may not choose LIBOR Rate Loans for any Borrowing, Continuation or Conversion before the Syndication Date following the Closing Date; and

(iv) the Borrowers shall borrow, prepay, convert and continue Loans in a manner such that (A) the aggregate principal amount of LIBOR Rate Loans having the same Interest Period shall at all times be not less than $1,000,000, (B) there shall not be, at any one time, more than ten (10) Interest Periods in effect with respect to LIBOR Rate Loans and (C) no payment of LIBOR Rate Loans will have to be made prior to the last day of an applicable Interest Period in order to repay the Loans in the amounts and on the date specified in SECTION 2.4(b).

(d) Bankers' Acceptance Loans shall only be converted into Loans of another Type contemporaneously with the maturity of such Bankers' Acceptance Loans.

(e) Each Notice of Continuation and Notice of Conversion shall be irrevocable by and binding on the Borrowers.

(f) Canadian Loans may not be converted from Canadian Dollars to Dollars or vice versa.

4.4 INTEREST AFTER EVENT OF DEFAULT. At the election of an Agent or the Majority Lenders, Interest on any amount of overdue interest on, or overdue principal of, the Loans, and interest on the amount of principal under the Loans outstanding as of the date an Event of Default occurs, and at all times thereafter until the earlier of the date upon which (a) all Obligations have been paid and satisfied in full or (b) such Event of Default shall not be continuing, shall be payable on demand at a rate per annum equal to the rate at which the Loans are bearing interest pursuant to SECTIONS 4.1, 4.2 AND 4.3 above, PLUS two percent (2.0%). In the event of any change in said applicable interest rate, the rate hereunder shall change, effective as of the day the applicable interest rate changes, so as to remain two percent (2.0%) per annum above the then applicable interest rate.

4.5 UNUSED LINE FEES.

(a) The US Borrowers shall pay to the US Agent, for the ratable benefit of the US Revolving Lenders, the Unused Line Fee calculated on the amount by which the US Revolving Loan Commitments exceed the sum of the Total US Revolving Loan Exposure. The Unused Line Fee shall accrue daily from the Closing Date until the Expiration Date, and shall be due and payable monthly in arrears, on the first Business Day of each month and on the Expiration Date.

(b) The Canadian Borrowers shall pay to the Canadian Agent, for the ratable benefit of the Canadian Revolving Lenders, a non-refundable fee equal (the "Canadian Unused Line Fee") to a per annum percentage of the amount by which the Canadian Revolving Loan Commitments exceed the sum of the Total Canadian Revolving Loan Exposure, such percentage equaling the Unused Line Fee in effect from time to time plus (0.75%). The Canadian Unused Line Fee shall accrue daily from the Closing Date until the Expiration Date, and shall be due and payable monthly in arrears, on the first Business Day of each month and on the Expiration Date.

4.6 LETTER OF CREDIT FEES.

(a) The appropriate Agent shall be entitled to charge to the account of the appropriate Funds Administrator on the first Business Day of each February, May, August and November, a fee for the ratable benefit of the appropriate Lenders, in an amount equal to the LIBOR Margin for Revolving Loans with respect to all standby and commercial Letters of Credit on the daily undrawn amounts outstanding during the immediately preceding quarter; provided that from the date an Event of Default occurs, and at all times thereafter until the earlier of the date upon which (A) all Obligations have been paid and satisfied in full and (B) such Event of Default shall not be continuing, such fee shall be equal to two (2%) percent per annum above the LIBOR Margin,

otherwise applicable hereunder and shall be payable on demand (such fees, the "Letter of Credit Fees").

(b) The appropriate Agent shall be entitled to charge to the account of the appropriate Funds Administrator on the first Business Day of each February, May, August and November a fee for the ratable benefit of the Issuing Bank equal to the greater of (X) $500 and (Y) 0.25% per annum with respect to all standby and commercial Letters of Credit on the daily undrawn amounts outstanding during the immediately preceding quarter (the "Fronting Fee"). In addition to the Fronting Fee, the appropriate Agent shall be entitled to charge the account of the appropriate Funds Administrator, as and when incurred, the customary charges, fees, costs and expenses of the Issuing Bank for the issuance, transfer, amendment or payment of any Letter of Credit (the "Issuing Bank Fees"). Each determination of the Fronting Fee and Issuing Bank Fees shall be made by the Issuing Bank and provided in writing to the appropriate Agent and shall be conclusive and binding for purposes of appropriate Agent's right to collect and distribute such fees, absent manifest error.

4.7 REIMBURSEMENT OF EXPENSES.

(a) The Borrowers shall pay to each Lender, upon request, such amount or amounts as such Lender determines in good faith are necessary to compensate it for any loss, cost or expense incurred by it as a result of (i) any payment, prepayment or conversion of a LIBOR Rate Loan on a date other than the last day of an Interest Period for such LIBOR Rate Loan or (ii) a LIBOR Rate Loan for any reason not being made or converted, or any payment of principal thereof or interest thereon not being made, on the date therefor determined in accordance with the applicable provisions of this Credit Agreement. At the election of such Lender, and without limiting the generality of the foregoing, but without duplication, such compensation on account of losses may include an amount equal to the excess of (A) the interest that would have been received from the Borrowers under and in accordance with the terms of this Credit Agreement on any amounts to be reemployed during an Interest Period or its remaining portion over (B) the interest component of the return that such Lender determines it could have obtained had it placed such amount on deposit in the interbank Dollar market selected by it for a period equal to such Interest Period or its remaining portion.

4.8 AUTHORIZATION TO CHARGE BORROWERS' ACCOUNTS. Each Borrower hereby authorizes the Agents to charge such Borrower's Account with the amount of all Fees, Expenses and other payments to be paid hereunder, under the Fee Letter and under the other Credit Documents as and when such payments become due and agrees that it shall pay interest thereon

from the date such amount is to be charged to such Borrower's Account to the date the same is paid (whether by the making of a Loan or otherwise) at the then applicable rate for Revolving Loans that are Prime Rate Loans. Each Borrower confirms that any charges which an Agent may so make to such Borrower's Account as herein provided will be made as an accommodation to the Borrowers and solely at the appropriate Agent's discretion.

4.9 INDEMNIFICATION IN CERTAIN EVENTS. If after the Closing Date, either (a) any change in or in the interpretation of any law or regulation is introduced, including with respect to reserve requirements, applicable to DBTCo., Deutsche Bank or any other banking or financial institution from whom any of the Lenders borrows funds or obtains credit (a "FUNDING BANK"), either Agent or any of the Lenders, or (b) an Agent, a Funding Bank or any of the Lenders complies with any future guideline or request from any central bank or other Governmental Authority or (c) an Agent, a Funding Bank or any of the Lenders determines that the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof has or would have the effect described below, or an Agent, a Funding Bank or any of the Lenders complies with any request or directive regarding capital adequacy (whether of not having the force of law) of any such authority, central bank or comparable agency, and in the case of any event set forth in this CLAUSE (c), such adoption, change or compliance has or would have the direct or indirect effect of reducing the rate of return on any of the Lenders' capital as a consequence of its obligations hereunder or under any L/C Participation to a level below that which such Lender could have achieved but for such adoption, change or compliance (taking into consideration the Agents'

or such Funding Bank's or Lender's policies as the case may be with respect to capital adequacy) by an amount deemed by such Lender to be material, or any of the foregoing events described in CLAUSES (a), (b) OR (c) increases the cost to an Agent or any of the Lenders of (i) funding or maintaining any of the Loans or the Letters of Credit; or (ii) acquiring or maintaining any L/C Participation in any Letter of Credit, or reduces the amount receivable in respect thereof, or in respect of such Letter of Credit, by an Agent, the Issuing Bank of such Letter of Credit or any Lender, then the Borrowers shall upon demand by an Agent, pay to such Agent, for the account of each applicable Lender or, as applicable, an Issuing Bank or a Funding Bank, additional amounts sufficient to indemnify such Person against such increase in cost or reduction in amount receivable. A certificate as to the amount of such increased cost and setting forth in reasonable detail the calculation thereof shall, if requested by a Funds Administrator, be submitted to such Funds Administrator by the Person making such claim, and shall be conclusive absent manifest error.

4.10 CALCULATIONS AND DETERMINATIONS.

(a) All calculations of (i) interest hereunder and (ii) Fees, shall be made by the Agent, on the basis of a year of 360 days, except that with respect to the Canadian Prime Rate, such calculations shall be based on a 365 day year, or if such computation would cause the interest and fees chargeable hereunder to exceed the Highest Lawful Rate, 365/366 days, in each case to the extent applicable for the actual number of days elapsed (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable.

(b) In making the determinations contemplated by ARTICLE 4, the Agents and each Lender may make such estimates, assumptions, allocations and the like that such Person in good faith determines to be appropriate.

(c) Each determination by an Agent of an interest rate or payment hereunder shall be conclusive and binding for all purposes, absent manifest error.

(d) For purposes of the Interest Act (Canada), (i) whenever any interest or fee, payable by the Canadian Borrower, under this Credit Agreement is calculated using a rate based on a year of 360 days or 365 days, as the case may be, the rate determined pursuant to such calculation, when expressed as an annual rate, is equivalent to (x) the applicable rate based on a year of 360 days or 365 days, as the case may be, (y) multiplied by the actual number of days in the calendar year in which the period for which such interest or fee is payable (or compounded) ends, and (z) divided by 360 or 365, as the case may be, (ii) the principle of deemed reinvestment of interest does not apply to any interest calculation under this Credit Agreement, and (iii) the rates of interest stipulated in this Credit Agreement are intended to be nominal rates and not effective rates or yields.

ARTICLE 5

CONDITIONS PRECEDENT

5.1 CONDITIONS TO INITIAL CREDIT EVENT. The initial Credit Event is subject to the satisfaction or waiver by the US Agent, immediately prior thereto or concurrently therewith, of the following conditions precedent:

(a) CLOSING DOCUMENT LIST. The Agents and the Lenders shall have received each of the agreements, opinions, reports, approvals, consents, certificates and other documents set forth on the Closing Document List attached hereto as SCHEDULE A, all in form and substance satisfactory to the Agents and, where applicable, each duly executed by the Person(s) specified thereon.

(b) FEES AND EXPENSES. The Agents and each of the Lenders shall have received payment in full of those Fees and Expenses referred to in the Fee Letter and in ARTICLE 4 payable to them on or before the Initial Credit Event (or an irrevocable authorization to pay such Fees or Expenses out of the proceeds of the Loans made on the Closing Date).

(c) CHANGES IN MARKET. There shall not have occurred and be continuing (i) a material adverse change in the market for syndicated bank credit facilities, (ii) a material disruption of, or material adverse change in, financial, banking or capital market conditions, (iii) a suspension of trading

in securities generally on the New York or American Stock Exchange or an establishment of minimum or maximum prices for securities trading on either such exchange or (iv) a declaration of a banking moratorium by United States Federal or New York state authorities, in each case since the date hereof, as reasonably determined by the Agent.

(d) UNUSED AVAILABILITY. After giving pro forma effect to the funding of the initial Loans, the funding of the Term Loans (and any repayment of Revolving Loans from the proceeds of Term Loans), the issuance of the initial Letters of Credit, if any, and the payment of all

costs, fees and expenses incurred by or for the account of the Borrowers in connection with the execution and delivery of this Credit Agreement and the other Credit Documents, there shall be Revolver Availability of at least $50,000,000.

(e) CORPORATE AND CAPITAL STRUCTURE; OWNERSHIP; MANAGEMENT.

(i) Corporate Structure. The corporate organizational structure of Holdings, Borrowers and their Subsidiaries, both before and after giving effect to the Acquisition, shall be as set forth on Schedule B, Part 5.1(e) annexed hereto and shall be satisfactory to US Agent.

(ii) Capital Structure and Ownership. The capital structure and ownership of Holdings, Borrowers and their Subsidiaries, both before and after giving effect to the Acquisition, shall be as set forth on Schedule B, Part 5.1(e) annexed hereto and shall be satisfactory to US Agent.

(iii) Management; Employment Contracts. The management structure of Holdings and the Subsidiaries after giving effect to the Acquisition shall be as identified on Schedule B, Part 5.1(e) providing the officers of Holdings and each of the Borrowers and the fifteen highest-ranking executives of Holdings, after giving effect to the Acquisition shall be as set forth on Schedule B, Part 5.1(e).

(f) TERMINATION OF EXISTING CREDIT ARRANGEMENTS AND RELATED LIENS; EXISTING LETTERS OF CREDIT. On the Closing Date, Holdings and its Subsidiaries shall have (a) repaid in full all Indebtedness outstanding under the Existing Credit Arrangements, other than the Cdn. Loans described therein; (b) terminated any commitments to lend or make other extensions of credit thereunder, (c) delivered to US Agent all documents or instruments necessary to release all Liens securing Indebtedness or other obligations of Holdings and its Subsidiaries thereunder, other than Liens securing the Cdn. Loans described in the Existing Credit Arrangements which are to be assigned to the Canadian Agent to secure the Canadian Revolving Loans, and (d) made arrangements satisfactory to US Agent with respect to the cancellation of any letters of credit outstanding thereunder or the issuance of Letters of Credit to support the obligations of Holdings and its Subsidiaries with respect thereto.

(g) INTENTIONALLY OMITTED.

(h) COMPLETION OF PROCEEDINGS. All corporate and other proceedings taken or to be taken in connection with the transactions contemplated hereby and all documents incidental thereto not previously found acceptable by US Agent, acting on behalf of Lenders, and its counsel shall be satisfactory in form and substance to US Agent and such counsel, and US Agent and such counsel shall have received all such counterpart originals or certified copies of such documents as US Agent may reasonably request.

(i) ISSUANCE OF DEBT; EQUITY FINANCING. On or prior to the Closing Date, Holdings or its Affiliate shall have issued (i) approximately $175,000,000, face amount of debt securities ("ACQUISITION SECURITIES" or the "DEBT FINANCING") and (ii) approximately $90,000,000 in Holdings Common Stock to the Seller (based upon the average share price for the twenty trading days prior to signing of the Acquisition Agreement), in each such case on terms and conditions

satisfactory to the US Agent. Any such Acquisition Securities shall be unsecured and shall have no scheduled principal payments payable prior to the date which is six months after the Expiration Date.

(j) NO MATERIAL ADVERSE CHANGE OR DEVELOPMENT, ETC. (i) Nothing shall have occurred since December 31, 2001 (and US Agent shall have become aware of no facts or conditions not previously known to US Agent) which US Agent shall reasonably determine could have a material adverse effect on the rights or remedies of the Agents or the Lenders under the Credit Documents, or on the ability of Holdings, Borrowers or their Subsidiaries to perform their respective obligations under this Credit Agreement or which could have a materially adverse effect on the business, property, assets, nature of assets, liabilities, condition (financial or otherwise), results of operations or prospects of Holdings and its Subsidiaries taken as a whole after giving effect to the Acquisition; (ii) no material adverse developments shall have occurred in the laws, policies, rules or regulations applicable to Holdings and its Subsidiaries both before and after giving effect to the Acquisition, and the industry sectors related thereto as determined by the US Agent in its Permitted Discretion.

(k) CONSUMMATION OF ACQUISITION.

(i) All conditions to the Acquisition shall have been satisfied or the fulfillment of such conditions shall have been waived with the consent of the US Agent;

(ii) The Acquisition shall have closed pending receipt of funds in accordance with the terms of the Acquisition Agreement; and

(iii) US Agent shall have received a certificate from an appropriate officer at Holdings to the effect set forth in clauses (i) - (ii) above and stating that Holdings and its Subsidiaries will proceed to fund the Acquisition immediately upon the making of the initial Loans.

(l) NECESSARY GOVERNMENTAL AUTHORIZATIONS AND CONSENTS; EXPIRATION OF WAITING PERIODS, ETC. Holdings and its Subsidiaries shall have obtained all consents or authorizations from Governmental Authorities and all consents of other Persons, in each case that are necessary or advisable in connection with the transactions contemplated by the Credit Documents and the Related Agreements and the continued operation of the business conducted by Holdings and its Subsidiaries in substantially the same manner as conducted prior to the Closing Date. Each such Governmental Authorization and consent shall be in full force and effect, except in a case where the failure to obtain or maintain a Governmental Authorization or consent, either individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. All applicable waiting periods shall have expired without any action being taken or threatened by any competent authority that would restrain, prevent or otherwise impose adverse conditions on the transactions contemplated by the Credit Documents or the Related Agreements or the financing thereof. No action, request for stay, petition for review or rehearing, reconsideration, or appeal with respect to any of the foregoing shall be pending, and the time for any applicable Governmental Authority to take action to set aside its consent on its own motion shall have expired.

(m) ADDITIONAL DOCUMENTS. The Funds Administrators and each Borrower shall have executed and delivered to the Agent and the Lenders all such other documents which the Agent or any Lender determines are reasonably necessary to consummate the transactions contemplated hereby.

5.2 CONDITIONS TO EACH CREDIT EVENT. On the date of each Credit Event (including the initial Credit Event), both immediately before and immediately after giving effect thereto and to the application of the proceeds therefrom, the following statements shall be true to the satisfaction of the US Agent (and each request for a Credit Event, shall constitute a representation and warranty by each Borrower that on the date of such Credit Event, immediately before and immediately after giving effect thereto and to the application of the proceeds therefrom, such statements are true):

(a) The representations and warranties contained in this

Credit Agreement and in each other Credit Document are true and correct in all material respects (subject to the information disclosed in any update of Schedule B to this Credit Agreement delivered pursuant to Sections 5.3 and 7.1(b)) on and as of the date of such Credit Event as though made on and as of such date, except to the extent that such representations and warranties expressly relate solely to an earlier date (in which case such representations and warranties shall have been true and correct in all material respects on and as of such earlier date) except for any inaccuracy of such representations and warranties as of such Credit Event resulting from any new facts or circumstances that do not collectively have a Material Adverse Effect and have arisen after the date on which an updated Schedule B was most recently required to be delivered pursuant to Section 7.1(b). For avoidance of doubt, the representation in Section 6.24 is a representation which relates "solely to an earlier date" (the date the referenced information was dated or certified).

(b) Neither Agent shall have received any update to Schedule B, Part 6.14 or Schedule B, Part 6.26.

(c) No event has occurred and is continuing, or could reasonably be expected to result from such Credit Event or the application of the proceeds thereof, which would constitute a Default or an Event of Default.

(c) In the case of the issuance of any Letter of Credit, none of the events set forth in Section 3.1 has occurred and is continuing or would result from the issuance of such Letter of Credit.

(d) In the case of the funding of any US Term Loan, the Reed Assumption shall be effective.

5.3 UPDATING OF SCHEDULES. The Borrowers shall have the right to deliver to the Agents an updated Schedule B to this Credit Agreement from time to time, provided that no event or condition that would otherwise constitute a Default or an Event of Default shall be deemed to be cured solely by virtue of the delivery of an updated schedule hereunder or the Agents' (or any Lender's) failure to take action after receipt of such notice, and provided further, that all representations and warranties that refer to the schedules to this Credit Agreement shall, as of the date such representations and warranties are made by the Borrowers hereunder, be deemed to refer to such schedules as updated and delivered to the US Agent as of such date.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES

To induce the Agents and the Lenders to enter into this Credit Agreement and each Issuing Bank to issue Letters of Credit, Holdings and each Borrower, with respect to itself, each of the other Borrowers and each of their respective Subsidiaries, hereby represents and warrants to the Agents, the Lenders and each Issuing Bank:

6.1 ORGANIZATION AND QUALIFICATION. Holdings and each of its Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the state or province of its organization, (b) has the power and authority to own its properties and assets and to transact the businesses in which it presently is, or proposes to be, engaged and (c) is duly qualified and is authorized to do business and is in good standing in each jurisdiction where it presently is, or proposes to be, engaged in business except to the extent where failure to be so qualified or authorized or in good standing could not reasonably be expected to have a Material Adverse Effect. With respect to Holdings and each of its Subsidiaries, SCHEDULE B, PART 6.1 lists the exact legal name of each such Person, the state or province of incorporation of each such Person, the organizational identification number of each such Person, the federal employer identification number of each such Person and all jurisdictions in which each such Person is qualified to do business as foreign corporations.

6.2 SOLVENCY. The fair saleable value of the assets of Holdings and each of its Subsidiaries exceeds all its probable liabilities, including those to be incurred pursuant to this Credit Agreement and the other Credit Documents. Holdings and each of its Subsidiaries (a) does not have unreasonably small capital in relation to the business in which it is, or proposes to be, engaged and (b) has not incurred, and does not believe that it will incur after giving effect to the transactions contemplated by this Credit Agreement and the other

Credit Documents, debts beyond its ability to pay such debts as they become due.

6.3 RIGHTS IN COLLATERAL; PRIORITY OF LIENS. Holdings and each of its Domestic Subsidiaries and Canadian Subsidiaries owns the property provided in the scope of the Lien granted by it as Collateral under the Credit Documents, free and clear of any and all Liens in favor of third parties, except for those listed on SCHEDULE H and other Liens permitted under SECTION 8.4. Upon the proper filing of the UCC financing statements and Canadian lien registrations, and the taking of the other actions specified in the Closing Document List, the Liens granted pursuant to the Credit Documents will constitute the valid and enforceable first, prior and perfected Liens on the Collateral, except, in the case of priorities, for prior Liens set forth in CLAUSES (a), (d), (f) AND (i) of SECTION 8.4 and Liens identified on SCHEDULE H as prior to the Agents' Liens.

6.4 NO CONFLICT. The execution, delivery and performance by Holdings and each of its Subsidiaries of each Credit Document to which it is a party: (a) are within its corporate power; (b) are duly authorized by all necessary corporate action; (c) are not in contravention of any Requirement of Law or any indenture, contract, lease, agreement, instrument or other commitment to which it is a party or by which it or any of its properties are bound where such contravention would reasonably be expected to adversely affect the enforceability of any Credit Document or to have a Material Adverse Effect; (d) are not in contravention of any provision set forth in any

Governing Documents, (e) do not require the consent, registration or approval of any Governmental Authority or any other Person (except such as have been duly obtained, made or given, and are in full force and effect); and (f) will not, except as contemplated herein, result in the imposition of any Liens upon any of its properties.

6.5 ENFORCEABILITY. The Credit Agreement and all of the other Credit Documents to which any Borrower or any Subsidiary of any Borrower is a party are the legal, valid and binding obligations of such Borrower and such Subsidiary, and are enforceable against each of them, as the case may be, in accordance with their terms, except as such enforceability may be limited by (a) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and (b) general principles of equity.

6.6 CONSENTS. No consent or authorization of, filing with or other act by or in respect of, any Governmental Authority or any other Person is required in connection with any Credit Event hereunder, the grant of the Liens pursuant to the Credit Documents, the continuing operations of any Borrower and any Subsidiary of any Borrower or with the execution, delivery, performance, validity or enforceability of this Credit Agreement, the Notes or the other Credit Documents, except for the filing of the UCC financing statements, Canadian lien registrations, US mortgages, Patent and Trademark Office filings and offshore intellectual property filings and other actions required on the Credit Document List and consents or authorizations which have been obtained or filings which have been made and which, in each case, are in full force and effect.

6.7 FINANCIAL DATA. The Borrowers have furnished or caused to be furnished to the Lenders the following Financial Statements: (i) audited financial statements for Holdings and its Subsidiaries for Fiscal Years 1999, 2000 and 2001 consisting of balance sheets and the related consolidated and consolidating statements of income, stockholders' equity and cash flows for such Fiscal Years, (ii) audited financial statements of the Subject Business and included Subsidiaries for Fiscal Years 1999, 2000 and 2001, consisting of balance sheets and the related consolidated statements of income, stockholders' equity and cash flows for such Fiscal Years, (iii) unaudited financial statements of the Subject Business and its Subsidiaries as at September 30, 2002, consisting of a balance sheet and the related consolidated statements of income, stockholders' equity and cash flows for the nine-month period ending on such date, all in reasonable detail and certified by the chief financial officer of Holdings that to the chief financial officer's knowledge, and relying as appropriate on the representations and warranties of Seller, that they fairly present the financial condition of the Subject Business and its Subsidiaries as at the dates indicated and the results of their operations and their cash flows for the periods indicated, subject to changes resulting from audit and normal year-end adjustments, (iv) unaudited financial statements of Holdings and its Subsidiaries as at September 30, 2002, consisting of a balance sheet and the related consolidated and consolidating statements of income, for the nine-month

period ending on such date and (v) pro forma consolidated and consolidating balance sheets of Holdings and its Subsidiaries as of September 30, 2002, prepared in accordance with GAAP and reflecting the consummation of the Acquisition, the related financings and the other transactions contemplated by the Loan Documents and the Related Agreements. The Borrowers have furnished or caused to be furnished to the Lenders projections of the consolidated financial condition and results of operations of the Consolidated Entity (after giving effect to the Acquisition) through the fiscal years ending December 31, 2006. The projections delivered to the Lenders on or prior to the date hereof and any projections delivered to the Lenders after the date hereof in accordance with

SECTION 7.1(d) hereof represent the Borrowers' good faith estimate of the future financial performance of the Consolidated Entity after giving effect to the Acquisition for the periods set forth therein.

6.8 LOCATIONS OF OFFICES, RECORDS AND INVENTORY. The address of the principal places of business and chief executive office of each Credit Party is set forth on SCHEDULE B, PART 6.8. The books and records of each Credit Party, and all of their respective chattel paper and records of Accounts, are maintained exclusively at such locations. There is no location at which any Credit Party has any Collateral (except for (i) vehicles, (ii) Inventory in transit for processing in the ordinary course of business and (iii) Collateral with an aggregate value for all of the Credit Parties of up to $1,000,000 provided, that such Collateral is not included in calculating the Borrowing Base) other than those locations identified on SCHEDULE B, PART 6.8. To the extent any such locations are not owned, SCHEDULE B, PART 6.8 also sets forth the purpose of such location (e.g., warehouse, processing plant, sales office, etc.), the legal names of the owners and/or operators thereof; and the address and phone numbers of such owners and/or operators. None of the receipts received by any Credit Party from any warehouseman or processor with respect to any Collateral (other than Inventory excluded from Eligible Inventory) states that the goods covered thereby are to be delivered to bearer or to the order of a named person or to a named person and such named person's assigns.

6.9 FICTITIOUS BUSINESS NAMES. Except as set forth on SCHEDULE B, PART 6.9, no Credit Party has used any corporate or fictitious name during the five (5) years preceding the date hereof, other than the corporate name under which it has executed this Credit Agreement.

6.10 SUBSIDIARIES. The only Subsidiaries of Holdings are those listed on SCHEDULE B, PART 6.10. Holdings or a wholly-owned Subsidiary of Holdings is the record and beneficial owner of the percentages all of the issued and outstanding Capital Securities of each of the Subsidiaries listed on SCHEDULE B, PART 6.10. Except as set forth on Schedule B, Part 6.10, there are no proxies, irrevocable or otherwise, with respect to such Capital Securities, and no Capital Securities of any Subsidiary of Holdings are or may become required to be issued by reason of any options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into or exchangeable for, Capital Securities of any Subsidiary of Holdings, and there are no contracts, commitments, understandings or arrangements by which any Subsidiary of Holdings is or may become bound to issue additional Capital Securities convertible into or exchangeable for such Capital Securities. All of such shares listed on SCHEDULE B, PART 6.10 are owned by Holdings or a Subsidiary of Holdings free and clear of any Liens, except for the rights of first refusal granted to minority investors as set forth on SCHEDULE B, PART 6.10.

6.11 NO JUDGMENTS OR LITIGATION. Except as set forth on SCHEDULE B, PART 6.11, no judgments, orders, writs or decrees are outstanding against any Credit Party nor is there now pending or, to the best of any Borrower's knowledge after diligent inquiry, threatened any litigation, contested claim, investigation, arbitration, or governmental proceeding by or against any Credit Party except such judgments, orders, writs, decrees, pending or threatened litigation, contested claims, investigations, arbitrations and governmental proceeds which could not individually or in the aggregate be reasonably expected to have a Material Adverse Effect. Except as set forth on SCHEDULE B, PART 6.11, there is no pending, or, to the best of any Borrower's knowledge after diligent inquiry, threatened litigation, claim, investigation, arbitration or

governmental proceeding by or against any Credit Party that seeks damages in excess of $1,000,000 after giving effect to expected insurance proceeds or that seeks injunctive relief.

6.12 ENVIRONMENTAL MATTERS.

Except as disclosed on SCHEDULE B, PART 6.12, (i) no material Environmental Claims are pending or, to the knowledge of Borrower, threatened against any Credit Party; (ii) each Credit Party is in compliance with all Environmental Laws governing its business for which failure to comply could reasonably be expected to have a Material Adverse Effect or subject the Credit Parties to penalties or fines in excess of $500,000; and (iii) neither Holdings nor any of its Subsidiaries has knowledge of any release or threatened release of any Hazardous Material at any Real Estate or Former Real Estate, or at any other location where any Credit Party has arranged for disposition of Hazardous Materials, in each case in such amount as would be reasonably likely to trigger a need for investigation and/or response costs pursuant to Environmental Laws.

6.13 LABOR MATTERS.

(a) Except as disclosed on SCHEDULE B, PART 6.13, there are no material labor controversies pending or, to the best knowledge of any Borrower after diligent inquiry, threatened between any Holdings or any of its Subsidiaries and any of their respective employees which could individually or in the aggregate have a Material Adverse Effect or subject the Credit Parties to penalties or fines in excess of $500,000.

(b) Except as disclosed on SCHEDULE B, PART 6.13, neither Holdings nor any of its Subsidiaries is engaged in any unfair labor practice that could reasonably be expected to have a Material Adverse Effect or subject the Credit Parties to penalties or fines in excess of $500,000. There is (i) no unfair labor practice complaint pending against Holdings or any of its Subsidiaries or, to the best knowledge of any Borrower, threatened against any of them, before the National Labor Relations Board, and no significant grievance or significant arbitration proceeding arising out of or under collective bargaining agreements is so pending against Holdings or any of its Subsidiaries or, to the best knowledge of any Borrower, threatened against any of them, (ii) no strike, labor dispute, slowdown or stoppage pending against Holdings or any of its Subsidiaries or, to the best knowledge of any Borrower, threatened against any of them and (iii) no union representation question with respect to the employees of Holdings or any of its Subsidiaries and no union organizing activities.

6.14 COMPLIANCE WITH LAW. Except as disclosed on SCHEDULE B, PART 6.14 or in connection with any specific representations set forth herein regarding ERISA, environmental laws, tax and other laws, no Credit Party has violated or failed to comply with any Requirement of Law or any requirement of any self-regulatory organization except such instances of noncompliance as could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or subject the Credit Parties to penalties or fines in excess of $500,000.

6.15 ERISA.

(a) SCHEDULE B, PART 6.15 lists (i) all ERISA Affiliates and (ii) and separately identifies all Plans that are Title IV Plans, Multiemployer Plans, and Retiree Welfare Plans. Except with respect to Multiemployer Plans, each Plan which is intended to be qualified under Section 401

of the Code has been determined by the IRS to so qualify, the trusts created thereunder have been determined to be exempt from tax under the provisions of Section 501 of the Code, and nothing has occurred that would cause the loss of such qualification or tax-exempt status. Except as could not reasonably be expected to have a Material Adverse Effect or subject any Credit Party to penalties or fines in excess of $500,000, each Plan is in compliance with the applicable provisions of ERISA and the Code, including the timely filing of all reports required under the Code or ERISA. Neither Holdings, nor any of its Subsidiaries or ERISA Affiliates has failed to make any contribution or pay any amount due as required by either Section 412 of the Code or Section 302 of ERISA or the terms of any such Title IV Plan. Except as could not be reasonably be expected to have a Material Adverse Effect or subject any Credit Party to

penalties or fines in excess of $500,000, no Prohibited Transaction, in connection with any Plan has occurred that would subject Holdings or any of its Subsidiaries to a material penalty or tax under Section 502(l) of ERISA or Section 4975 of the Code, respectively, and no event has occurred with respect to a Plan which would subject any Credit Party of any Borrower to any material liability under Section 502(l) of ERISA.

(b) Except as set forth in SCHEDULE B, PART 6.15: (i) no Title IV Plan has any Unfunded Pension Liability; (ii) no Termination Event or event described in Section 4062(e) of ERISA with respect to any Title IV Plan has occurred or is reasonably expected to occur; (iii) there are no pending, or to the knowledge of Holdings or any of its Subsidiaries, threatened claims (other than claims for benefits in the normal course), sanctions, actions or lawsuits, asserted or instituted against any Plan or any Person as fiduciary or sponsor of any Plan; (iv) within the last five years no Title IV Plan has been terminated, whether or not in a "standard termination" as that term is used in Section 4041(b)(1) of ERISA, nor has any Title IV Plan (determined at any time within the past five years) with Unfunded Pension Liabilities been transferred outside of the "controlled group" (within the meaning of Section 4001(a)(14) of ERISA) of Holdings or any of its Subsidiaries or any ERISA Affiliate (determined at such time).

6.16 INTELLECTUAL PROPERTY. Holdings and each of its Subsidiaries owns or licenses or otherwise has the right to use all Intellectual Property necessary for the operation of its business as presently conducted or proposed to be conducted and none of such Intellectual Property conflicts with a right of any other person to the extent such conflict could reasonably be expected to result in a Material Adverse Effect. As of the date hereof, neither Holdings nor any of its Subsidiaries has any Intellectual Property registered, or subject to pending applications, in the United States Patent and Trademark Office or any similar office or agency in the United States, any State thereof, any political subdivision thereof or in any other country, other than those described in SCHEDULE B, PART 6.16 and has not granted any licenses with respect thereto other than as set forth in SCHEDULE B, PART 6.16 other than licenses for repair and maintenance and "spot" licenses (i.e. short term, single-use licenses) in the ordinary course of business. No event has occurred which permits or would permit after notice or passage of time or both, the revocation, suspension or termination of such rights, except for the ordinary expiration of such rights under applicable law. Except as set forth on Schedule B, Part 6.16, to the best of any Borrower's knowledge, no slogan or other advertising device, product, process, method, substance or other Intellectual Property or goods bearing or using any Intellectual Property presently contemplated to be sold by or employed by Holdings or any of its Subsidiaries infringes any patent, trademark, servicemark, tradename, copyright, license or other Intellectual Property owned by any other Person presently and no claim or litigation is pending or threatened against or affecting Holdings or any of its Subsidiaries contesting its right to sell or use any such Intellectual Property. SCHEDULE B, PART 6.16 sets forth

all of the agreements or other arrangements of Holdings and each of its Domestic and Canadian Subsidiaries (except for arrangements terminable by the third party licensor with 30-days prior notice) pursuant to which any such Person has a license or other right to use any trademarks, logos, designs, representations or other Intellectual Property owned by another person as in effect on the date hereof and the dates of the expiration of such agreements or other arrangements of such Person as in effect on the date hereof (collectively, together with such agreements or other arrangements as may be entered into by Holdings or any of its Subsidiaries after the date hereof, the "I.P. LICENSE AGREEMENTS" and individually, an "I.P. LICENSE AGREEMENT"). No trademark, servicemark or other Intellectual Property at any time used by Holdings or any of its Subsidiaries which is owned by another Person, or owned by Holdings or any of its Subsidiaries is subject to any security interest, lien, collateral assignment, pledge or other encumbrance in favor of any Person other than Agent or is affixed to any Eligible Inventory, except to the extent permitted under the term of the I.P. License Agreements listed on SCHEDULE B, PART 6.16 and except for licenses and liens permitted hereunder.

6.17 LICENSES AND PERMITS. Holdings and each of its Subsidiaries have obtained and hold in full force and effect, all franchises, licenses, leases, permits, certificates, authorizations, qualifications, easements, rights of way and other rights and approvals which are necessary or advisable for the operation of its businesses as presently conducted and as proposed to be

conducted, except where the failure to possess any of the foregoing (individually or in the aggregate) could not reasonably be expected to have a Material Adverse Effect on any Borrower. Neither Holdings nor any of its Subsidiaries is in violation in any material respect of the terms of any such franchise, license, lease, permit, certificate, authorization, qualification, easement, right of way, right or approval.

6.18 TITLE TO PROPERTY. All Real Estate is identified on SCHEDULE B, PART 6.18. Holdings and each of its Subsidiaries has good and marketable title in fee simple to, or a valid leasehold interest in, all its Real Estate, and good title to all its other property, and none of such property is subject to any Lien, except for (i) Permitted Liens, (ii) exceptions to such title to property that does not constitute Collateral and could not reasonably be expected to have a Material Adverse Effect on any Borrower, and (iii) title exceptions with respect to Real Estate as disclosed to the Agent in writing in mortgagee title policies delivered and approved by the Agents in connection herewith.

6.19 GOVERNMENTAL REGULATIONS. Neither Holdings nor any of its Subsidiaries is (a) an investment company or a company controlled by an investment company within the meaning of the Investment Company Act of 1940, as amended, (b) a holding company or a Subsidiary of a holding company, or an Affiliate of a holding company or of a Subsidiary of a holding company, within the meaning of the Public Utility Holding Company Act of 1935, as amended, or (c) subject to any other law which purports to regulate or restrict its ability to borrow money under the Credit Agreement (if such Subsidiary is a Borrower) or to consummate the transactions contemplated by this Credit Agreement or the other Credit Documents or to perform its obligations hereunder or thereunder.

6.20 BORROWERS' TAXES AND TAX RETURNS.

(a) Except as set forth on SCHEDULE B, PART 6.20(a), Holdings and each of its Domestic Subsidiaries and Canadian Subsidiaries (and any affiliated, consolidated or combined group of which Holdings or any of its Subsidiaries are now or have been members) have timely filed (inclusive of any permitted extensions) with the appropriate taxing authorities all returns (including information returns) in respect of Borrower Taxes required to be filed through the date hereof and will timely file (inclusive of any permitted extensions) any such returns required to be filed on and after the date hereof. All such returns filed are complete and accurate in all material respects. Except as specified in SCHEDULE B, PART 6.20(a), neither Holdings or any of its Subsidiaries, nor any affiliated, consolidated or combined group of which Holdings or any of its Subsidiaries are now or were members, have requested any extension of time within which to file returns (including information returns) in respect of any Borrower Taxes.

(b) Except as set forth in SCHEDULE B, PART 6.20(b), all taxes, assessments, fees and other governmental charges (including any penalties or interest thereon) payable by Holdings or any of its Subsidiaries (and any affiliated group of which Holdings or any of its Subsidiaries is now or has been a member) in respect of their incomes, franchises, businesses, properties or otherwise (collectively, "BORROWER TAXES") in respect of periods beginning prior to the date hereof, have been timely paid, or will be timely paid, or an adequate reserve has been established therefor, as set forth in SCHEDULE B, PART 6.20(b) or in the Financial Statements, and neither Holdings or any of its Subsidiaries has any liability for Borrower Taxes in excess of the amounts so paid or reserves so established. All taxes, assessments, fees and other governmental charges (including any penalties or interest thereon) set forth on Schedule B, Part 6.20(b) are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been established in accordance with GAAP.

(c) Except as set forth in SCHEDULE B, PART 6.20(c), no deficiencies for Borrower Taxes have been claimed, proposed or assessed by any taxing or other Governmental Authority against Holdings or any of its Subsidiaries and no Liens for Borrower Taxes have been filed. Except as set forth in SCHEDULE B, PART 6.20, there are no pending or, to the best of the knowledge of any Borrower, threatened audits, investigations or claims for or relating to any liability in respect of Borrower Taxes, and there are no matters under discussion with any taxing or other Governmental Authority with respect to Borrower Taxes which are likely to result in a material additional liability for Borrower Taxes. Either the federal income tax returns of each Credit Party have

been audited by the Internal Revenue Service and such audits have been closed, or the period during which any assessments may be made by the Internal Revenue Service has expired without waiver or extension, for all years up to and including the Fiscal Year ended December 31, 1995. Except as set forth in SCHEDULE B, PART 6.20, no extension of a statute of limitations relating to Borrower Taxes is in effect with respect to Holdings or any of its Subsidiaries.

(d) Except as set forth on SCHEDULE B, PART 6.20(d), neither Holdings or any of its Subsidiaries has any obligation under any tax sharing agreement or agreement regarding payments in lieu of Borrower Taxes.

6.21 STATUS OF ACCOUNTS. Each Account of each Borrower is based on an actual and bona fide sale and delivery of goods or rendition of services to customers, made by such Borrower in the ordinary course of its businesses; the goods and inventory being sold by any Borrower and the Accounts created thereby are the exclusive property of such Borrower and are not and shall not be subject to any Lien whatsoever other than Permitted Liens, those arising under the Security Agreements and such Borrower's customers have accepted the goods or services, owe and are obligated to pay the full amounts stated in the invoices according to their terms, without any dispute, offset, defense, counterclaim or controversy (except for Receivables, or the applicable portion thereof, excluded from the Borrowing Base).

6.22 MATERIAL CONTRACTS AND RESTRICTIONS. SCHEDULE B, PART 6.22 contains a true, correct and complete list of all the Material Contracts currently in effect on the date hereof. None of the Material Contracts contain any restrictions set forth in SECTION 8.13 and all of the Material Contracts are in full force and effect, and no defaults currently exist thereunder.

6.23 AFFILIATE TRANSACTIONS. Except as set forth on SCHEDULE B, PART 6.23, neither Holdings nor any of its Subsidiaries is a party to or bound by any agreement or arrangement (whether oral or written) to which any Affiliate of Holdings that is not a Subsidiary or any of such Affiliate's Subsidiaries is a party except (a) in the ordinary course of and pursuant to the reasonable requirements of such Borrower's or such Subsidiary's business, including transfer pricing arrangements, and (b) upon fair and reasonable terms no less favorable to such Borrower and such Subsidiary than it could obtain in a comparable arm's-length transaction with an unaffiliated Person.

6.24 ACCURACY AND COMPLETENESS OF INFORMATION. All factual information furnished by or on behalf of Holdings or any of its Subsidiaries in writing to an Agent, any Lender, or the Auditors for purposes of or in connection with this Credit Agreement or any of the other Credit Documents, or any transaction contemplated hereby or thereby is or will be true and accurate in all material respects on the date as of which such information is dated or certified and not incomplete by omitting to state any material fact necessary to make such information not misleading at such time.

6.25 RECORDING TAXES AND FEES. All mortgage recording taxes, recording fees and other charges payable in connection with the filing and recording of the Credit Documents have either been paid in full by the Borrowers or arrangements for the payment of such amounts satisfactory to the Agent shall have been made.

6.26 NO ADVERSE CHANGE OR EVENT. Except as set forth on SCHEDULE B, PART 6.26, since December 31, 2001, no change in the business, assets, Liabilities, financial condition, results of operations or business prospects of Holdings or any of its Subsidiaries or the Subject Business (or any of the Subsidiaries of Seller included therein) has occurred, and no event has occurred or failed to occur, that has had or could reasonably be expected to have, either alone or in conjunction with all other such changes, events and failures, a Material Adverse Effect. Holdings and Borrowers acknowledge that an adverse change may have occurred, and such an event may have occurred or failed to occur, at any particular time notwithstanding the fact that at such time no Default or Event of Default shall have occurred and be continuing.

6.27 INTENTIONALLY OMITTED.

6.28 ACCOUNTS. Except for the Disbursement Account, the Depository Account, the Concentration Account and the accounts set forth on SCHEDULE B, PART 6.28, no Credit Party maintains or otherwise has any (a) checking, savings or other accounts at any bank or other financial institution, (b) investment account, securities account, commodity account or any similar account with any securities intermediary or commodity intermediary or (c) other account where money is or may be deposited or maintained with any Person. SCHEDULE B, PART 6.28 sets forth the name of each financial institution, securities intermediary, commodity intermediary or other Person at which any account described above is maintained, the account number for each such account and the purpose of each such account.

6.29 SUBSIDIARIES, ETC. Neither the Canadian Borrower or any of the Canadian Subsidiaries whose book value of assets is greater than 5% of the book value of the assets of the Canadian Borrower on a consolidated basis or whose gross sales are greater than 5% of the gross sales of the Canadian Borrower on a consolidated basis as set out in the most recently delivered financial statements of the Canadian Borrower, is an unlimited liability company. None of the shareholders of either the Canadian Borrower or the Canadian Subsidiaries is a party to any unanimous shareholder's agreement or other similar agreement relating to shares owned by such shareholder.

ARTICLE 7

AFFIRMATIVE COVENANTS

Until the Expiration Date and payment and satisfaction of all Obligations:

7.1 FINANCIAL INFORMATION. The Borrowers shall furnish or cause to be furnished to the Lenders the following information within the following time periods:

(a) as soon as available and in any event within five Business Days after filing with the Securities and Exchange Commission but in no event later than ninety (90) days after the end of each fiscal year of the Borrowers (i) audited Financial Statements as of the close of the fiscal year and for the fiscal year, together with comparisons to the Financial Statements for the prior year and to the most recent projections with respect to such fiscal year delivered pursuant to CLAUSE (d) of this SECTION 7.1, in each case accompanied by (a) an unqualified opinion of the Auditors, which opinion shall be in scope and substance satisfactory to the US Agent in its sole discretion, (b) such Auditors' "Management Letter" to Holdings, (c) an explanation of any material variances from the above-referenced Financial Statements and projections, (d) a written statement signed by the Auditors stating that in the course of the regular audit of the business of Holdings and its Subsidiaries which audit was conducted by the Auditors in accordance with generally accepted auditing standards, the Auditors have not obtained any knowledge of the existence of any Default or Event of Default under any provision of this Credit Agreement, or, if such Auditors shall have obtained from such examination any such knowledge, they shall disclose in such written statement the existence of the Default or Event of Default and the nature thereof, it being understood that such Auditors shall have no liability, directly or indirectly, to anyone for failure to obtain knowledge of any such Default or Event of Default, (ii) a narrative discussion of the consolidated

financial condition and results of operations and the consolidated liquidity and capital resources of Holdings and its Subsidiaries for such fiscal year, prepared by the chief executive officer or chief financial officer of Holdings and (iii) a compliance certificate substantially in the form of EXHIBIT D along with a schedule in form and substance satisfactory to the US Agent of the calculations used in determining, as of the end of such fiscal year, whether the Borrowers were in compliance with the covenants set forth in SECTIONS 7 and 8 of this Credit Agreement for such year. To the extent that Holdings' annual report on Form 10-K contains any of the foregoing items, the Lenders will accept such Form 10-K in lieu of such items;

(b) as soon as available and in any event within five Business Days after filing with the SEC but in no event later than forty-five (45) days after the end of each fiscal quarter of the Borrowers (other than the last quarter of the fiscal year with respect to which such reports shall be delivered

within ninety (90) days after the end of the quarter) (i) Financial Statements as at the end of and for such period and for the fiscal year to date, except that statements of cash flows for such period are not required to be provided on a consolidating basis by entity so long as consolidated cash flow statements are provided on the basis of guarantors (of US Loans) versus non-guarantors, together with comparisons to the Financial Statements for the same periods in the prior year and to the most recent projections with respect to such fiscal year delivered pursuant to CLAUSE (d) of this SECTION 7.1, all in reasonable detail and duly certified (subject to year-end audit adjustments) by the chief executive officer or chief financial officer of Holdings as having been prepared in accordance with GAAP, (ii) a narrative discussion of the consolidated financial condition and results of operations and the consolidated liquidity and capital resources of Holdings and its Subsidiaries for such period and for the fiscal year to date prepared by the chief executive officer or chief financial officer of Holdings (iii) a compliance certificate substantially in the form of EXHIBIT D along with a schedule in form and substance satisfactory to the US Agent of the calculations used in determining, as of the end of such fiscal quarter, whether the Borrowers were in compliance with the covenants set forth in ARTICLES 7 AND 8 of this Credit Agreement for such quarter; (iv) such update of Schedule B to this Credit Agreement as is necessary to render the representations and warranties contained in this Credit Agreement and in each other Credit Document true and correct in all material respects (subject to the additional information disclosed in such updated schedules) on and as of the date such updated schedules are delivered as though made on and as of such date, except to the extent that such representations and warranties expressly relate solely to an earlier date and (v) the "IP Supplement" required by SECTION 5(c) of the Security Agreement or the "Confirmation" required by Section 2.2(7) of the applicable Canadian Security Agreement. To the extent that Holdings's quarterly report on Form 10-Q contains any of the foregoing items, the Lenders will accept such Form 10-Q in lieu of such items;

(c) as soon as available and in any event within five Business Days after filing with the SEC but no later than thirty (30) days after the end of each month (other than the last month of any fiscal quarter with respect to which such reports shall be delivered within forty-five (45) days after the end of the month (other than the last quarter of the fiscal year with respect to which such reports shall be delivered within ninety (90) days after the end of the month)), (i) consolidated and consolidating balance sheets for the Consolidated Entity as at the end of such month, consolidated and consolidating statements of operations for such month and for the fiscal year to date and consolidated statements of cash flows for such month and for the fiscal year to date, together with a comparison to the consolidated and consolidating balance sheets, statements of operations and statements of cash flows for the same periods in the prior year, all in reasonable

detail and duly certified (subject to year-end audit adjustments) by the chief executive officer or chief financial officer of Holdings as having been prepared in accordance with GAAP, (ii) a comparison of the actual results of consolidated and consolidating operations, consolidated cash flows and capital expenditures by business segment for such month and for the period from the beginning of the current fiscal year through the end of such month (it being agreed such comparison need not include a narrative discussion) with actual results of operations, cash flow and capital expenditures for Holdings and its Subsidiaries for the same periods of the prior fiscal year and (iii) a compliance certificate substantially in the form of EXHIBIT D along with a schedule in form and substance satisfactory to the Agent of the calculations used in determining, as of the end of such month, whether the Borrowers were in compliance with the covenants set forth in ARTICLES 7 AND 8 of this Credit Agreement for such month;

(d) not later than forty-five (45) days after the end of each fiscal year commencing with the fiscal year ending December 31, 2003, quarterly projections of the consolidated and consolidating (by business segment) financial condition and results of operations of the Consolidated Entity for the following fiscal year, and annual projections for each subsequent fiscal year through and including the fiscal year in which the Expiration occurs, including, but not limited to, projected consolidated and consolidating (by business segment) balance sheets, consolidated and consolidating (by business segment) statements of operations, and consolidated statements of cash flows.

(e) a copy of the state and federal income tax returns of Holdings, each Borrower and each Subsidiary of each Borrower within thirty (30) days after they are filed with the appropriate taxing authorities, if and when

requested in writing by US Agent;

(f) upon request by the US Agent at any time and in any event within fifteen (15) Business Days after the last Business Day of each month, and within one Business Day of the occurrence of any Asset Sale in which Accounts or Inventory are sold (other than Inventory in the ordinary course of business), a borrowing base certificate in the form of Exhibit E (the "BORROWING BASE CERTIFICATE") with all supporting detail as US Agent may from time to time require, duly completed, detailing (i) each Borrower's understanding as to which Accounts or Inventory constitute Eligible Accounts Receivable and Eligible Inventory as of the last day of such month, or, in the case of a Borrowing Base Certificate delivered in connection with an Asset Sale, as of the consummation of such Asset Sale (or such other date as the US Agent may specify in such request), (ii) the market value of the reported Inventory including a discussion of the Borrowers' basis for determining same, and (iii) each Borrower's capacity to borrow in compliance with the Existing Senior Note Indenture and the New Senior Note Indenture, and certified by the chief executive officer or chief financial officer of Holdings and subject only to adjustment upon completion of the normal year-end audit of physical inventory and, in addition, each Borrowing Base Certificate shall have attached to it such additional schedules and/or other information, including, without limitation, accounts receivable aging, accounts payable aging and Inventory report, as the US Agent may request;

(g) promptly and in any event within two (2) Business Days after becoming aware of the occurrence of a Default or Event of Default, a certificate of the chief executive officer or chief financial officer of Holdings specifying the nature thereof and the proposed response thereto, each in reasonable detail;

(h) promptly after the earlier of the mailing or filing thereof, copies of all 10-Ks, 10-Qs, 8-Ks, definitive proxy statements, annual reports, quarterly reports, effective registration statements and any other filings or other communications of information material to the Lenders made by Holdings or any of its Subsidiaries to holders of its respective publicly traded securities or the Securities Exchange Commission from time to time pursuant to the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended; and

(i) from time to time, such further information regarding the Collateral, business affairs and prospects and financial condition of Holdings, and each of its Subsidiaries as either Agent may reasonably request.

7.2 INVENTORY. Upon the request of an Agent from time to time, each Borrower shall provide to such Agent written statements listing items of Inventory in reasonable detail as requested by such Agent. Each Borrower shall conduct or cause to be conducted annually a physical count of the Inventory and, a copy of such count shall be promptly supplied to the requesting Agent accompanied by a report of the Value (valued at the first-in-first-out method) of such Inventory. Each Borrower shall conduct such a physical count at such other times and as of such dates as an Agent shall reasonably request. In addition to, and not in limitation of, the foregoing, at any time and from time to time either Agent may conduct (or engage third parties to conduct) such field examinations, appraisals, verifications and evaluations of the Inventory as such Agent shall deem necessary or appropriate in the exercise of its sole discretion.

7.3 CORPORATE EXISTENCE AND COMPLIANCE WITH LAWS. Holdings shall, and shall cause each of its Subsidiaries to, (a) maintain its corporate existence (except that any Subsidiary of any Borrower may merge with any other Wholly-Owned Subsidiary of any Borrower, or with any other Borrower, any Credit Party (other than a Canadian Borrower) may merge with any other Credit Party, and any Canadian Borrower may merge with any other Canadian Borrower, in each case, upon providing US Agent with ten (10) days prior written notice) and maintain in full force and effect all licenses, bonds, franchises, leases, trademarks and qualifications to do business, and all patents, contracts and other rights necessary or advisable to the profitable conduct of their businesses, (b) continue in, and limit their operations to, the same general lines of business as presently conducted by it, and (c) comply, in all material respects, with all Requirements of Law applicable to its business, its operations and to the Collateral. The foregoing shall not prohibit or restrict any liquidation or dissolution of a Foreign Subsidiary.

7.4 ERISA. Each Borrower shall deliver to the US Agent, at such Borrower's expense, the following information at the times specified below:

(a) within thirty (30) days after the filing thereof with the DOL, Internal Revenue Service or PBGC, copies of each annual report (form 5500 series), including Schedule B thereto, filed with respect to each Title IV Plan and copies of each annual report for any Multiemployer Plan;

(b) within thirty (30) days after receipt by Holdings, any Subsidiary of Holdings or any ERISA Affiliate of each actuarial report for any Title IV Plan, Multiemployer Plan or Retiree Welfare Plan and each annual report for any Multiemployer Plan, copies of each such report;

(c) within ten (10) days after the occurrence thereof, notification of the establishment of any new Title IV Plan or the commencement of contributions to any Title IV Plan to which Holdings or any Subsidiary thereof or any ERISA Affiliate was not previously contributing;

(d) within ten (10) days prior to (i) the filing of a notice with the PBGC with respect to any Reportable Event which requires by regulation 30 days advance notice and (ii) the date of the Reportable Event for any Reportable Event which by regulation post-event notice is required to be filed with the PBGC, a description of the facts and circumstances which constitute the Reportable Event for which a filing with the PBGC is required under Section 4043 of ERISA; and

(e) within three (3) days upon the occurrence thereof, any event or condition referred to in CLAUSES (i) THROUGH (vii) of SECTION 9.1(i), if such event or condition shall constitute an Event of Default.

Holdings and its Subsidiaries shall establish, maintain and operate all Plans to comply in all material respects with the provisions of ERISA, the Code, and all other Requirements of Law, other than to the extent that Holdings or any such Subsidiary (i) is in good faith contesting by appropriate proceedings the validity or application of any such provision, law, rule, regulation or interpretation and (ii) has made an adequate reserve or other appropriate provision therefor as required in order to be in conformity with GAAP.

7.5 BOOKS AND RECORDS. Holdings agrees to maintain, and to cause each of its Subsidiaries to maintain, books and records, including those pertaining to the Collateral, and all originals of all negotiable instruments of title, letters of credit and chattel paper that evidences Collateral, in such detail, form and scope as is consistent with good business practice, and agrees that such books and records will reflect the appropriate Agent's and Lenders' respective interests in its Accounts. Each Borrower agrees that the US Agent (or, in the case of a Canadian Borrower, Canadian Agent) or its agents may enter upon the premises of such Borrower or any Subsidiary of such Borrower at any time and from time to time, during normal business hours and upon reasonable notice under the circumstances, and at any time at all on and after the occurrence of a Default, and which has not otherwise been waived pursuant to SECTION 11.10, for the purposes of (a) conducting field examinations and appraisals and inspecting, evaluating and verifying the Collateral (at such Borrower's expense), (b) inspecting and/or copying (at such Borrower's expense, and with such clerical and other assistance as may be reasonably requested) any and all records pertaining thereto and (c) discussing the business affairs and prospects and financial condition of such or any other Borrower and each Subsidiary of such or any other Borrower with any officers, employees and directors of such Borrower or such Subsidiary or with the Auditors. Each Borrower shall give the US Agent (or, in the case of a Canadian Borrower, Canadian Agent) thirty (30) days prior written notice of any change in the location of any Collateral or the above-referenced books and records to a location not covered by a filed financing statement (excluding (i) movement of Inventory on consignment or otherwise stored on site with customers of a Credit Party and not included in the Borrowing Base, and (ii) movement of Equipment not included in the Borrowing Base as needed for repair) or in the location of its chief executive office or place of business from the locations specified in SCHEDULE B, and each Borrower shall execute in advance of such change and cause to be filed and/or delivered to each Agent any financing statements,

Collateral Access Agreements or other documents required by the Agent, all in form and substance satisfactory to such Agent. Each Borrower agrees to advise the US Agent (or, in the case of a Canadian Borrower, Canadian Agent) promptly, in sufficient detail, of any substantial changes relating to the type, quantity or quality of the Collateral, or any event which singly or in the aggregate reasonably be expected to have a Material Adverse Effect on the value of the Collateral or on the Liens granted for the benefit of such Agent, the Lenders and the Issuing Banks thereon.

7.6 COLLATERAL RECORDS. Each Borrower agrees to execute and deliver, and to cause each Credit Party to execute and deliver, to each Agent, from time to time, solely for the Agents' convenience in maintaining a record of the Collateral, such written statements and schedules as either such Agent may reasonably require, including those described in SECTION 7.1 of this Credit Agreement, designating, identifying or describing the Collateral. The failure by any Borrower or any other Credit Party, however, to promptly give either Agent such statements or schedules shall not affect, diminish, modify or otherwise limit the Liens on the Collateral granted pursuant to the Credit Documents.

7.7 SECURITY INTERESTS. Each Borrower shall, and shall cause each Credit Party to, defend the Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein. Each Borrower shall, and shall cause each Credit Party to, comply with the requirements of all state and federal laws (or the Canadian equivalent, as applicable) in order to grant to the Agents, the Lenders and the Issuing Banks valid and perfected first priority security interests subject only to the Liens identified on SCHEDULE H as being prior to an Agent's Liens in the Collateral, with perfection, in the case of any investment property, being effected by giving an Agent control of such investment property and by the filing of a UCC financing statement with respect to such investment property (or the Canada equivalent, as applicable). The Agents are each hereby authorized by each Borrower to file any UCC financing statements covering the Collateral whether or not such Borrower's signatures appear thereon. Each Borrower shall, and shall cause each Credit Party to, do whatever either Agent may reasonably request, from time to time, to effect the purposes of this Credit Agreement and the other Credit Documents, including filing notices of liens, UCC financing statements, fixture filings and amendments, renewals and continuations thereof; entering into Control Agreements with respect to any deposit account, investment account, securities account, commodity account or any other similar account permitted to be maintained by any Borrower or any other Credit Party hereunder (collectively, the "DEPOSITORY ACCOUNTS"); cooperating with such Agent's representatives; keeping stock records; obtaining waivers from landlords and mortgagees and from warehousemen and their landlords and mortgagees; and, paying claims which might, if unpaid, become a Lien on the Collateral.

7.8 INSURANCE; CASUALTY LOSS.

(a) Each Borrower agrees to maintain, and to cause each other Credit Party to maintain, public liability insurance, third party property damage insurance and replacement value insurance on the Collateral under such policies of insurance, with such insurance companies, in such amounts and covering such risks as are customary for the industry and at all times satisfactory to the Agent in its commercially reasonable judgment. All policies covering the Collateral are to name the US Agent (or, in the case of policies held by a Canadian Borrower, Canadian Agent) as an additional insured and the loss payee in case of loss, and are to contain such other provisions as such Agent may reasonably require to fully protect the interest of the Lenders in the Collateral and

to any payments to be made under such policies. Each Borrower shall provide written notice to the Agents of the occurrence of any of the following events as soon as practicable, but in any event within ten (10) Business Days after the occurrence of such event: any asset or property owned or used by such Borrower or any of its Subsidiaries is (a) damaged or destroyed, or suffers any other loss; or (b) condemned, confiscated or otherwise taken, in whole or in part, or the use thereof is otherwise diminished so as to render impracticable or unreasonable the use of such asset or property for the purposes for which such asset or property was used immediately prior to such condemnation, confiscation

or taking, by exercise of the powers of condemnation or eminent domain or otherwise, and in either case the amount of the damage, destruction, loss or diminution in value which is in excess of $2,000,000 (collectively, a "Casualty Loss"). Each Borrower shall diligently file and prosecute, or cause to be filed and prosecuted, all claims for any award or payment in connection with a Casualty Loss with respect to such Borrower. In the event of a Casualty Loss with respect to any Borrower, and so long as no Event of Default has occurred and is continuing, such Borrower shall pay to the appropriate Agent the amounts required pursuant to Section 2.4(f) for application as provided therein. After the occurrence and during the continuance of an Event of Default, (a) no settlement on account of any such Casualty Loss with respect to any Borrower shall be made without the consent of the US Agent (or, in the case of a Canadian Borrower, Canadian Agent), (b) such Agent may participate in any such proceedings and the appropriate Borrower shall deliver to such Agent such documents as may be requested by such Agent to permit such participation and shall consult with the Agent, its attorneys and agents in the making and prosecution of such claim or claims and (c) the appropriate Borrower shall deliver all insurance proceeds and payments received by the Borrower or any of its Subsidiaries on account of damage, destruction, loss, condemnation or eminent domain proceedings to the appropriate Agent. After the occurrence and during the continuance of an Event of Default, such Agent may, at its election and in its sole discretion, (a) apply the proceeds realized from Casualty Losses to payment of accrued and unpaid interest or outstanding principal under Loans or any other Obligations then due and payable, (b) hold such proceeds as additional Collateral to secure any other Obligations then due and payable or (c) pay such proceeds to the appropriate Borrower to be used to repair, replace or rebuild the asset or property or portion thereof that was the subject of the Casualty Loss. Each US Borrower hereby irrevocably authorizes and appoints the US Agent and each Canadian Borrower hereby irrevocably authorizes and appoints the Canadian Agent, as its attorney-in-fact, and agrees that, upon request, it will cause Credit Party to authorize and appoint the US Agent (or, in the case of any Subsidiary of a Canadian Borrower, Canadian Agent), after the occurrence and during the continuance of an Event of Default, to collect and receive any such award or payment and to file and prosecute such claim or claims, which power of attorney shall be irrevocable and shall be deemed to be coupled with an interest, and each Borrower shall, upon demand of an Agent, make, execute and deliver, and cause each other Credit Party to make, execute and deliver, any and all assignments and other instruments sufficient for the purpose of assigning any such award or payment to such Agent for the benefit of such Agent, the Lenders and the Issuing Banks, free and clear of any encumbrances of any kind or nature whatsoever.

7.9 BORROWER'S TAXES. Each Borrower agrees to pay, within five (5) Business Days after the date due, and to cause each of the other Credit Parties to pay when due, all Borrower Taxes lawfully levied or assessed against such Borrower or such Credit Party or any of their properties, including any of the Collateral, before any penalty or interest accrues thereon; PROVIDED that, unless such Borrower's Taxes have become a tax or ERISA Lien on any of the assets of such Borrower or any such Credit Party, no such Borrower Taxes need be paid if the same is being

contested, in good faith, by appropriate proceedings promptly instituted and diligently conducted, the Agent is advised in writing of such fact and of details relevant thereto, and if an adequate reserve or other appropriate provision shall have been made therefor as required in order to be in conformity with GAAP.

7.10 ENVIRONMENTAL MATTERS.

(a) Each Borrower shall, and shall cause each Credit Party to, conduct its business so as to comply in all material respects with all Environmental Laws, including without limitation, compliance in all material respects with the terms and conditions of all permits and governmental authorizations, except to the extent that any such Person is contesting, in good faith by appropriate legal proceedings, any such Environmental Law or interpretation thereof or application thereof.

(b) If any Borrower or any other Credit Party shall receive written notice of any material Environmental Claim with respect to any such Person, the Borrowers shall provide the Agents and the Lenders with a copy of such notice within ten (10) days after the receipt thereof. Within ten (10) days after any Borrower or any other Credit Party learns of the enactment or

promulgation of any Environmental Law which reasonably could be expected to have a Material Adverse Effect, the Borrowers shall provide the Agents and the Lenders with notice thereof. Each Borrower shall, and shall cause each other Credit Party to, promptly take all reasonable actions necessary to prevent the imposition of any Liens on any Real Estate arising out of or related to any environmental matters. At the written request of an Agent (which request will not be made unless (i) such Agent receives notice pursuant to this Section 7.10(b), (ii) such Agent otherwise reasonably believes any Borrower or any other Credit Party may be in violation of an Environmental Law or (iii) an Event of Default has occurred and is continuing), at the sole cost and expense of the Borrowers, the Borrowers shall retain an environmental consulting firm, satisfactory to such Agent in its commercially reasonable judgment, to conduct an environmental review, audit or investigation of the specific items as requested by such Agent relating to the Real Estate and provide to such Agent and each Lender a copy of any reports delivered in connection therewith. At the request of an Agent, the Borrowers shall provide such Agent with any additional information relating to environmental matters and any potential related liability resulting therefrom as the Agent may reasonably request.

(c) For purposes of this Section 7.10, "material" means any noncompliance or basis of liability that reasonably would be expected to subject any Credit Party to liability in excess of $500,000.

7.11 USE OF PROCEEDS. The proceeds of the Term Loans together with the proceeds of the initial Revolving Loans and the proceeds of the Debt Financing and the Equity Financing may be applied by the Borrowers to fund the Acquisition Financing Requirements, and any subsequent Loans made hereunder shall be used by the Borrowers solely for the Borrowers' working capital purposes; provided, however, that (i) proceeds of Loans to Reed shall not be used to finance the acquisition of Reed and (ii) any proceeds of Loans used to provide the acquisition of Reed or its Affiliates shall be loaned by the Borrowers to Parent or the acquiring entity (rather than distributed in respect of equity to Parent). The Borrowers shall not use any portion of the proceeds of any such Loans for the purpose of purchasing or carrying any "margin stock" (as defined in Regulation U of

the Board of Governors of the Federal Reserve System) in any manner which violates the provisions of Regulation U or X of said Board of Governors or for any other purpose in violation of any applicable statute or regulation, or of the terms and conditions of this Credit Agreement.

7.12 FISCAL YEAR. Each Borrower agrees to maintain its fiscal year as a year ending December 31st unless otherwise required by law, in which case such Borrower will give the Agents at least thirty (30) days prior written notice thereof.

7.13 NOTIFICATION OF CERTAIN EVENTS. Each Borrower agrees that it shall promptly (but, in the case of CLAUSE (g), in any event within five (5) Business Days after such Borrower learns of any such proceeding, change, development or event) notify the Agent of:

(a) any Material Contract of such Borrower or any other Credit Party that is terminated or amended in any material respect or any new Material Contract that is entered into (in which event such Borrower shall provide the Agents with a copy of such Material Contract);

(b) any material change or amendment of the material terms upon which suppliers of such Borrower or any other Credit Party as a group do business with such Borrower or Credit Party;

(c) the entry of any order, judgment or decree in excess of $2,000,000 against such Borrower or any or any of their respective properties or assets;

(d) receipt by such Borrower or any other Credit Party of any notification of a material violation of any Requirement of Law from any Governmental Authority;

(e) the enactment or promulgation of any Requirement of Law or any other actual or prospective change, development or event which in each case has had or could reasonably be expected to have a Material Adverse Effect;

(f) any proceedings being instituted or threatened to be instituted by or against such Borrower or any other Credit Party, before any Governmental Authority or arbitrator which is seeking injunctive relief or damages in excess of $2,000,000;

(g) the formation or acquisition of any new Subsidiary of Holdings other than Foreign Subsidiaries that are not directly owned by a Credit Party; and

(h) any Event of Default or Default.

7.14 INTELLECTUAL PROPERTY. Each Borrower shall, and shall cause each other Credit Party to, do and cause to be done all things necessary to preserve and keep in full force and effect all of such Person's Intellectual Property except for such Intellectual Property, other than trade names, that are obsolete, unnecessary to any Credit Party's business or having no value. The foregoing shall not prohibit or limit the licensing of Intellectual Property to any Person as any Borrower may deem necessary to the successful conduct of its business. Furthermore, for avoidance of doubt, and notwithstanding anything to the contrary in this Agreement, so long as no Event of Default shall have occurred and be continuing, nothing contained in this Agreement shall prohibit or limit the

licensing of Intellectual Property to any Person as any Borrower may deem necessary to the successful conduct of its business.

7.15 MAINTENANCE OF PROPERTY. Each Borrower agrees to keep, and to cause each other Credit Party to keep, all tangible property useful and necessary to its respective businesses in good working order and condition (ordinary wear and tear and casualty and condemnation excepted) in accordance with their past operating or industry practices with respect to any of its properties but the terms hereof shall not limit dispositions of tangible property otherwise permitted hereunder.

7.16 FURTHER ASSURANCES. Each Borrower shall take, and shall cause each other Credit Party to take, all such further actions and execute all such further documents and instruments as either Agent may at any time reasonably determine in its sole discretion to be necessary or desirable to further carry out and consummate the transactions contemplated by the Credit Documents, to cause the execution, delivery and performance of the Credit Documents to be duly authorized and to perfect or protect the Liens (and the priority status thereof) of either Agent on the Collateral.

7.17 CHANGES IN MARKET. Each Borrower agrees that the Agent shall be entitled, after consultation with the Borrowers and until the Syndication Date, to change the terms and conditions, pricing and structure of the credit facilities extended hereunder if the US Agent reasonably determines that such changes are advisable to ensure the successful initial syndication of the Credit facilities, provided, that the Total Commitments remain unchanged.

7.18 EXECUTION OF CREDIT DOCUMENTS BY NEW DOMESTIC SUBSIDIARIES. Within fifteen (15) Business Days after the incorporation, organization or acquisition of any Domestic Subsidiary or any Canadian Subsidiary, such Domestic Subsidiary or Canadian Subsidiary shall execute counterparts to the Subsidiary Guaranty, the Security Agreement and any other applicable Credit Documents executed by the Subsidiary Guarantors; provided that any Subsidiary Guaranty executed by a Canadian Subsidiary shall guarantee only the Obligations of the Canadian Borrowers.

7.19 PLEDGE OF SECURITIES OF NEW FOREIGN SUBSIDIARIES. Within three (3) Business Days (or such longer period of time as the US Agent may agree, up to 90 days) after the incorporation, organization or acquisition of any Foreign Subsidiary the equity interests of which are owned directly by a Credit Party other than a Canadian Borrower, such Credit Party shall deliver to Agent a pledge, in form and substance acceptable to the Agent, of 65% of the Capital Securities of such Foreign Subsidiary. Within thirteen (13) months after the Closing Date, in the case of Reed Canada, and within six (6) months after the incorporation, organization or acquisition of any other Foreign Subsidiary owned by a Canadian Borrower, the appropriate Canadian Borrower shall cause such Foreign Subsidiary to amalgamate with such Canadian Borrower or shall cause 100% of the Capital Securities of such Foreign Subsidiary to be pledged to the Canadian Agent, or shall cause 100% of the Capital Securities of such Foreign

Subsidiary to be transferred to a Credit Party other than a Canadian Borrower and pledged to the US Agent. After giving effect to any such amalgamation, the Canadian Borrower shall be the surviving entity, and its assets shall not be subject to any Lien that is not otherwise permitted by this Credit Agreement and the Canadian Borrower shall provide evidence satisfactory to the Canadian Agent of the foregoing prior to completion of any such amalgamation.

7.20 FOR SALE PROPERTIES. If Borrowers do not sell the real property listed in the attached SCHEDULE I on or before the date which is one year after the Closing Date, then Borrower shall deliver to Agent with respect to such asset all of the documents required pursuant to Schedule A, Paragraph G of the Credit Agreement, including fully executed and notarized Mortgages, an opinion of counsel reasonably satisfactory to Agent, title insurance policies or unconditional commitments therefor, and copies of all recorded documents listed as exceptions to title.

ARTICLE 8

NEGATIVE COVENANTS

Until the Expiration Date and payment and satisfaction of all Obligations, each Borrower agrees that:

8.1 FINANCIAL COVENANTS.

MINIMUM FIXED CHARGE COVERAGE RATIO. So long as Revolver Availability after the effectiveness of the Reed Assumption is less than $30,000,000, or if a Trigger Event occurs at any time, then the Fixed Charge Coverage Ratio for the twelve month period ended as of the last day of the Fiscal Quarter ended immediately prior to such event shall not be less than the ratio set forth below opposite each such Fiscal Quarter. Additionally, at the end of each Fiscal Quarter ended after a Trigger Event has occurred, the Fixed Charge Coverage Ratio for the twelve month period then ended shall not be less than the ratio set forth below opposite each such Fiscal Quarter.

<Table>
<Caption>

FISCAL QUARTER	MINIMUM FIXED CHARGE COVERAGE RATIO
<S>	<C>
1st Fiscal Quarter, Fiscal Year 2003	1.1:1.00
2nd Fiscal Quarter, Fiscal Year 2003	1.1:1.00
3rd Fiscal Quarter, Fiscal Year 2003	1.1:1.00
4th Fiscal Quarter, Fiscal Year 2003	1.1:1.00
1st Fiscal Quarter, Fiscal Year 2004 and each Fiscal Quarter thereafter	1.2:1.00

</Table>

8.2 CAPITAL EXPENDITURES. No Credit Party shall, or shall permit any of its Subsidiaries to, directly or indirectly, make or incur Capital Expenditures in any Fiscal Year, in the aggregate for Holdings and its Subsidiaries combined, (A) in an aggregate amount in excess of the corresponding amount set forth below opposite such Fiscal Year:

<Table>
<Caption>

FISCAL YEAR	CAPITAL EXPENDITURES
<S>	<C>
Fiscal Year ending December 31, 2003	$ 50,000,000
Fiscal Year ending December 31, 2004	$ 50,000,000
Fiscal Year ending December 31, 2005	$ 50,000,000
Fiscal Year ending December 31, 2006	$ 60,000,000

</Table>

; PLUS (b) 50% of the amount permitted to be spent on capital expenditures pursuant to CLAUSE (a) of this SECTION 8.2 in the immediately preceding calendar year and not so used (without regard to any carry over amount from the prior year). No Credit Party shall, directly or indirectly, make any Capital Expenditures that are not substantially related to the Permitted Business.

8.3 NO ADDITIONAL INDEBTEDNESS. No Credit Party shall, or shall permit any of its Subsidiaries to, directly or indirectly, incur, create, assume or suffer to exist any Indebtedness other than:

(a) Indebtedness secured by Purchase Money Liens (including capital leases and including any such indebtedness listed on Schedule G) not to exceed, in the aggregate for all Borrowers and their respective Subsidiaries combined, $10,000,000 outstanding at any one time, such Indebtedness to be on customary terms and conditions or otherwise approved by the Agent;

(b) Indebtedness arising under this Credit Agreement and the other Credit Documents;

(c) Indebtedness of any Credit Party or any Foreign Subsidiary to any other Credit Party or to any other Foreign Subsidiary to the extent permitted as an intercompany loan under Section 8.9 hereof;

(d) Indebtedness described on SCHEDULE G and any refinancing of such Indebtedness by the existing obligors thereunder; PROVIDED that (i) the aggregate principal amount of such Indebtedness is not increased and such refinancing is on terms and conditions that are (A) no more restrictive than the terms and conditions of the Indebtedness being refinanced and (B) acceptable to the Agents and (ii) the terms of such Indebtedness and refinancings thereof are not otherwise amended or modified in a manner adverse to the interests of any Credit Party or the Lenders;

(e) Indebtedness incurred by any Foreign Subsidiary, provided that such indebtedness is not guaranteed by any Credit Party and the aggregate principal amount of Indebtedness incurred in reliance on this Section 8.3(e) shall not at any time exceed $25,000,000 outstanding at any one time;

(f) Unsecured Indebtedness incurred by any Domestic Subsidiary or any Canadian Subsidiary, provided that the aggregate principal amount of Indebtedness incurred in reliance on this Section 8.3(f) shall not at any time exceed $10,000,000 outstanding at any one time;

(g) Contingent obligations under Permitted Hedging Transactions;

(h) Indebtedness of a Person existing, or any Indebtedness assumed by a Foreign Subsidiary, at the time such Person or any of its assets is acquired by a Foreign Subsidiary pursuant to an acquisition otherwise permitted under this Credit Agreement (provided, however, that the amount of such Indebtedness shall be counted as consideration paid for purposes of Section 8.9(g));

(i) Indebtedness of a Person whose business is acquired by Holdings or any Subsidiary thereof provided such Indebtedness is repaid in full upon the closing of such acquisition and in any event on the same Business Day on which it is incurred by any Credit Party or Subsidiary;

(j) Guaranties permitted under Section 8.7 hereof; and

(k) Indebtedness arising from the transactions described on SCHEDULE K attached hereto.

8.4 NO LIENS; JUDGMENTS. No Credit Party shall, or shall permit any of its Subsidiaries to, directly or indirectly, mortgage, assign, pledge, transfer, create, incur, assume, suffer to exist or otherwise permit any Lien (whether as a result of a purchase money or title retention transaction, or other security interest, judgment or otherwise) to exist on any of its property, assets, revenues or goods, whether real, personal or mixed, whether now owned or hereafter acquired, except for the following (the "Permitted Liens"):

(a) Liens granted by such Credit Party pursuant to any Credit

Document;

(b) Liens listed on SCHEDULE H encumbering only the assets described therein and the proceeds thereof;

(c) Purchase Money Liens;

(d) Liens of warehousemen, mechanics, material men, workers, repairmen, common carriers, landlords and other similar Liens arising by operation of law or otherwise, not waived in connection herewith, for amounts that are not yet due and payable or which are being diligently contested in good faith by such Credit Party by appropriate proceedings;

(e) Attachment and judgment Liens securing outstanding liabilities of any Credit Party which individually or in the aggregate for all such Liens are not in excess of $1,000,000 for all Borrowers and their respective Subsidiaries combined (exclusive of (i) any amounts that are duly bonded to the reasonable satisfaction of the Agent or (ii) any amount adequately covered by insurance as to which the insurance company has not disclaimed or disputed in writing its obligations for coverage);

(f) Liens for Borrower's Taxes not yet due and payable or which are being diligently contested in good faith by such Borrower by appropriate proceedings, provided that in any such case an adequate reserve is being maintained by such Borrower for the payment of same;

(g) Deposits or pledges to secure obligations under workmen's compensation, social security or similar laws, or under unemployment insurance not to exceed an aggregate of $1,000,000 outstanding at any one time for all Borrowers and their respective Subsidiaries combined;

(h) Deposits or pledges to secure bids, tenders, contracts (other than contracts for the payment of money), leases, statutory obligations, performance bonds, surety and appeal bonds and other obligations of like nature arising in the ordinary course of business not to exceed

an aggregate of $5,000,000 outstanding at any one time for all Borrowers and their respective Subsidiaries combined;

(i) Zoning restrictions, easements, encroachments, rights-of-way, restrictions, licenses, restrictive covenants, and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and which do not materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of any Credit Party;

(j) Extensions and renewals of any of the permitted Liens described in this Section 8.4, subject to the limitations set forth above; PROVIDED that the aggregate amount of such extended or renewed Liens is not increased and such extended or renewed Liens are on terms and conditions no more restrictive than the terms and conditions of the Liens being extended or renewed;

(k) Judgment and attachment liens not giving rise to an Event of Default or Liens created by or existing from any litigation or legal proceeding that are being contested in good faith by appropriate proceedings, promptly instituted and diligently conducted, and for which adequate reserves have been made to the extent required by GAAP;

(l) Liens in favor of collecting or payor banks having a right of setoff, revocation, refund or chargeback in favor of collecting or payor banks with respect to money or instruments of any Credit Party on deposit with or in the possession of such bank that do not constitute proceeds of Collateral;

(m) Other Liens not described by any of the foregoing on assets (other than Inventory or Accounts) provided that such Liens secure Indebtedness not exceeding $5,000,000;

(n) Liens provided by any Foreign Subsidiary on assets not constituting Collateral to secure Indebtedness permitted pursuant to Section 8.3(e) or (h); and

(o) Other Liens not described by any of the foregoing on assets of Foreign Subsidiaries not constituting Collateral to secure obligations not constituting Indebtedness and not exceeding $5,000,000.

For the purposes of SECTION 8.4(e), (g) AND (h), Liabilities and obligations referred to therein shall remain outstanding, notwithstanding the sale or other disposition of property subject to a Lien permitted thereunder.

8.5 NO SALE OF ASSETS. No Credit Party shall, or shall permit any of its Subsidiaries to, directly or indirectly, sell, lease, assign, transfer or otherwise dispose of any assets other than (a) Inventory in the ordinary course of business, (b) obsolete or worn out property disposed of in the ordinary course of business, (c) licenses of Intellectual Property complying with Section 7.14; (d) the short-term rental of Equipment in the ordinary course of business; (e) the sale, lease, assignment, transfer or other disposition of any or all of the assets (other than Accounts or Inventory) of such Borrower to any other Credit Party, (f) like-kind exchanges of assets of reasonably equivalent value (other than Collateral), and (g) other dispositions of assets up to an aggregate amount of consideration for all such dispositions by all Credit Parties and their respective

Subsidiaries not to exceed $40,000,000 plus the amount of consideration received within 180 days after the Closing Date in respect of dispositions of any of the assets described on SCHEDULE I, plus the amount of consideration received from sales of assets to Foreign Subsidiaries, up to an aggregate amount of consideration not to exceed $1,000,000; provided that (i) such other dispositions are for fair value; (ii) 100% of the consideration for each of such other dispositions is received by the appropriate Borrower in the form of cash, except that the Credit Parties and their respective Subsidiaries may receive up to an aggregate of $10,000,000 of non-cash consideration for all such dispositions of assets; and (iii) all amounts required to be paid pursuant to Section 2.4(e) shall have been paid.

8.6 NO CORPORATE CHANGES. No Credit Party shall, or shall permit any of its Subsidiaries to, directly or indirectly, merge, consolidate or otherwise alter or modify such Borrower's or such Subsidiary's Governing Documents, corporate name, jurisdiction of incorporation, mailing addresses, principal places of business, structure, status or existence, or enter into or engage in any operation or activity materially different from that currently being conducted by such Borrower or such Subsidiary, except that, provided that no Default or Event of Default shall exist or result therefrom, (i) any Credit Party (other than a Canadian Borrower) may merge into any other Credit Party, provided that if a Borrower is a party such merger, such Borrower shall be the continuing or surviving entity, (ii) any Canadian Borrower may merge into any other Canadian Borrower, (iii) any Subsidiary of a Borrower, or any other Person pursuant to an Investment permitted pursuant to Section 8.9(g), may be merged or consolidated with or into another such Subsidiary or any other Borrower, provided that if a Borrower is a party such merger, such Borrower shall be the continuing or surviving entity, and (iv) Star Operating Company, or any Credit Party other than Holdings or a Borrower (other than Star Operating Company) may be sold or merged into another Person in connection with an Asset Sale permitted by Section 8.5, provided that, upon and as a condition precedent to any such sale or merger, Star Operating Company or such Credit Party shall cease to be a Borrower or Credit Party (as appropriate) and the Credit Parties shall enter into such documentation as the US Agent may deem appropriate to remove Star Operating Company as a Borrower or remove such Person as a Credit Party, as appropriate. Furthermore, notwithstanding anything to the contrary in the foregoing, a Credit Party may change its name or may modify its Governing Documents provided that (i) any such change to Governing Documents shall not be adverse to the interests of the Agents or the Lenders (as determined by the appropriate Agent in its Permitted Discretion) and (ii) such Credit Party delivers written notice of such change to the appropriate Agent no less than thirty (30) days in advance of the effectiveness of the change (or such lesser period as the Agent may agree in its discretion), which notice shall include copies of the documentation effecting any such change in a Credit Party's Governing Documents. No Subsidiary of Holdings may issue Capital Securities to a Person other than a Credit Party, except that a Foreign Subsidiary, the equity interests of which are not held by a Credit Party, may issue Capital Securities to another Foreign Subsidiary or directors' qualifying shares.

8.7 NO GUARANTIES. No Credit Party shall, or shall permit any of its

Subsidiaries to, directly or indirectly, issue or assume any Guaranty with respect to the Liabilities of any other Person, including any Subsidiary or Affiliate of such or any other Borrower, except (a) indemnities given in connection with this Credit Agreement or the other Credit Documents in favor of the Agent; (b) by the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, (c) by the giving of indemnities in connection with the sale of Inventory, other asset or business dispositions, or provision of services permitted

hereunder, (d) Indebtedness permitted to be incurred pursuant to SECTION 8.3 (other than Foreign Subsidiary Indebtedness permitted by Section 8.3(e)); (e) Guarantees by Credit Parties of obligations of other Credit Parties; (f) Guarantees by Foreign Subsidiaries of obligations of other Foreign Subsidiaries; (g) Guarantees by Credit Parties of Indebtedness of Foreign Subsidiaries, provided no such Guaranty results in a breach of Section 8.8(b); and (h) Guarantees by Credit Parties of contractual performance obligations of Foreign Subsidiaries not constituting Indebtedness (it being understood that no payment in performance of any Credit Party's obligations under any such Guaranty may be made if such payment would result in a breach of SECTION 8.8(b)).

8.8 NO RESTRICTED PAYMENTS; PAYMENTS IN RESPECT OF FOREIGN SUBSIDIARIES. (a) No Credit Party shall, directly or indirectly make any Restricted Payment except (i) dividends and distributions by Subsidiaries of any Borrower paid to such Borrower, (ii) so long as no Event of Default has occurred and is continuing, dividends to Holdings or any of its Subsidiaries to the extent permitted by applicable law; (iii) payments made to one or more Credit Parties to the extent such payments are made on account of an intercompany debt permitted pursuant to Section 8.9(e); (iv) Grant Prideco, Inc. may make offsets against and acquisitions of Capital Securities of Grant Prideco, Inc. in satisfaction of customary indemnification and purchase price adjustment obligations owed to Grant Prideco, Inc. and its Subsidiaries under acquisition arrangements in which Capital Securities of Grant Prideco, Inc. was issued as consideration for the acquisition, provided that the only consideration exchanged by any Credit Party in connection with any such acquisition is the relief, satisfaction or waiver of claims of such Credit Party under such acquisition arrangements; (v) payments payable solely in shares of Qualified Stock of Grant Prideco, Inc. or warrants, rights or options to acquire shares of Capital Securities of Grant Prideco, Inc. including, without limitation, any stock split or stock dividend effected by Grant Prideco, Inc.; (vi) Grant Prideco, Inc. may purchase, redeem, retire or otherwise acquire any shares of its Capital Securities in exchange for Qualified Stock of Grant Prideco, Inc.; (vii) purchases or acquisitions of Capital Securities of Grant Prideco, Inc. relating to Grant Prideco, Inc. Executive Deferred Compensation Plans or employee benefit plans for tax withholding or pursuant to the cashless exercise of stock options or warrants in connection with customary and reasonable employee compensation programs to the extent the same are treated as expenses in calculating Consolidated Net Income, and purchases or acquisition of such Capital Securities, Inc. for the same purposes but not treated as expenses, in the aggregate amount not to exceed $5,000,000, in each case so long as such purchase or exercise has been approved by the Board of Directors of Grant Prideco, Inc.; and (viii) other Restricted Payments not to exceed in the aggregate amount $5,000,000.

(b) Net Payments in respect of Foreign Subsidiaries shall not exceed $20,000,000 at any time. Notwithstanding anything to the contrary in the preceding sentence, the transactions described on Schedule K may be conducted and shall not be factored in the calculation of Net Payments in respect of Foreign Subsidiaries for purposes of the preceding sentence, provided all of such transactions are conducted within the time period specified in Schedule K and provided that the transactions described on Schedule K taken together as a whole, upon the completion of all such transactions, result in an amount of Net Payments in Respect of Foreign Subsidiaries equal to approximately zero.

8.9 NO INVESTMENTS. No Credit Party shall, directly or indirectly, make any Investment in any Person other than:

(a) Advances or loans made in the ordinary course of business

to employees not to exceed in the aggregate for all Credit Parties combined, $500,000, outstanding at any one time to any one employee and $2,000,000 in the aggregate outstanding at any one time;

(b) Cash Equivalents, subject to the requirement of SECTION 8.16 and the restrictions in SECTION 8.17, and other investments outstanding on the date hereof and listed on Schedule B, Part 8.9;

(c) Interest-bearing demand or time deposits (including certificates of deposit) which are insured by the Federal Deposit Insurance Corporation ("FDIC") or a similar federal insurance program, subject to the requirement of SECTION 8.16, however, provided that such Borrower may, in the ordinary course of its business, maintain in its disbursement accounts from time to time accounts in excess of then applicable FDIC or other program insurance limits;

(d) Guaranties permitted under SECTION 8.7;

(e) Intercompany loans made by any Credit Party or any Foreign Subsidiary to any Credit Party either in existence on the date hereof and scheduled on SCHEDULE G or made after the Closing Date and otherwise permitted under this Credit Agreement; PROVIDED that, in any such case, (i) each Credit Party or Subsidiary receiving such loans shall have executed and delivered to the lending Credit Party or Foreign Subsidiary a subordinated demand note, in form and substance satisfactory to Agent, to evidence such intercompany loans which demand note shall be pledged, in the case of a Credit Party as payee of such note (but no pledge of any note shall be required when the payee of any such note is a Foreign Subsidiary), to Agent as additional collateral security for the Obligations, (ii) each such Credit Party or Subsidiary shall record all intercompany transactions on its books and records in a manner satisfactory to Agent, (iii) at the time any such intercompany loan is made, and after giving thereto, each such Credit Party is solvent as described in SECTION 6.2 hereof, (iv) no Default or Event of Default exists or would occur after giving effect to such intercompany loan, (v) the obligations of each Credit Party under any such intercompany loan shall be subordinated to the Obligations of such Credit Party hereunder or under any other Credit Document in a manner satisfactory to Agent; and (vi), in the case of a loan by a Foreign Subsidiary, no payment in respect of such loan shall be made if it would result in a breach of Section 8.8(b);

(f) Intercompany loans made by any Credit Party to a Foreign Subsidiary either in existence on the date hereof and scheduled on SCHEDULE G or made after the Closing Date and permitted under this Credit Agreement; PROVIDED that, in the case of such intercompany loans made after the Closing Date, (i) each Foreign Subsidiary receiving such loans shall have executed and delivered to the lending Credit Party a subordinated demand note, in form and substance satisfactory to Agent, to evidence such intercompany loans which demand note shall be pledged to Agent as additional collateral security for the Obligations (except that loans by Holdings to Grant Prideco Canada Ltd. which are reported as equity consideration for U.S. tax purposes are not required to be pledged hereunder), (ii) each such Credit Party shall record all intercompany transactions on its books and records in a manner satisfactory to Agent, (iii) at the time any such intercompany loan is made, and after giving thereto, each such Credit Party is solvent as described in SECTION 6.2 hereof, (iv) no Default or Event of Default exists or would occur after giving effect to such intercompany loan, (v) the obligations of each Credit Party under any such intercompany loan shall be subordinated to the Obligations of such Credit Party hereunder or under any other

Credit Document in a manner satisfactory to Agent, and (vi) the making of such Intercompany Loan to such Foreign Subsidiary shall not result in a breach of Section 8.8(b);

(g) Acquisitions of Capital Securities of any Person or assets of a Person comprising a business (subject to all other restrictions set forth in this Credit Agreement) including Capital Securities of a new Domestic Subsidiary or Canadian Subsidiary, and investments in or loans to Intelliserv/Composite not exempted by Section 8.9(l), below, provided (i) any such Capital Securities and/or assets shall be pledged to the Agents, in their capacities as collateral agents, (ii) that such investments in Intelliserv/Composite and the amount of consideration paid (cash or otherwise, including any existing Indebtedness of such Person or assumed Indebtedness permitted by Section 8.3(h) and excluding any consideration paid in Qualified

Stock of Grant Prideco, Inc. as permitted in (i) below) for such Capital Securities and/or assets shall not exceed in value $25,000,000 per year or $50,000,000 in the aggregate and (iii) that immediately after giving effect to any such investment or acquisition on a pro forma basis, the Revolver Availability would be no less than $30,000,000. For avoidance of doubt, the exemption created by this Section 8.9(g) does not exempt investments in existing Subsidiaries, except to the extent the proceeds thereof are used to acquire a Person or assets as contemplated hereby.

(h) The acquisition or ownership of Capital Securities or obligations or other securities received in settlement of debts owing to Grant Prideco, Inc. or any Subsidiary thereof (other than Eligible Accounts Receivable) created and settled in the ordinary course of business, which Capital Securities, obligations or other securities have been pledged to the Agent (or the Canadian Agent, as the case may be) pursuant to documentation satisfactory to the Agent.

(i) Any Investment in any Person to the extent the consideration paid consists of Qualified Stock of Grant Prideco, Inc.;

(j) The acquisition of Capital Securities of any Credit Party or Domestic Subsidiary or Canadian Borrower by another Credit Party or Domestic Subsidiary or Canadian Borrower if the acquiring Person would be permitted to have the other Credit Party or Subsidiary thereof merge into it pursuant to Section 8.6 hereof and, if the pledge of the securities of such acquired Person as required by this Credit Agreement is not prohibited by any Material Contract;

(k) Accounts receivable payable by third parties to Foreign Subsidiaries arising in the ordinary course of business that are not paid when due (regardless of whether such amounts may remain unpaid for more than one year);

(l) Investments in Intelliserv/Composite not to exceed $10,000,000 per year to fund research and development, or technology commercialization to the extent that those investments are reflected (in accordance with GAAP) as expenditures in the determination of Consolidated Net Income;

(m) Equity investments in Foreign Subsidiaries, PROVIDED that, in the case of such investments made after the Closing Date, (i) 65% of the Capital Securities of such Foreign Subsidiary have been pledged to the US Agent in form and substance satisfactory to US Agent, (ii) at the time any such investment is made, and after giving effect thereto, each such Credit Party is solvent as described in SECTION 6.2 hereof, (iii) no Default or Event of Default exists or would

occur after giving effect to such intercompany loan, and (iv) such investment does not result in a breach of Section 8.8(b);

(n) Such other Investments as the US Agent may approve in writing in its sole discretion, provided that such other Investments shall not exceed $1,000,000 per Investment or $3,000,000 in the aggregate;

(o) Investments in the remaining 35% equity interests of Rotator AS not owned by Credit Parties as of the Closing Date, not to exceed $5,000,000 in the aggregate, purchased for the purpose of acquiring 100% ownership of Rotator AS; and

(p) Permitted Hedging Transactions.

8.10 NO AFFILIATE TRANSACTIONS. No Credit Party shall, or shall permit any of its Subsidiaries to, directly or indirectly, enter into any transaction with, including the purchase, sale or exchange of property or the rendering of any service to any other Credit Party or other Affiliate of a Credit Party and whether or not such transaction would otherwise be permitted under any of the other provisions of the Credit Documents, except (i) in the ordinary course of and pursuant to the reasonable requirements of such Credit Party's, as the case may be, and upon fair and reasonable terms no less favorable to such Credit Party than could be obtained in a comparable arms-length transaction with an unaffiliated Person; (ii) licenses of Intellectual Property by a Credit Party to any Subsidiary of Grant Prideco, Inc. in compliance with Section 7.14; (iii) the incurrence by Grant Prideco, Inc. of general corporate overhead and management

expenses for the benefit of its Subsidiaries, (iv) loans and investments permitted under Section 8.9, (v) renewal of the existing Weatherford International, Inc. supply agreement on terms no less favorable to the Credit Parties in any Material respect and (vi) reasonable and customary compensation programs for officers and directors of Grant Prideco, Inc. or its Subsidiaries as approved by the Board of Directors of Grant Prideco, Inc. or its Subsidiaries, as applicable.

8.11 LIMITATION ON TRANSACTIONS UNDER ERISA. No Credit Party shall, or shall permit any of its Subsidiaries to, directly or indirectly:

(a) amend, or permit any ERISA Affiliate to amend, a Title IV Plan resulting in an increase in current liability for the plan year such that any of such Borrower, any Subsidiary of such Borrower or any ERISA Affiliate is required to provide security to such a Title IV Plan under Section 401(a)(29) of the Code;

(b) allow the representation made in SECTION 6.15 (other than the first sentence thereof) to be untrue at any time;

(c) cause or permit to occur an event that could result in the imposition of a Lien under Section 412 of the Code or Section 302 or 4068 of ERISA or cause or permit to occur a Termination Event to the extent such Termination Event could reasonably be expected to have a Material Adverse Effect;

(d) allow the Unfunded Pension Liabilities of a Title IV Plan or all Title IV Plans to increase to a level which could reasonably be expected to require contributions to such Title IV Plans to have a Material Adverse Effect; or

(e) adopt or terminate any Retiree Welfare Plan if either such adoption or termination could reasonably be expected to result in a Material Adverse Effect.

8.12 MATERIAL AMENDMENTS OF MATERIAL CONTRACTS. No Credit Party shall, or shall permit any of its Subsidiaries to, directly or indirectly, without the prior written consent of the Agent, amend, modify, cancel or terminate or permit the amendment, modification, cancellation or termination of, any of the Material Contracts if any such action would be adverse to the interests of the Credit Parties, the Agents or the Lenders.

8.13 ADDITIONAL RESTRICTIVE COVENANTS. Except for Permitted Restrictive Covenants, no Credit Party shall, directly or indirectly, create or otherwise cause or suffer to exist or become effective (a) any consensual restriction limiting the ability (whether by covenant, event of default, subordination or otherwise and including any such action the effect of which is to require the providing of equal and ratable security to any other Person in the event a Lien is granted to or for the benefit of an Agent and the Lenders) to (i) pay dividends or make any other distributions on shares of its Capital Securities held by any Credit Party; (ii) pay any Liability owed to any Credit Party; (iii) make any loans, advances or other Investments in any Credit Party; or (iv) create or permit to exist any Lien upon the assets of any Credit Party, other than Liens permitted under SECTION 8.4; or (B) any contractual obligation which may restrict or inhibit an Agent's rights or ability to sell or otherwise dispose of the Collateral or any part thereof after the occurrence of an Event of Default.

8.14 LIMITATION ON DERIVATIVE TRANSACTIONS. No Credit Party shall, or shall permit any of its Subsidiaries to, enter into any Derivative Transaction other than Permitted Hedging Transactions.

8.15 NEW COLLATERAL LOCATIONS. No Credit Party shall, or shall permit any of its Domestic or Canadian Subsidiaries to, open or establish any new location within the United States or Canada unless such Person (a) provides US Agent (with respect to locations in the United States) or Canadian Agent (with respect to locations in Canada) with written notice of any such new location within fifteen (15) days thereafter, (b) delivers to such Agent, duly executed by the appropriate Person(s) where applicable, such Collateral Access Agreements and other agreements, documents and instruments as such Agent shall require to protect such Agent's interests in the Collateral at such location and (c) delivers to such Agent such amendments to SCHEDULE B, PARTS 6.1 AND 6.8 as are

required to make such disclosures complete and accurate. No Credit Party shall relocate collateral; provided that so long as no Default or Event of Default has occurred and is continuing or would result therefrom, a Credit Party (i) may move Collateral from any jurisdiction in the U.S. to any other jurisdiction within the U.S. provided that such Borrower notifies the U.S. Agent of such move within fifteen (15) days thereafter, (ii) may move inventory in the ordinary course of business from any jurisdiction in the U.S. to any jurisdiction outside of the U.S. or any jurisdiction in or outside of Canada to any other jurisdiction in Canada, and (iii) in connection with any sale or other disposition of such Collateral that is sold or disposed by a Credit Party in accordance with Section 8.5.

8.16 NEW ACCOUNTS. No Credit Party shall, or shall permit any of its Subsidiaries to, directly or indirectly, open or otherwise have any new checking, savings, investment, securities or commodity account or any other type of account at a bank, securities intermediary, commodity

intermediary or any other financial institution except (a) accounts used by such person solely to fund payroll obligations, (b) petty cash accounts not to exceed a balance of $200,000 in the aggregate for all Credit Parties and (c) such other accounts for which US Agent has received (i) ten (10) days prior written notice before the opening thereof and (ii) if requested by an Agent, a duly executed Control Agreement. Prior to opening any new account under this SECTION 8.16, Borrowers shall deliver to US Agent such amendments to SCHEDULE B, PART 6.28 as is required to make such disclosure complete and accurate.

8.17 NO EXCESS CASH. No Credit Party shall, or shall permit any of its Subsidiaries to, directly or indirectly, maintain in the aggregate in all of the accounts described in SCHEDULE B, PART 6.28, the Disbursement Accounts, the Depository Accounts or otherwise, at any time during which any Revolving Loans are outstanding total cash balances and Cash Equivalents in excess of $15,000,000, excluding (i) any amounts held in the Depositary Accounts which do not constitute available funds, (ii) the taxes payable by Foreign Subsidiaries or Canadian Borrower within thirty (30) days and retained by the appropriate Foreign Subsidiaries or Canadian Borrower for such purposes, (iii) restricted cash (as defined by GAAP) held at Foreign Subsidiaries, and (iv) cash held at Foreign Subsidiaries domiciled in China or Indonesia that are joint ventures with Persons that are not Subsidiaries. To the extent that cash or Cash Equivalents maintained at any time would result in a breach of the foregoing restriction, one or more Borrowers shall pay an amount equal to such excess to one or both Agents as required to avoid such breach, for application to the Revolving Loans (without reduction of the Revolving Loan Commitments).

ARTICLE 9

EVENTS OF DEFAULT AND REMEDIES

9.1 EVENTS OF DEFAULT. The occurrence of any of the following events shall constitute an Event of Default hereunder (whatever the reason for such event and whether it shall be voluntary or involuntary, or within or without the control of any Borrower, any Subsidiary of any Borrower or any other Credit Party, or be effected by operation of law or pursuant to any judgment or order of any court or any order, rule or regulation of any governmental or nongovernmental body):

(a) failure of the Borrowers to pay when due, whether at stated maturity, by acceleration or otherwise, any interest, Fees, Expenses, principal of any loan, reimbursement obligation with respect to any Letter of Credit or other Obligations;

(b) failure of any Credit Party to perform, comply with or observe any term, covenant or agreement applicable to it contained in SECTION 2.4(b)(iii) and Section 2.4(b)(iv) or in ARTICLE 7 OR ARTICLE 8;

(c) (i) any representation or warranty made by Credit Party under this Credit Agreement or under any other Credit Document shall prove to have been incorrect or misleading in any material respect when made or deemed made; or

(ii) any Credit Party shall fail to comply with any covenant contained in this Credit Agreement (other than under a provision covered in Section 9 including under

SECTION 9.1(a), (b) OR (c)(i) above or under the other Credit Documents), which failure to comply is not cured within five (5) days of its occurrence;

(d) dissolution, liquidation, winding up or cessation of any Credit Party's businesses, or the failure of any Credit Party to meet its debts as they mature, or the calling of one or more meetings of any Credit Party's major creditors for purposes of obtaining a moratorium on payment or a compromise of such Credit Party's debts;

(e) (i) the insolvency (however defined) of any Credit Party; or

(ii) the commencement by or against any Credit Party of any bankruptcy, insolvency, arrangement, reorganization, receivership or similar proceedings under any federal, state or other applicable law and, in the event any such proceeding is commenced against any Credit Party other than a Borrower or Holdings, such proceeding is not dismissed within sixty (60) days;

(f) the occurrence of a Change of Control or the direct or indirect acquisition by a Person or group of Persons of any Credit Party other than as permitted by Section 8.6(a);

(g) the occurrence of a default or event of default (in each case which shall continue beyond the expiration of any applicable grace periods) which permits, or could permit, the acceleration of the maturity of, any note, agreement or instrument evidencing any other Indebtedness of any Credit Party, or the nonpayment of such Indebtedness when due, and the aggregate principal amount of all such Indebtedness with respect to which a default or an event of default has occurred, or the maturity of which is permitted to be accelerated, or which is then due, exceeds $5,000,000;

(h) any covenant, agreement or obligation of any party contained in or evidenced by any of the Credit Documents shall cease to be enforceable in accordance with its terms, or any party (other than an Agent or the Lenders, in its capacity as such, and not in its capacity as an Issuing Bank) to any Credit Document shall deny or disaffirm its obligations under any of the Credit Documents, or any Credit Document shall be cancelled, terminated, revoked or rescinded without the express prior written consent of the US Agent, or any action or proceeding shall have been commenced by any Person (other than an Agent or a Lender, in its capacity as such, and not in its capacity as an Issuing Bank) seeking to cancel, revoke, rescind or disaffirm the obligations of any party to any Credit Document, or any court or other Governmental Authority shall issue a judgment, order, decree or ruling to the effect that any of the obligations of any party to any Credit Document are illegal, invalid or unenforceable and such Default shall not have been cured within 10 days of (x) any Credit Party becoming aware of such Default or (y) receipt by Borrowers and such Credit Party of notice from Agent or any Lender of such Default; or

(i) (i) any Termination Event shall occur with respect to any Title IV Plan of any Credit Party or any ERISA Affiliate, (ii) any Accumulated Funding Deficiency, whether or not waived, shall exist with respect to any Title IV Plan, (iii) any Credit Party shall engage in any Prohibited Transaction involving any such Title IV Plan, (iv) any Borrower, any Subsidiary of any Borrower or any ERISA Affiliate shall be in "default" (as defined in ERISA Section 4219(c)(5)) with respect to payments owing to any Multiemployer Plan as a result of such

Person's complete or partial withdrawal (as described in ERISA Section 4203 or 4205) therefrom, (v) any Credit Party or any ERISA Affiliate shall fail to pay when due an amount that is payable by it to the PBGC or to any Title IV Plan under Title IV of ERISA, or (vi) a proceeding shall be instituted by a fiduciary of any such Title IV Plan against any Credit Party or any ERISA Affiliate to enforce ERISA Section 515 and such proceeding shall not have been dismissed within 30 days thereafter, except that no event or condition referred to in

CLAUSES (i) THROUGH (vi) shall constitute an Event of Default if it, together with all other such events or conditions at the time existing, has not subjected, and in the reasonable determination of the Majority Lenders will not subject, any Credit Party to any liability that, alone or in the aggregate with all such liabilities for all such Persons, exceeds $5,000,000.

9.2 ACCELERATION AND CASH COLLATERALIZATION. Upon the occurrence of an Event of Default which is continuing, the Agents may, but shall upon the request of the Majority Lenders, and by delivery of notice to the Funds Administrators from the Agents, take any or all of the following actions: (a) declare all Obligations to be immediately due and payable (except with respect to any Event of Default set forth in SECTION 9.1(e), in which case all Obligations shall automatically become immediately due and payable without the necessity of any notice or other demand) without presentment, demand, protest or any other action or obligation of either Agent or any Lender; and (b) immediately terminate the Commitments hereunder.

In addition, upon demand by the Agent or the Majority Lenders upon the occurrence of any Event of Default and which is continuing, the Borrowers shall deposit with the Agent with cash or Cash Equivalents in an amount equal to 110% of the Letter of Credit Obligations. Such deposit shall be held by the Agent as security for, and to provide for the payment of, Letter of Credit Obligations.

If at any time after acceleration of the maturity of the Obligations, the Borrowers shall pay all arrears of interest and all payments on account of principal of the Loans which shall have become due otherwise than by acceleration (with interest on principal and, to the extent permitted by law, on overdue interest, at the rates specified in SECTION 4.4) and all Events of Default and Defaults (other than nonpayment of principal of and accrued interest on the Loans and other Obligations due and payable solely by virtue of acceleration) shall be remedied or waived, then by written notice to the US Funds Administrator, the Majority Lenders may elect, in the sole discretion of such Majority Lenders, to rescind and annul the acceleration and its consequences and return any cash collateral; but such action shall not affect any subsequent Default or Event of Default or impair any right or remedy consequent thereon. The provisions of the preceding sentence are intended merely to bind the Lenders to a decision which may be made at the election of the Majority Lenders; they are not intended to benefit the Borrowers and do not give any Borrower the right to require the Lenders to rescind or annul any acceleration hereunder or to return any cash collateral, even if the conditions set forth herein are met.

9.3 REMEDIES. From and after the occurrence of any Event of Default which is continuing, the Agents each may, in addition to exercising any other rights and remedies now or hereafter existing under any Credit Document or applicable law: (a) remove from any premises where same may be located any and all documents, instruments, files and records (including the copying of any computer records), and any receptacles or cabinets containing same, relating to any or all of the Collateral, or the Agents each may use (at the expense of the Borrowers) such of the

supplies or space of any Borrower at any Borrower's place of business or otherwise, as may be necessary to properly administer and control any or all of the Collateral or the handling of collections and realizations thereon; (b) bring suit, in the name of a Borrower or the Lenders and generally shall have all other rights respecting any or all of the Collateral, including the right to: accelerate or extend the time of payment, settle, compromise, release in whole or in part any amounts owing on any or all of the Collateral and issue credits in the name of a Borrower or the Lenders; and (c) foreclose the security interests created pursuant to the Credit Documents by any available judicial procedure, or to take possession of any or all of the Collateral without judicial process and enter any premises where any Collateral may be located for the purpose of taking possession of or removing same. Each of the Agent shall have the right, without notice or advertisement, to sell, lease, or otherwise dispose of all or any part of the Collateral, whether in its then condition or after further preparation or processing, in the name of a Borrower or the Lenders, or in the name of such other party as such Agent may designate, either at public or private sale or at any broker's board, in lots or in bulk, for cash or for credit, with or without warranties or representations, and upon such other terms and conditions as the Agent in its sole discretion may deem advisable, and either Agent or any other Lender shall have the right to purchase

at any such sale. If any Collateral shall require rebuilding, repairing, maintenance or preparation, each Agent shall have the right, at its option, to do such of the aforesaid as is necessary, for the purpose of putting such Collateral in such saleable form as such Agent shall deem appropriate. Each Borrower agrees, at the request of an Agent, to assemble the Collateral and to make it available to such Agent at places which such Agent shall select, whether at the premises of such or any other Borrower or elsewhere, and to make available to such Agent the premises and facilities of such Borrower for the purpose of such Agent's taking possession of, removing or putting the Collateral in saleable form. However, if notice of intended disposition of any Collateral is required by law, it is agreed that ten (10) days notice shall constitute reasonable notification. Unless expressly prohibited by the licensor thereof, if any, each Agent is hereby granted a license to use all Intellectual Property, computer software programs, data bases, processes and materials used by each Borrower in connection with its businesses or in connection with the completion, protection, preservation, sale, lease, license or other disposition of the Collateral. The net cash proceeds resulting from an Agent's exercise of any of the foregoing rights (after deducting all charges, costs and expenses, including reasonable attorneys' fees) shall be applied by such Agent to the payment of the Obligations, whether due or to become due, in the order specified in Section 2.5(e), and pending such payment shall be held as security for such payment. Each Borrower shall remain liable to the Agents and the Lenders for any deficiencies. The enumeration of the foregoing rights is not intended to be exhaustive and the exercise of any right shall not preclude the exercise of any other rights, all of which shall be cumulative.

9.4 ACTIONS IN CONCERT. Anything in this Credit Agreement to the contrary notwithstanding, each Lender hereby agrees with each other Lender that no Lender shall take any action to protect or enforce its rights arising out of this Credit Agreement or the other Credit Documents (including exercising any rights of setoff) without first obtaining the prior written consent of US Agent, it being the intent of Lenders that any such action to protect or enforce rights under this Credit Agreement and the other Credit Documents shall be taken in concert and at the direction or with the consent of US Agent or Majority Lenders.

ARTICLE 10

THE AGENT

10.1 APPOINTMENT OF AGENT.

(a) Each US Lender hereby designates US Agent, and each Canadian Lender hereby designates Canadian Agent as its contractual representative to act as herein specified. Each Lender hereby irrevocably authorizes, and each holder of a Note or an L/C Participation by the acceptance of such Note or participation shall be deemed irrevocably to authorize, the appropriate Agent to take such action on its behalf under the provisions of this Credit Agreement, the other Credit Documents and any other instruments and agreements referred to herein or therein and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to or required of the Agent by the terms hereof and thereof and such other powers as are reasonably incidental thereto. Each Agent shall hold all Collateral and all payments of principal, interest, Fees, charges and Expenses received pursuant to this Credit Agreement or any other Credit Document for the benefit of the Lenders and the Issuing Banks to be distributed as provided herein (except that the Canadian Agent holds such items only for the benefit of the Canadian Lenders). Each Agent may perform any of its duties hereunder by or through its agents or employees.

(b) The provisions of this ARTICLE 10 are solely for the benefit of the Agents, the Lenders and the Issuing Banks, and none of the Credit Parties shall have any rights as a third party beneficiary of any of the provisions hereof (other than SECTION 10.9). In performing their respective functions and duties under this Credit Agreement, the Agents shall act solely as agent of the Lenders and the Issuing Banks and do not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any Credit Party.

10.2 NATURE OF DUTIES OF AGENT. The Agent shall have no duties or responsibilities except those expressly set forth in this Credit Agreement and the other Credit Documents. Neither Agent nor any of its officers, directors,

employees or agents shall be liable for any action taken or omitted by it as such hereunder or in connection herewith, unless caused by its or their gross negligence or willful misconduct. The duties of each Agent shall be mechanical and administrative in nature; neither Agent shall have by reason of this Credit Agreement or the other Credit Documents a fiduciary relationship in respect of any Lender or any Issuing Bank, and nothing in this Credit Agreement or the other Credit Documents, expressed or implied, is intended to or shall be so construed as to impose upon the Agent any obligations in respect of this Credit Agreement or the other Credit Documents except as expressly set forth herein or therein.

10.3 LACK OF RELIANCE ON THE AGENT.

(a) Independently and without reliance upon either Agent, any Lender or any Issuing Bank, to the extent it deems appropriate, has made and shall continue to make (i) its own independent investigation of the financial or other condition and affairs of each Credit Party in connection with the taking or not taking of any action in connection herewith and (ii) its own appraisal of (A) the creditworthiness of each Credit Party, and (B) the Collateral, and, except as expressly provided in this Credit Agreement, neither Agent shall have any duty or responsibility, either initially or on a continuing basis, to provide any Lender or any Issuing Bank with any credit

or other information with respect thereto, whether coming into its possession before the initial Credit Event or at any time or times thereafter.

(b) Neither Agent shall be responsible to any Lender or Issuing Bank for any recitals, statements, information, representations or warranties herein or in any other Credit Document or for the execution, effectiveness, genuineness, validity, enforceability, collectibility, priority or sufficiency of this Credit Agreement or any other Credit Document or the financial or other condition of any Credit Party. Neither Agent shall be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Credit Agreement or any other Credit Document, or the financial condition of any Credit Party, or the existence or possible existence of any Default or Event of Default, unless specifically requested to do so in writing by any Lender or Issuing Bank, as the case may be.

10.4 CERTAIN RIGHTS OF THE AGENT. The Agents shall have the right to request instructions from the Lenders at any time. If either Agent shall request instructions from the Lenders with respect to any act or action (including the failure to act) in connection with this Credit Agreement, the Agent shall be entitled to refrain from such act or taking such action unless and until the Agent shall have received instructions from the Majority Lenders (or, to the extent required pursuant to SECTION 11.10, all Lenders), and the Agent shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, no Lender or Issuing Bank shall have any right of action whatsoever against the Agent as a result of the Agent acting or refraining from acting hereunder in accordance with the instructions of the Majority Lenders (or, to the extent required pursuant to the express terms of this Agreement, all Lenders).

10.5 RELIANCE BY THE AGENT. The Agents shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate, telex or facsimile transmission, E-mail, telecopier message, cablegram, order or other documentary, teletransmission or telephone message believed by it to be genuine and correct and to have been signed, sent or made by the proper Person. The Agents may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts. The Agents may, but shall not be required to, rely on Borrowing Base Certificates and any other schedules or reports delivered to the Agent in connection herewith in determining the amount of the Borrowing Base and the then eligibility of Accounts and Inventory of the respective Borrowers. Reliance thereon by the Agents from time to time shall not be deemed to limit the right of the Agent to revise advance rates or standards of eligibility as provided in the definition of the term "Borrowing Base" set forth herein.

10.6 INDEMNIFICATION OF AGENT. To the extent either Agent is not reimbursed and indemnified by the Borrowers, each Lender will reimburse and

indemnify the Agent, in proportion to its respective Commitment, for and against any and all Liabilities, losses, damages, penalties, actions, judgments, suits, costs, expenses (including counsel fees and disbursements) or disbursements of any kind or nature whatsoever (including all Expenses) which may be imposed on, incurred by or asserted against the Agent, in any way relating to or arising out of this Credit Agreement or any other Credit Document; PROVIDED that no Lender, shall be liable for any portion of such Liabilities, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements to the extent it is determined by a judgment of a court that is binding on the Agent,

final and not subject to review on appeal, to be the result of acts or omissions on the part of the Agent, constituting gross negligence or willful misconduct.

10.7 THE AGENT IN ITS INDIVIDUAL CAPACITY. With respect to its obligation to lend under this Credit Agreement, the Loans made by it and the Notes issued to it, and its participation in Letters of Credit, each Agent shall have the same rights and powers hereunder as any other Lender or holder of a Note or participation interests and may exercise the same as though it was not performing the duties specified herein; and the terms "Lenders," "Majority Lenders," "holders of Notes," or any similar terms shall, unless the context clearly otherwise indicates, include the Agent in its individual capacity. The Agents, and their Affiliates, may accept deposits from, lend money to, acquire equity interests in, and generally engage in any kind of banking, trust, financial advisory or other business with any Borrower or any Affiliate of any Borrower as if it were not performing the duties specified herein, and may accept fees and other consideration from any Borrower for services in connection with this Credit Agreement and otherwise without having to account for the same to the Lenders or any Issuing Bank.

10.8 HOLDERS OF NOTES. Either Agent may deem and treat the payee of any Note as the owner thereof for all purposes hereof unless and until a written notice of the assignment or transfer thereof shall have been filed with the Agent. Any request, authority or consent of any Person who, at the time of making such request or giving such authority or consent, is the holder of any Note, shall be conclusive and binding on any subsequent holder, transferee or assignee of such Note or of any Note or Notes issued in exchange therefore.

10.9 SUCCESSOR AGENT.

(a) Either Agent may, upon five (5) Business Days' notice to the appropriate Lenders and the appropriate Funds Administrator, resign at any time (effective upon the appointment of a successor Agent pursuant to the provisions of this SECTION 10.9) by giving written notice thereof to the appropriate Lenders and the appropriate Funds Administrator. Upon such resignation, the Majority Lenders shall have the right, upon five (5) days' notice to the appropriate Funds Administrator, to appoint a successor Agent. If no successor Agent (i) shall have been so appointed by the Majority Lenders and (ii) shall have accepted such appointment, within thirty (30) days after the retiring Agent's giving of notice of resignation, then, upon five (5) days' notice, the retiring Agent may, on behalf of the Lenders, appoint a successor Agent. Resignation of an Agent under this Credit Agreement shall also constitute a resignation of the Agent under the other Credit Documents and appointment of a successor Agent shall constitute an appointment of the successor Agent under all other Credit Documents.

(b) Upon the acceptance of any appointment as an Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Credit Agreement. After any retiring Agent's resignation hereunder as Agent, the provisions of this ARTICLE 10 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Credit Agreement. The retiring Agent shall assign to the successor Agent all liens granted under the Collateral Documents and deliver to the successor Agent all pledged Collateral in its possession, and take all such other

actions, at the expense of Borrowers, as may be reasonably requested to effect

the succession of the successor Agent under the Credit Documents.

(c) In the event of a material breach by an Agent of its duties hereunder, the Agent may be removed by the Majority Lenders for cause and the provisions of this SECTION 10.9 shall apply to the appointment of a successor Agent. Such removal of an Agent shall also operate, if at the time any such Person is serving as such, as a removal of DBTCo. and each of its Serving Affiliates, if any, as an Issuing Bank, subject to SECTION 10.9(d).

(d) No removal of DBTCo., Deutsche Bank, any Lender or any of their respective Serving Affiliates pursuant to SECTION 10.9(c), as an Issuing Bank, shall be effective unless its Liabilities under each Letter of Credit are secured with cash or by letters of credit in form and substance, and issued by issuers, satisfactory to DBTCo., Deutsche Bank or such Serving Affiliate.

10.10 COLLATERAL MATTERS.

(a) Each Lender and each Issuing Bank authorizes and directs the Agent to enter into the Collateral Documents for the benefit of such Person. Each Lender and each Issuing Bank hereby agrees, and each holder of any Note by the acceptance thereof will be deemed to agree, that, except as otherwise set forth in SECTION 11.10, any action taken by the Majority Lenders, in accordance with the provisions of this Credit Agreement or the Collateral Documents, and the exercise by the Majority Lenders of the powers set forth herein or therein, together with such other powers as are reasonably incidental thereto, shall be authorized and binding upon all of the Lenders and all the Issuing Banks. The Agents are hereby authorized on behalf of all of the Lenders and all the Issuing Banks, without the necessity of any notice to or further consent from any Lender or any Issuing Bank from time to time prior to an Event of Default, to take any action with respect to any Collateral or Collateral Documents which may be necessary to perfect and maintain perfected the Liens upon the Collateral granted pursuant to the Collateral Documents.

(b) Each Lender and each Issuing Bank hereby authorize each Agent, at its option and in its discretion, to release or subordinate, as applicable, any Lien granted to or held by the Agent upon any Collateral (i) upon termination of the Commitments and payment and satisfaction of all of the Obligations at any time arising under or in respect of this Credit Agreement or the other Credit Documents or the transactions contemplated hereby or thereby, (ii) constituting property being sold or disposed of upon receipt of the proceeds of such sale by the Agent, if the US Funds Administrator certifies to the Agent that such sale or disposition is made in compliance with SECTION 8.5 (and the Agent may rely conclusively on any such certificate, without further inquiry), (iii) that is subject to a Purchase Money Lien permitted under SECTION 8.4(c) or (iv) if approved, authorized or ratified in writing by the Majority Lenders, unless such release or subordination is required to be approved by all of the Lenders pursuant to SECTION 11.10. Upon request by the Agent at any time, each Lender and each Issuing Bank will confirm in writing the Agent's authority to release or subordinate particular types or items of Collateral pursuant to this SECTION 10.10.

(c) Upon any sale and transfer of Collateral which is expressly permitted pursuant to the terms of this Credit Agreement, or consented to in writing by the Majority Lenders

(or all Lenders, if such release is required to be approved by all of the Lenders pursuant to SECTION 11.10), and upon at least five (5) Business Days' prior written request by the US Funds Administrator, the appropriate Agent shall (and is hereby irrevocably authorized by each Lender and each Issuing Bank, to) execute such documents as may be necessary to evidence the release of the Liens granted to the Agent for the benefit of the Agent, the Lenders and the Issuing Banks herein or pursuant hereto upon the Collateral that was sold or transferred; PROVIDED that (i) the Agent shall not be required to execute any such document on terms which, in the Agent's opinion, would expose the Agent to or create any Liability or entail any consequence other than the release of such Liens without recourse or warranty and (ii) such release shall not in any manner discharge, affect or impair the Obligations or any Liens upon (or obligations of any Borrower or any Credit Party in respect of) all interests retained by any Borrower or any Credit Party, including the proceeds of the sale, all of which shall continue to constitute part of the Collateral. In the event of any sale or transfer of Collateral, or any foreclosure with respect to any of the Collateral, the Agent shall be authorized to deduct all of the Expenses

reasonably incurred by the Agent from the proceeds of any such sale, transfer or foreclosure.

(d) Neither Agent shall have any obligation whatsoever to any Lender, any Issuing Bank or any other Person to assure that the Collateral exists or is owned by any Borrower or any Subsidiary thereof or is cared for, protected or insured or that the Liens granted to the Agent herein or in any of the Collateral Documents or pursuant hereto or thereto have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise or to continue exercising at all or in any manner or under any duty of care, disclosure or fidelity any of the rights, authorities and powers granted or available to the Agent in this SECTION 10.10 or in any of the Collateral Documents, it being understood and agreed that in respect of the Collateral, or any act, omission or event related thereto, each Agent may act in any manner it may deem appropriate, in its sole discretion, given each Agent's own interest in the Collateral as one of the Lenders and that neither Agent shall have any duty or liability whatsoever to the Lenders, except for its gross negligence or willful misconduct.

10.11 ACTIONS WITH RESPECT TO DEFAULTS. In addition to each Agent's right to take actions on its own accord as permitted under this Credit Agreement, the Agent shall take such action with respect to a Default or Event of Default as shall be directed by the Majority Lenders; PROVIDED that until the Agent shall have received such directions, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable and in the best interests of the Lenders and the Issuing Banks; and, further, provided that the Agent shall not be required under any circumstances to take any action that, in its judgment, (a) is contrary to any provision of the Credit Documents or applicable law or (b) will expose it to any liability or expense against which it has not been indemnified to its satisfaction. If any indemnity furnished to an Agent for any purpose shall, in the opinion of such Agent, be insufficient or become impaired, such Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished.

10.12 DELIVERY OF INFORMATION. Neither Agent shall be required to deliver to any Lender or any Issuing Bank originals or copies of any documents, instruments, notices, communications or other information received by the Agent from the US Funds Administrator, any Borrower, any Subsidiary of any Borrower, the Majority Lenders, any Lender, any Issuing Bank or any other

Person under or in connection with this Credit Agreement or any other Credit Document except (a) as specifically provided in this Credit Agreement or any other Credit Document and (b) as specifically requested from time to time in writing by any Lender, or any Issuing Bank with respect to a specific document, instrument, notice or other written communication received by and in the possession of the Agent at the time of receipt of such request and then only in accordance with such specific request.

ARTICLE 11

MISCELLANEOUS

11.1 SUBMISSION TO JURISDICTION; WAIVERS. HOLDINGS AND EACH CREDIT PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY:

(a) SUBMITS FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS CREDIT AGREEMENT AND THE OTHER CREDIT DOCUMENTS TO WHICH IT IS A PARTY, OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE NONEXCLUSIVE GENERAL JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK, THE COURTS OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, IN EACH CASE LOCATED IN NEW YORK, NEW YORK, AND APPELLATE COURTS FROM ANY THEREOF;

(b) CONSENTS THAT ANY SUCH ACTION OR PROCEEDING MAY BE BROUGHT IN SUCH COURTS AND WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME;

(c) AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR

PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO SUCH BORROWER AT THE ADDRESS OF THE FUNDS ADMINISTRATOR SET FORTH IN SECTION 11.5 OR AT SUCH OTHER ADDRESS OF WHICH THE AGENT SHALL HAVE BEEN NOTIFIED PURSUANT THERETO;

(d) AGREES THAT NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE AGENT OR ANY LENDER TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AFFECT THE RIGHT OF THE AGENT OR ANY LENDER TO BRING ANY ACTION OR PROCEEDING AGAINST ANY BORROWER OR THE FUNDS ADMINISTRATOR, OR THEIR RESPECTIVE PROPERTY IN THE COURTS OF OTHER JURISDICTIONS;

(e) WAIVES THE RIGHT TO ASSERT ANY SETOFF, COUNTERCLAIM OR CROSS-CLAIM IN RESPECT OF, AND ALL STATUTES OF

LIMITATIONS WHICH MAY BE RELEVANT TO, SUCH ACTION OR PROCEEDING; AND

(f) WAIVES DUE DILIGENCE, DEMAND, PRESENTMENT AND PROTEST AND ANY NOTICES THEREOF AS WELL AS NOTICE OF NONPAYMENT.

11.2 JURY TRIAL. THE CREDIT PARTIES, THE AGENTS, EACH ISSUING BANK AND THE LENDERS EACH HEREBY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF THIS CREDIT AGREEMENT, THE OTHER CREDIT DOCUMENTS OR ANY OTHER AGREEMENTS OR TRANSACTIONS RELATED HERETO OR THERETO, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE.

11.3 GOVERNING LAW. THE RIGHTS AND DUTIES OF THE CREDIT PARTIES, THE AGENTS, EACH ISSUING BANK AND THE LENDERS UNDER THIS CREDIT AGREEMENT, THE NOTES (INCLUDING MATTERS RELATING TO THE MAXIMUM PERMISSIBLE RATE) AND THE OTHER CREDIT DOCUMENTS (OTHER THAN MORTGAGES TO THE EXTENT PROVIDED THEREIN) SHALL PURSUANT TO NEW YORK GENERAL OBLIGATIONS LAW SECTION 5-1401 BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES, UNLESS ANY SUCH DOCUMENT ELECTS THE LAW OF ANOTHER JURISDICTION.

11.4 DELAYS; PARTIAL EXERCISE OF REMEDIES. No delay or omission of an Agent, any Issuing Bank or any Lender to exercise any right or remedy hereunder or under any of the other Credit Documents, whether before or after the happening of any Event of Default, shall impair any such right or shall operate as a waiver thereof or as a waiver of any such Event of Default. No single or partial exercise by an Agent, any Issuing Bank or any Lender of any right or remedy shall preclude any other or further exercise thereof, or preclude any other right or remedy.

11.5 NOTICES. Except as otherwise provided herein, all notices and correspondence hereunder shall be in writing and sent by certified or registered mail, return receipt requested, or by overnight delivery service, with all charges prepaid, to the following addresses, or by facsimile transmission sent to the following facsimile numbers and promptly confirmed in writing sent by first class mail: (a) if to the US Agent, or any of the US Lenders, then to the US Agent, Deutsche Bank Trust Company Americas, 31 West 52nd Street, 23rd Floor, New York, New York, 10019, Attention: Credit Department, Michael J. Malcangi, facsimile number (646) 324-7808 (b) if to any Issuing Bank, to the address specified in the applicable L/C Application with a copy to the US Agent or Canadian Agent, as appropriate, Attn: LC Dept, Marco Orlando, facsimile number (212)797-0403; (b) if to the Canadian Agent, or any of the Canadian Lenders, then to the Canadian Agent, Deutsche Bank AG, Canada Branch, 222 Bay Street, Suite 1100, P.O. Box 196, Toronto, Ontario, M5K 1H6 Attn: Credit Dept, Karyn Curran Fax # (416) 682-8484; (c) if to the US Funds Administrator or any US Borrower, then to the US Funds Administrator at 1330 Post Oak Blvd., Suite 2700, Houston, TX 77056, Attention: Louis A. Raspino, Vice President and Chief Financial Officer and Philip Choyce, Vice President, General Counsel and Secretary, facsimile number (862) 681-8699; and (d) if to the Canadian Funds Administrator or any Canadian Borrower, then to the Canadian Funds Administrator at 1330 Post Oak Blvd., Suite 2700, Houston, TX 77056, Attention: Louis A. Raspino, Vice President and Chief Financial Officer and Philip Choyce, Vice President,

General Counsel and Secretary, facsimile number (862) 681-8699. All such notices and correspondence shall be deemed given (a) if sent by certified or registered mail, three (3) Business Days after being postmarked, (b) if sent by overnight delivery service, when received at the above stated addresses or when delivery is refused, and (c) if sent by facsimile transmission, when receipt of such transmission is acknowledged except, in the case of a notice from the U.S. Agent to the US Funds Administrator under SECTION 9.2, such notice shall be deemed given when sent by facsimile transmission. Electronic mail may be used to distribute routine communications, such as financial statements, and shall be deemed to be received when receipt of such transmission is acknowledged by reply message.

11.6 ASSIGNABILITY.

(a) The Borrowers shall not have the right to assign this Credit Agreement or any interest therein.

(b) Any Lender may make, carry or transfer Loans at, to or for the account of, any of its branch offices or the office of an Affiliate of such Lender except to the extent such transfer would result in increased costs to the Borrowers.

(c) Each Lender may assign to one or more banks, other financial institutions or investment funds all or a portion of its rights and obligations under this Credit Agreement, the Notes and the other Credit Documents; PROVIDED that, except in the case of an assignment to a Federal Reserve Bank (which may be made without condition or restriction), (i) such assignment shall be for a fixed and not varying percentage of the assigning Lender's Loans, L/C Participations and Commitment, (ii) the Agent shall consent to, and the appropriate Funds Administrator shall receive notice of, such assignment (such consent by the Agent not to be unreasonably withheld), (iii) for each such assignment, the parties thereto shall execute and deliver to the Agent, for its acceptance and recording in the Register (as defined below), an Assignment and Assumption Agreement, together with any Note or Notes subject to such assignment and a processing and recordation fee of $5,000 and, (iv) except for any assignment covering all or the remaining portion of an assigning Lender's rights and obligations under this Credit Agreement, the Notes and the other Credit Documents, no such assignment shall be for less than $5,000,000 (or $1,000,000 in the case of the Canadian Loans and Canadian Revolving Loan Commitments) of the assigning Lender's Commitment, unless such assignment is to a then-current holder of a Note. Transfers of Loans from an existing Lender to another existing Lender (other than a Defaulting Lender) shall not require Agent's consent and the recordation fee shall not apply to such transfer. Any sale of a portion of a Lender's Loans must include pro rata portions of both Revolving Loans and Term Loans held by such Lender. Upon such execution and delivery of the Assignment and Assumption Agreement to the Agent, from and after the date specified as the effective date in the Assignment and Assumption Agreement (the "Acceptance Date"), (A) the assignee thereunder shall be a party hereto, and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Assumption Agreement, such assignee shall have the rights and obligations of a Lender hereunder and (B) the assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Assumption Agreement, relinquish its rights (other than any rights it may have pursuant to SECTION 11.8, which rights will survive) and be released from its obligations (other than any obligations it may have pursuant to SECTION 11.7, which obligations will survive under this Credit Agreement) and, in the

case of an Assignment and Assumption Agreement covering all or the remaining portion of an assigning Lender's rights and obligations under this Credit Agreement, such Lender shall cease to be a party hereto. Notwithstanding anything to the contrary in the foregoing, no fee shall be payable in connection with a Lender's assignment of its interests under this Credit Agreement to an Affiliate otherwise permitted hereby.

(d) By executing and delivering an Assignment and Assumption Agreement, the assignee thereunder confirms and agrees as follows: (i) other than as provided in such Assignment and Assumption Agreement, the assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Credit Agreement or any other Credit Document or the

execution, legality, validity, enforceability, genuineness, sufficiency or value of this Credit Agreement, the Notes, or any other Credit Document; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower, any other Credit Parties or any Issuing Bank, the value of the Collateral, or the performance or observance by (A) any Borrower or any other Credit Parties of any of its obligations under this Credit Agreement or any other Credit Document, or (B) any Issuing Bank of any of its obligations under any Letter of Credit; (iii) such assignee confirms that it has received a copy of this Credit Agreement, together with copies of the Financial Statements referred to in SECTION 7.1 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Assumption Agreement; (iv) such assignee will continue, independently and without reliance upon the Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, to make its own credit decisions in taking or not taking action under this Credit Agreement; (v) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Credit Agreement and the other Credit Documents as are delegated to the Agent by their terms, together with such powers as are reasonably incidental thereto; and (vi) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Credit Agreement are required to be performed by it as a Lender.

(e) The Agent shall maintain at its address referred to in SECTION 11.5 a copy of each Assignment and Assumption Agreement delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Loans owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the US Funds Administrator, the Borrowers, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Credit Agreement. The Register and copies of each Assignment and Assumption shall be available for inspection by any Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(f) Upon its receipt of an Assignment and Assumption Agreement executed by an assigning Lender, together with the Note or Notes subject to such assignment, the Agent shall, if such Assignment and Assumption Agreement has been completed and is in substantially the form of EXHIBIT A hereto, (i) accept such Assignment and Assumption Agreement, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the appropriate Funds Administrator. Within five (5) Business Days after its receipt of such notice, the Borrowers shall execute and deliver to the Agent in exchange for the surrendered Note or Notes a new Note or

Notes to the order of the assignee in an amount equal to the Commitment assumed by it pursuant to such Assignment and Assumption Agreement and, if the assigning Lender has retained a Commitment hereunder, a new Note or Notes to the order of the assigning Lender in an amount equal to the Commitment retained by it hereunder. Such new Note or Notes shall re-evidence the Indebtedness outstanding under the old Note or Notes and shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Note or Notes, shall be dated the Closing Date and shall otherwise be in substantially the form of the Note or Notes subject to such assignments.

(g) Each Lender may sell participations (without the consent of the Agent, any Borrower or any other Lender) to one or more parties in or to all or a portion of its rights and obligations under this Credit Agreement (including all or a portion of its Commitment, the Loans owing to it and the Note or Notes held by it); PROVIDED that (i) such Lender's obligations under this Credit Agreement (including its Commitment to the Borrowers hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Note for all purposes of this Credit Agreement, (iv) the appropriate Funds Administrator, the Borrowers, the Agent, and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Credit Agreement and such Notes and (v) such Lender shall not transfer, grant, assign or sell any participation under which the participant shall have rights to approve any amendment or waiver of this Credit Agreement except to the extent such amendment or waiver would (A) extend the final maturity date or the date

for the payments of any installment of fees or principal or interest of any Loans or Letter of Credit reimbursement obligations in which such participant is participating; (B) reduce the amount of any installment of principal of the Loans or the amount of any drawing under any Letter of Credit in which such participant is participating; (C) except as otherwise expressly provided in this Credit Agreement, reduce the interest rate applicable to the Loans or the amount of any drawing under any Letter of Credit in which such participant is participating; or (D) except as otherwise expressly provided in this Credit Agreement, reduce any Fees payable hereunder in which such participant participates. Each Lender selling or granting a participation, including a participation sold pursuant to SECTION 2.10, shall indemnify the Borrowers and the Agent for any Taxes and Liabilities that either may sustain as a result of such Lender's failure to withhold and pay any Taxes applicable to payments by such Lender to its participant in respect of such participation.

(h) Each Lender agrees that, without the prior written consent of the Borrowers and the Agent, it will not make any assignment hereunder in any manner or under any circumstances that would require registration or qualification of, or filings in respect of, any Loan, Note or other Obligation under the securities laws of the United States of America or of any jurisdiction.

(i) In connection with the efforts of any Lender to assign its rights or obligations or to participate interests, such Lender may disclose any information in its possession regarding any Borrower, subject to the confidentiality provisions of SECTION 11.7.

11.7 CONFIDENTIALITY. Each Lender agrees that it will use its reasonable best efforts not to disclose without the prior consent of the Borrowers (other than to its employees, auditors, advisors, Affiliates and counsel, or to another Lender if the disclosing Lender or such disclosing

Lender's holding or Holdings company in its sole discretion determines that any such party should have access to such information) any information with respect to any Borrower or any of its Subsidiaries, which is furnished pursuant to this Credit Agreement and which is designated by such Borrower to the Lenders in writing as confidential, provided that any Lender may disclose any such information (a) as has become generally available to the public, (b) as may be required or appropriate in any report, statement or testimony submitted to or examination conducted by any Governmental Authority having or claiming to have jurisdiction over such Lender, (c) as may be required or appropriate in response to any summons or subpoena or in connection with any litigation, (d) in order to comply with any Requirement of Law, (e) to any prospective or actual transferee or participant in connection with any contemplated transfer or participation of any of the Notes or Commitments or any interest therein by such Lender, (f) to other financial institutions with respect to which the respective Lender has a contractual relationship in accordance with such Lender's regular banking procedures, provided that each such other financial institution agrees to be bound by the confidentiality provisions contained in this SECTION 11.7, (g) to any nationally recognized rating agency that requires access to information regarding the respective Lender's investment portfolio in connection with such rating agency's issuance of ratings with respect to such Lender, provided that such Lender advises such rating agency of the confidential nature of such information, (h) as may be required or appropriate in connection with protecting, preserving, exercising or enforcing (or planning to exercise or enforce) any of its rights in, under or related to the Collateral or the Credit Documents and (i) as may be required or appropriate in consulting with any Person with respect to any of the foregoing matters.

11.8 INDEMNIFICATION. The Borrowers shall and hereby agree jointly and severally to indemnify, defend and hold harmless each Agent, each Issuing Bank and each of the Lenders and their respective directors, officers, agents, employees, counsel, advisors and Affiliates from and against (a) any and all losses, claims, damages, liabilities, deficiencies, judgments or expenses incurred by any of them (except to the extent that it is finally judicially determined to have resulted from their own gross negligence or willful misconduct) (including, but not limited to, reasonable attorneys' fees and expert fees) (collectively, "LOSSES") arising out of or by reason of any litigations, investigations, claims or proceedings which arise out of or are in any way related to (i) this Credit Agreement or the transactions contemplated thereby; (ii) the issuance of Letters of Credit; (iii) the failure of an Issuing Bank to honor a drawing under any Letter of Credit, as a result of any act or

omission, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority; (iv) any actual or proposed use by any Borrower of (A) the proceeds of any Loans or (B) any Letter of Credit; or (v) the Agents', the Lenders' or any Issuing Bank's entering into this Credit Agreement, the other Credit Documents or any other agreements and documents relating thereto, including amounts paid in-settlement, court costs and the fees and disbursements of counsel incurred in connection with any such litigation, investigation, claim or proceeding or any advice rendered in connection with any of the foregoing; and (b) any Losses that arise directly or indirectly from or in connection with any Environmental Laws. Notwithstanding the foregoing, the Canadian Borrowers shall not have any obligation to indemnify, defend or hold harmless the US Agent, any Issuing Bank, or any Lender or their respective directors, officers, agents, employees, counsel, advisors or Affiliates from and against any Losses that arise directly or indirectly from or in connection with any amounts loaned to a US Borrower under this Credit Agreement. The indemnification obligations of the Canadian Borrowers under this SECTION 11.8 shall be limited to Losses that arise in connection with any amounts loaned to a Canadian Borrower under this Credit Agreement. If and to the extent that the

Obligations of the Borrowers hereunder are unenforceable for any reason, the Borrowers hereby jointly and severally agree to make the maximum contribution to the payment and satisfaction of such Obligations which is permissible under applicable law. The Borrowers' joint and several Obligations hereunder shall survive any termination of this Credit Agreement and the other Credit Documents and the payment in full of the Obligations, and are in addition to, and not in substitution of, any other of its Obligations. In addition, the Borrowers shall, upon demand, pay to the Agent and each Lender all costs and expenses (including the reasonable fees and disbursements of counsel and other professionals) paid or incurred by the Agent or such Lender in (i) enforcing or defending its rights under or in respect of this Credit Agreement, the other Credit Documents or any other document or instrument now or hereafter executed and delivered in connection herewith, (ii) collecting the Loans, (iii) foreclosing or otherwise collecting upon the Collateral or any part thereof and (iv) obtaining any legal, accounting or other advice in connection with any of the foregoing or any Default or Event of Default.

11.9 ENTIRE AGREEMENT; SUCCESSORS AND ASSIGNS. This Credit Agreement and the other Credit Documents constitute the entire agreement among the Credit Parties, the Agent and the Lenders (in their capacities as such and not in their capacity, if any, as an Issuing Bank), supersedes any prior agreements among them, and shall bind and benefit the Credit Parties, the Agent and the Lenders and their respective successors and permitted assigns.

11.10 AMENDMENTS, ETC. No amendment or waiver of any provision of this Credit Agreement or any other Credit Document, nor consent to any departure by any Credit Party therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Lenders, or if the Lenders shall not be parties thereto, by the parties thereto and consented to by the Majority Lenders, and each such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; PROVIDED, that, notwithstanding the foregoing:

(a) no amendment, waiver or consent shall, unless in writing and signed by the all Lenders, amend or waive, or consent to any departure from, the provisions of CLAUSE (c) of the definition of the term Borrowing Base.

(b) no amendment, waiver or consent shall, unless in writing and signed by all the Lenders, do any of the following: (i) increase the Commitments of the Lenders or subject the Lenders to any additional obligations (except pursuant to an increase in Commitments or obligations arising under SECTION 11.6 hereof); (ii) reduce the principal of, or interest on, the Notes or any drawing under any Letter of Credit or any fees hereunder; (iii) postpone any date fixed for any payment in respect of principal of, or interest on, the Notes or for the reimbursement of any drawing under any Letter of Credit or any fees hereunder; (iv) change the percentage of the Commitments, or any minimum requirement necessary for the Lenders or the Majority Lenders to take any action hereunder; (v) amend or waive this SECTION 11.10, or change the respective definitions of Majority Lenders; or (vi) except in connection with the financing, refinancing, sale or other disposition of any Collateral of the Borrower permitted under this Credit Agreement, release Agent's Liens on all or substantially all of the Collateral and, provided that no amendment, waiver or consent affecting the rights or duties of the Agent or any Issuing Bank under,

(x) in the case of the Agent, any term or provision of this Credit Agreement and (y) in the case of any Issuing Bank, (1) SECTIONS 3.3, 3.4, 3.6 AND 3.8 of this Credit Agreement, (2) any Letter of Credit or (3) any L/C

Application, shall in any event be effective, unless in writing and signed by the Agent or such Issuing Bank, as applicable, in addition to the Lenders required hereinabove to take such action.

Notwithstanding any of the foregoing to the contrary, the consent of the Borrowers shall not be required for any amendment, modification or waiver of the provisions of ARTICLE 10 (other than the provisions of SECTION 10.9). In addition, the Borrowers and the Lenders hereby authorize the Agent to modify this Credit Agreement by unilaterally amending or supplementing Annex I from time to time in the manner requested by the Borrowers, the Agent or any Lender in order to reflect any assignments or transfers of the Loans as provided for hereunder; however, provided that the Agent shall promptly deliver a copy of any such modification to the Funds Administrators and each Lender.

(c) If a Defaulting Lender exists or, in connection with any proposed amendment, modification, waiver or termination (a "Proposed Change"), requiring the consent of all affected Lenders, the consent of Majority Lenders is obtained, but the consent of other Lenders whose consent is required is not obtained (any such Lender whose consent is not obtained as described in this clause (i) and in clause (ii) below being referred to as a "Non-Consenting Lender"), then, in respect of any Defaulting Lender or Non-Consenting Lender (so long as Agent is not a Non-Consenting Lender), at the appropriate Funds Administrator's request, Agent or a Person reasonably acceptable to Agent shall have the right with Agent's consent and in Agent's sole discretion (but shall have no obligation) to purchase from such Defaulting Lender or Non-Consenting Lender, as applicable, and such Defaulting Lender or Non-Consenting Lender, as applicable, agrees that it shall, upon Agent's request, sell and assign to Agent or such Person, all of the Commitments of such Defaulting Lender or Non-Consenting Lender, as applicable, for an amount equal to the principal balance of all Loans held by such Defaulting Lender or Non-Consenting Lender, as applicable, and all accrued interest and fees with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed Assignment and Assumption Agreement.

11.11 NONLIABILITY OF AGENT AND LENDERS. The relationship between the Borrowers and the Lenders and the Agents shall be solely that of borrower and lender. Neither the Agents, any Lender or any Issuing Bank shall have any fiduciary responsibilities to the either Funds Administrator or any Borrower. Neither the Agents, any Lender or any Issuing Bank undertakes any responsibility to the Borrowers to review or inform the Borrowers of any matter in connection with any phase of any Borrowers' business or operations.

11.12 COUNTERPARTS. This Credit Agreement may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall, or shall permit any of its Subsidiaries together constitute one and the same instrument.

11.13 EFFECTIVENESS. This Credit Agreement shall become effective on the date on which all of the parties hereto shall have signed a copy hereof (whether the same or different copies) and shall have delivered the same to the Agent pursuant to SECTION 11.5 or, in the case of the Lenders, shall have given to the appropriate Agent written or facsimile notice (actually received) at such office that the same has been signed and mailed to it. Reed has executed this Credit Agreement and other Credit Documents in anticipation of its becoming a Borrower hereunder and assuming all

obligations of a Borrower under this Credit Agreement, which assumption (the "Reed Assumption") shall be deemed to occur and shall be effective, with no further acts required of Reed, when Reed becomes a Subsidiary of Parent. Reed shall deliver a certificate confirming the Reed Assumption to the US Agent, in form and substance satisfactory to the US Agent (but the Reed Assumption shall be deemed effective without such certificate). Until the Reed Assumption becomes

effective, this Credit Agreement is not binding on Reed, but is binding on all other signatories.

11.14 SEVERABILITY. In case any provision in or obligation under this Credit Agreement or the Notes or the other Credit Documents shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

11.15 HEADINGS DESCRIPTIVE. The headings of the several sections and subsections of this Credit Agreement, and the Table of Contents, are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Credit Agreement.

11.16 MAXIMUM RATE. Notwithstanding anything to the contrary contained elsewhere in this Credit Agreement or in any other Credit Document, the Borrowers, the Agents and the Lenders hereby agree that all agreements among them under this Credit Agreement and the other Credit Documents, whether now existing or hereafter arising and whether written or oral, are expressly limited so that in no contingency or event whatsoever shall the amount paid, or agreed to be paid, to any Agent or any Lender for the use, forbearance, or detention of the money loaned to the Borrowers and evidenced hereby or thereby or for the performance or payment of any covenant or obligation contained herein or therein, exceed the Highest Lawful Rate. If due to any circumstance whatsoever, fulfillment of any provisions of this Credit Agreement or any of the other Credit Documents at the time performance of such provision shall be due shall exceed the Highest Lawful Rate, then, automatically, the obligation to be fulfilled shall be modified or reduced to the extent necessary to limit such interest to the Highest Lawful Rate, and if from any such circumstance any Lender should ever receive anything of value deemed interest by applicable law which would exceed the Highest Lawful Rate, such excessive interest shall be applied to the reduction of the principal amount then outstanding hereunder or on account of any other then outstanding Obligations and not to the payment of interest, or if such excessive interest exceeds the principal unpaid balance then outstanding hereunder and such other then outstanding Obligations, such excess shall be refunded to the Borrowers. All sums paid or agreed to be paid to any Agent or any Lender for the use, forbearance, or detention of the Obligations and other Indebtedness of the Borrowers to any Agent or any Lender shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such Indebtedness until payment in full so that the actual rate of interest on account of all such Indebtedness does not exceed the Highest Lawful Rate throughout the entire term of such Indebtedness. The terms and provisions of this Section shall control every other provision of this Credit Agreement, the other Credit Documents and all agreements among the Borrowers, the Agent and the Lenders.

11.17 RIGHT OF SETOFF. In addition to and not in limitation of all rights of offset that any Lender may have under applicable law, each Lender shall, subject to SECTION 9.4, upon the occurrence and during the continuance of any Event of Default and whether or not such Lender has

made any demand or the Obligations of any Credit Party are matured, have the right to appropriate and apply to the payment of the Obligations of such Credit Party all deposits (general or special, time or demand, provisional or final) then or thereafter held by and other Indebtedness or property then or thereafter owing by such Lender, including any and all amounts in any Depository Account, Concentration Account, the DBT Account or the Disbursement Account. For purposes of this SECTION 11.17, the Obligations of a Credit Party to a Lender shall include, as fully as though such Obligations were the direct Obligations of such Credit Party to such Lender, the Obligations of such Credit Party in which such Lender has an L/C Participation, in each case, to the extent of such participation. No Lender may exercise such rights without the prior written consent of the appropriate Agent or the Majority Lenders pursuant to SECTION 9.4. Any amount received as a result of the exercise of such rights shall be reallocated as set forth in SECTION 2.10.

11.18 DEFAULTING LENDER.

(a) Unless the appropriate Agent shall have received notice from a Lender, prior to the time specified in such Section, that such Lender will not make available to the Agent a Loan required to be made by it pursuant

to SECTION 2.2 or its L/C Participation Funding Amount pursuant to SECTION 3.6(b)(ii), the Agent may assume that such Lender has made such amounts available to the Agent in accordance with such Sections and the Agent in its sole discretion may, in reliance upon such assumption, make available to the Borrowers or the applicable Issuing Bank a corresponding amount on behalf of such Lender.

(b) If any amount referred to in SUBSECTION (a) of this SECTION 11.18 or in SECTION 2.3 is not made available to an Agent by a Lender (a "Defaulting Lender") and the Agent has made such amount available to the Borrowers or an Issuing Bank, the Agent shall be entitled to recover such amount on demand from such Defaulting Lender together with interest as hereinafter provided. If such Defaulting Lender does not pay such amount forthwith upon the Agent's demand therefore, the Agent shall promptly notify the appropriate Funds Administrator and the Borrowers shall immediately (but in no event later than five Business Days after such demand) pay such amount to the Agent together with interest calculated as hereinafter provided. The Agent shall also be entitled to recover from such Defaulting Lender and/or the Borrowers, as the case may be, (i) interest on such 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 amount is recovered by the Agent, at a rate per annum equal to either (A) if paid by such Defaulting Lender, the overnight Federal Funds Rate or (B) if paid by the Borrowers, the then applicable rate of interest, calculated in accordance with SECTION 4.1 OR SECTION 4.2, PLUS (ii) in each case, an amount equal to any costs (including legal expenses) and losses incurred as a result of the failure of such Defaulting Lender to provide such amount as provided in this Credit Agreement. Nothing herein shall be deemed to relieve any Lender from its duty to fulfill its obligations hereunder or to prejudice any rights which the Borrowers or any Issuing Bank, may have against any Lender as a result of any default by such Lender hereunder, including the right of the Borrowers to seek reimbursement from any Defaulting Lender for any amounts paid by the Borrowers under CLAUSE (ii) above on account of such Defaulting Lender's default.

(i) Notwithstanding anything contained herein to the contrary, so long as any Lender is a Defaulting Lender or has rejected its Commitment, the Agent shall not be obligated to transfer to such Lender (A) any payments made by the Borrowers to the Agent

for the benefit of such Lender or (B) any amounts contemplated by SECTION 2.3(b)(i); and, such Lender shall not be entitled to the sharing of any payments pursuant to SECTION 2.10. Amounts otherwise payable to such Lender under SECTION 2.10 shall instead be paid to the Agent.

(ii) For purposes of voting or consenting to matters with respect to the Credit Documents and determining Proportionate Share, such Defaulting Lender shall be deemed not to be a "Lender" and such Lender's Commitment shall be deemed to be zero (0).

(iii) This SECTION 11.18(c) shall remain effective with respect to a Defaulting Lender until (a) the Obligations under this Credit Agreement shall have been declared or shall have become immediately due and payable or (b) the Majority Lenders, the Agent and the Borrowers shall have waived such Lender's default in writing.

(iv) No Lender's Commitment shall be increased or otherwise affected, and performance by the respective Borrowers shall not be excused, by the operation of this SECTION 11.18(b). Any payments of principal or interest which would, but for this SUBSECTION (b), be paid to any Lender, shall be paid to the Lenders who shall not be in default under their respective Commitments and who shall not have rejected any Commitment, for application to the Loans then due and payable or to the other Obligations then due and payable or to provide cash collateral to secure Obligations not then due and payable in such manner and order as shall be determined by the Agent.

11.19 RIGHTS CUMULATIVE. Each of the rights and remedies of the Agents, each Issuing Bank and the Lenders under the Credit Documents shall be in addition to all of their other rights and remedies under the Credit Documents and applicable law, and nothing in the Credit Documents shall be construed as limiting any such rights or remedies.

11.20 THIRD PARTY BENEFICIARIES. Each Issuing Bank shall be deemed to be a third party beneficiary of its rights under this Credit Agreement, provided that, except as otherwise provided in SECTION 11.10, such rights may be amended or waived, and any departure therefrom by any Credit Party consented to, without their respective consents.

11.21 JOINT AND SEVERAL LIABILITY / GUARANTIES

(a) Joint and Several Liability of US Borrowers. Each of the US Borrowers shall be jointly and severally liable hereunder and under each of the other Credit Documents with respect to all Obligations of the US Borrowers, regardless of which of such Borrowers actually receives the proceeds of the Loans or the benefit of any other extensions of credit hereunder, or the manner in which the Funds Administrators, the Borrowers, the Agent, the Lenders or any of the Issuing Banks account therefore in their respective books and records. In furtherance and not in limitation of the foregoing, (i) each US Borrower's obligations and liabilities with respect to proceeds of Loans which it receives or Letters of Credit issued for its account, and related fees, costs and expenses, and (ii) each US Borrower's obligations and liabilities arising as a result of the joint and several liability of the Borrowers hereunder with respect to proceeds of Loans received by, or Letters of Credit issued for the account of, any of the other Borrowers, together with the related fees, costs

and expenses, shall be separate and distinct obligations, both of which are primary obligations of such US Borrower.

(b) Joint and Several Liability of the Canadian Borrowers. Each of the Canadian Borrowers shall be jointly and severally liable hereunder and under each of the other Credit Documents with respect to all Obligations of the Canadian Borrowers regardless of which of the Canadian Borrowers actually receives the proceeds of the Canadian Loans or the benefit of any other extensions of credit hereunder, or the manner in which the Canadian Funds Administrator, the Canadian Borrowers, any Agent, Lenders or any of the Issuing Banks account therefore in their respective books and records. In furtherance and not in limitation of the foregoing, (i) each Canadian Borrower's obligations and liabilities with respect to proceeds of Loans which it receives, or Letters of Credit issued for its account, and related fees, costs and expenses, and (ii) each Canadian Borrower's obligations and liabilities arising as a result of the joint and several liability of the Canadian Borrowers hereunder with respect to proceeds of Loans received by, the other Canadian Borrower, together with the related fees, costs and expenses, shall be separate and distinct obligations, both of which are primary obligations of such Canadian Borrower.

(c) Guaranty by Holdings. Holdings hereby irrevocably and unconditionally guaranties the due and punctual payment of all Obligations of all Borrowers hereunder and under each of the other Credit Documents, when the same shall become due, whether at stated maturity, by required payment, declaration, demand or otherwise (including amounts which would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code), and agrees to pay any and all costs and expenses (including reasonable fees and disbursements of counsel and allocated costs of internal counsel) incurred by Agents or Lenders in enforcing or preserving any rights under this guaranty.

(d) Guaranty by US Borrowers. Each of the US Borrowers hereby irrevocably and unconditionally guaranties the due and punctual payment of all Obligations of Canadian Borrowers hereunder and under each of the other Credit Documents, when the same shall become due, whether at stated maturity, by required payment, declaration, demand or otherwise (including amounts which would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code), and agrees to pay any and all costs and expenses (including reasonable fees and disbursements of counsel and allocated costs of internal counsel) incurred by Agents or Lenders in enforcing or preserving any rights under this guaranty.

(e) Guaranty by Subsidiary Guarantors. Pursuant to the Subsidiary Guaranty delivered on or before the Closing Date, (1) the Subsidiary Guarantors which are Canadian Subsidiaries have irrevocably and unconditionally guaranteed the due and punctual payment of all Obligations of Canadian Borrowers hereunder and under each of the other Credit Documents pursuant to the Subsidiary Guaranty delivered on or before the Closing Date and (2) the Subsidiary Guarantors which are Domestic Subsidiaries have irrevocably and

unconditionally guaranteed the due and punctual payment of all Obligations of all Borrowers hereunder and under each of the other Credit Documents.

(f) Waivers, etc.

(i) Each of the Borrowers and Holdings agrees that its joint and several and/or guaranty obligations under this SECTION 11.21 (collectively, the "GUARANTIED OBLIGATIONS") may be extended or renewed, in whole or in part, without notice or further assent from it, and that it will remain bound under this SECTION 11.21 notwithstanding any extension, renewal or other alteration of any Guarantied Obligation.

(ii) Each of the Borrowers and Holdings waives presentation of, demand of, and protest of any Guarantied Obligation and also waives notice of protest for nonpayment. The obligations of the Borrowers and Holdings under this SECTION 11.21 shall not be affected by:

(A) the failure of any Agent or Lender (each a "Guarantied Party" and collectively, the "Guarantied Parties") or any other Person to assert any claim or demand or to enforce any right or remedy against Holdings, any Borrower or any Subsidiary under the provisions of this Credit Agreement, any other Credit Document or any other agreement or otherwise,

(B) any extension or renewal of any provision of any thereof,

(C) any rescission, waiver, amendment or modification of any of the terms or provisions of this Credit Agreement, any other Credit Document, or any instrument or agreement executed pursuant hereto or thereto,

(D) the failure to perfect any security interest in, or the release of, any of the security held by any Guarantied Party or any other Person for any of the Guarantied Obligations, or

(E) the failure of any Guarantied Party or any other Person to exercise any right or remedy against Holdings, any Borrower or any other guarantor of any of the Guarantied Obligations.

(iii) Holdings and each of the Borrowers, to the extent their joint and several obligations under this SECTION 11.21 are determined by a court of competent jurisdiction to be obligations in the nature of a surety or guaranty rather than primary obligations, further agree that their obligations under this SECTION 11.21 constitute a guaranty of payment when due and not of collection and waives any right to require that any resort be had by any Guarantied Party or any other Person to any of the security held for payment of any of the Guarantied Obligations or to any balance of any deposit account or credit on the books of any Guarantied Party or any other Person in favor of a Borrower or any other Person.

(iv) The obligations of Holdings and the Borrowers under this SECTION 11.21 shall not be subject to any reduction, limitation, impairment or termination for any reason, including, without limitation, any claim of waiver, release, surrender, alteration or compromise of any of the Guarantied Obligations, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity,

illegality or unenforceability of any of the Guarantied Obligations, the discharge of any Borrower or any other guarantor from any of the

Guarantied Obligations in a bankruptcy or similar proceeding, or otherwise. Without limiting the generality of the foregoing, the obligations of Holdings and the Borrowers under this SECTION 11.21 shall not be discharged or impaired or otherwise affected by the failure of any Guarantied Party or any other Person to assert any claim or demand or to enforce any remedy under this Credit Agreement, any other Loan Document or any other agreement, by any waiver or modification of any hereof or thereof, by any default, or any other act or thing or omission or delay to do any other act or thing which may or might in any manner or to any extent vary the risk of Holdings or any Borrower or which would otherwise operate as a discharge of Holdings or any Borrower as a matter of law or equity.

(v) Holdings and each Borrower further agrees that this SECTION 11.21 shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of, interest on or any other amount with respect to any Guarantied Obligation is rescinded or must otherwise be restored by any Guarantied Party, or any other Person upon the bankruptcy or reorganization of Holdings, any Borrower, any other Person or otherwise.

(vi) Holdings and each Borrower further agree, in furtherance of the foregoing and not in limitation of any other right which any Guarantied Party or any other Person may have at law or in equity against Holdings or such Borrower by virtue hereof, upon the failure of any Borrower to whom a Loan is made pay any of the Guarantied Obligations in respect thereof when and as the same shall become due, whether by required prepayment, declaration or otherwise (including amounts which would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code or any similar provision of the Bankruptcy and Insolvency Act (Canada), the Companies' Creditors Arrangement Act (Canada)), Holdings and each Borrower jointly and severally liable for such Guarantied Obligation will forthwith pay, or cause to be paid, in cash, to US Agent (or in the case of Canadian Borrowers, Canadian Agent) for the ratable benefit of Guarantied Parties as set forth in this Credit Agreement, an amount equal to the sum of the unpaid principal amount of such Guarantied Obligations then due as aforesaid, accrued and unpaid interest on such Guarantied Obligations (including, without limitation, interest which, but for the filing of a petition in a bankruptcy, reorganization or other similar proceeding with respect to any Borrower, would have accrued on such Guarantied Obligations) and all other Guarantied Obligations then owed to Guarantied Parties as aforesaid. All such payments shall be applied promptly from time to time by US Agent as set forth in Section 2.5.

(vii) Holdings and each Borrower hereby waive any claim, right or remedy, direct or indirect, that it now has or may hereafter have against any Borrower or any of its assets in connection with this SECTION 11.21 or the performance by Holdings or any Borrower of its obligations under this SECTION 11.21, in each case whether such claim, right or remedy arises in equity, under contract, by statute, under common law or otherwise and including without limitation (a) any right of subrogation, reimbursement or indemnification that Holdings or any Borrower now has or may hereafter have against any Borrower or Subsidiary thereof, (b) any right to enforce, or to participate in, any claim,

right or remedy that any Guarantied Party now has or may hereafter have against any Borrower or a Subsidiary thereof, and (c) any benefit of, and any right to participate in, any collateral or security now or hereafter held by any Guarantied Party. In addition, until the Guarantied Obligations shall have been paid in full and the Commitments shall have terminated and all Letters of Credit shall have expired or been cancelled, Holdings and each Borrower shall withhold exercise of any right of contribution it may have against any other guarantor of the Guarantied Obligations as a result of any payment hereunder. Holdings and each Borrower further agree that, to the extent the waiver of its rights of subrogation, reimbursement, indemnification and contribution as set forth herein is found by a court of competent jurisdiction to be void or voidable for any reason, any such rights of

subrogation, reimbursement or indemnification Holdings or any Borrower may have against any Borrower or against any collateral or security, and any such rights of contribution Holdings or any Borrower may have against any such other guarantor, shall be junior and subordinate to any rights any Guarantied Party may have against any Borrower or other guarantor, to all right, title and interest any Guarantied Party may have in any such collateral or security, and to any right any Guarantied Party may have against such other guarantor. If any amount shall be paid to Holdings on account of any such subrogation, reimbursement, indemnification or contribution rights at any time when all Guarantied Obligations shall not have been paid in full, such amount shall be held in trust for Agents on behalf of Guarantied Parties and shall forthwith be paid over to US Agent (or, in the case of a payment by a Canadian Borrower, to Canadian Agent) for the benefit of Guarantied Parties to be credited and applied against the Guarantied Obligations, whether matured or unmatured, in accordance with the terms hereof.

(viii) Following indefeasible payment in full in cash of the Obligations, termination of the Commitments and expiration or cancellation of all Letters of Credit, to the extent that any Borrower shall have made a payment under this SECTION 11.21 of all or any of the Obligations (other than Loans made to that Borrower for which it is primarily liable) (a "GUARANTOR PAYMENT") that, taking into account all other Guarantor Payments then previously or concurrently made by any other Borrower having the same joint and several or guaranty obligation under this SECTION 11.21, exceeds the amount that such Borrower would otherwise have paid if each Borrower having the same joint and several or guaranty obligation under this SECTION 11.21 had paid the aggregate Obligations satisfied by such Guarantor Payment in the same proportion that such Borrower's "Allocable Amount" (as defined below) (as determined immediately prior to such Guarantor Payment) bore to the aggregate Allocable Amounts of each of the Borrowers having the same joint and several or guaranty obligation under this SECTION 11.21 as determined immediately prior to the making of such Guarantor Payment, then, such Borrower shall be entitled to receive contribution and indemnification payments from, and be reimbursed by, each other Borrower having the same joint and several or guaranty obligation under this SECTION 11.21 for the amount of such excess, pro rata based upon their respective Allocable Amounts in effect immediately prior to such Guarantor Payment. As of any date of determination, the "ALLOCABLE AMOUNT" of any Borrower shall be equal to the maximum amount of the claim that could then be recovered from such Borrower under this SECTION 11.21 without rendering such claim voidable or avoidable under Section 548 of Chapter 11 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law or, in the case of a Canadian

Borrower, under the Bankruptcy and Insolvency Act (Canada), the Companies' Creditors Arrangement Act (Canada) or similar statute or common law. This SECTION 11.21 is intended only to define the relative rights of Borrowers and nothing set forth in this SECTION 11.21 is intended to or shall impair the obligations of Borrowers, jointly and severally as set forth in this SECTION 11.21, to pay any amounts as and when the same shall become due and payable in accordance with the terms of this Credit Agreement, including SECTION 11.21(a). Nothing contained in this SECTION 11.21 shall limit the liability of any Borrower to pay the Loans made directly or indirectly to that Borrower and accrued interest, Fees and Expenses with respect thereto for which such Borrower shall be primarily liable. The parties hereto acknowledge that the rights of contribution and indemnification hereunder shall constitute assets of the Borrower to which such contribution and indemnification is owing. The rights of the indemnifying Borrowers against other Credit Parties under this SECTION 11.21 shall only be exercisable upon the full and indefeasible payment of the Obligations, the termination of the Commitments and the expiration or cancellation of all Letters of Credit.

(ix) Notwithstanding any provision to the contrary contained herein or in any other of the Credit Documents, to the extent the joint obligations of a Borrower shall be adjudicated to be invalid

or unenforceable for any reason (including, without limitation, because of Section 548 of Chapter 11 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act, the Bankruptcy and Insolvency Act (Canada), the Companies' Creditors Arrangement Act (Canada) or any similar statute or common law) then the Obligations of each Borrower hereunder shall be limited to the maximum amount that is permissible under applicable law (whether federal or state and including, without limitation, the federal Bankruptcy Code and, in the case of the Canadian Borrowers, the Bankruptcy and Insolvency Act (Canada), and the Companies' Creditors Arrangement Act (Canada)).

(g) The liability of Holdings and each of the Borrowers under this SECTION 11.21 is in addition to and shall be cumulative with all liabilities of each Borrower to Agents and Lenders under this Credit Agreement and the other Credit Documents to which such Borrower is a party, without any limitation as to amount.

(h) Notwithstanding anything to the contrary in this Credit Agreement, the Canadian Borrowers are not liable, pursuant to any provision of this Credit Agreement (including, without limitation, indemnification provisions), with respect to any Obligations that do not relate to the Canadian Loans, Collateral securing Canadian Loans or the Canadian Borrowers.

11.22 APPOINTMENT AND AUTHORIZATION OF FUNDS ADMINISTRATORS.

(a) Each US Borrower hereby designates, appoints, authorizes and empowers Grant Prideco, LP as its agent to act as specified in the capacity of US Funds Administrator under this Credit Agreement and each of the other Credit Documents and Grant Prideco, LP hereby acknowledges such designation, authorization and empowerment, and accepts such appointment. Each US Borrower hereby irrevocably authorizes and directs the US Funds Administrator to take such action on its behalf under the respective provisions of this Credit Agreement and the other Credit Documents, and any other instruments, documents and agreements referred to herein or therein, and to exercise such powers and to perform such duties hereunder and thereunder as are

specifically delegated to or required of the US Funds Administrator by the respective terms and provisions hereof and thereof, and such other powers as are reasonably incidental thereto, including, without limitation, to take the following actions for and on such Borrower's behalf:

(i) to submit on behalf of each US Borrower Notices of Borrowing, Notices of Conversion and Notices of Continuation to Agent in accordance with the provisions of this Credit Agreement, each such notice to be submitted by the US Funds Administrator to Agent as soon as practicable after its receipt of a request to do so from a Borrower; and

(ii) to submit on behalf of each US Borrower requests for the issuance of US Letters of Credit in accordance with the provisions of this Credit Agreement, each such request for the issuance of a Letter of Credit to be submitted by the US Funds Administrator as soon as practicable after its receipt of a request to do so from any US Borrower.

The US Funds Administrator is further authorized and directed by each of the US Borrowers to take all such actions on behalf of such Borrower necessary to exercise the specific powers granted in CLAUSES (i) and (ii) above and to perform such other duties hereunder and under the other Credit Documents, and deliver such documents as delegated to or required of the US Funds Administrator by the terms hereof or thereof. Agent and each Lender may regard any notice or other communication pursuant to any Credit Documents from the US Funds Administrator as a notice or communication from all Borrowers, and may give any notice or communication required or permitted to be given to any US Borrower or US Borrowers hereunder to the US Funds Administrator on behalf of such Borrower or Borrowers. Each US Borrower agrees that each notice, election, representation and warranty, covenant, agreement and undertaking made on its behalf by the US Funds Administrator shall be deemed for all purposes to have been made by such Borrower and shall be binding upon and enforceable against such Borrower to the same extent

as if the same had been made directly by such Borrower.

(b) The US Funds Administrator may perform any of its duties hereunder or under any of the other Credit Documents by or through its agents or employees.

(c) Each Canadian Borrower hereby designates, appoints, authorizes and empowers Grant Prideco Canada Ltd. as its agent to act as specified in the capacity of Canadian Funds Administrator under this Credit Agreement and each of the other Credit Documents and Grant Prideco Canada Ltd. hereby acknowledges such designation, authorization and empowerment, and accepts such appointment. Each Canadian Borrower hereby irrevocably authorizes and directs the Canadian Funds Administrator to take such action on its behalf under the respective provisions of this Credit Agreement and the other Credit Documents, and any other instruments, documents and agreements referred to herein or therein, and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to or required of the Canadian Funds Administrator by the respective terms and provisions hereof and thereof, and such other powers as are reasonably incidental thereto, including, without limitation, to take the following actions for and on such Borrower's behalf:

(i) to submit on behalf of each Canadian Borrower Notices of Borrowing, Notices of Conversion and Notices of Continuation to Agent in accordance with the provisions of this Credit Agreement, each such notice to be submitted by the Canadian Funds Administrator to Agent as soon as practicable after its receipt of a request to do so from a Borrower; and

(ii) To submit on behalf of each Canadian Borrower requests for the issuance of Canadian Letters of Credit in accordance with the provisions of this Credit Agreement, each such request for the issuance of a Letter of Credit to be submitted by the Canadian Funds Administrator as soon as practicable after its receipt of a request to do so from any Canadian Borrower.

The Canadian Funds Administrator is further authorized and directed by each of the Canadian Borrowers to take all such actions on behalf of such Borrower necessary to exercise the specific powers granted in CLAUSES (i) and (ii) above and to perform such other duties hereunder and under the other Credit Documents, and deliver such documents as delegated to or required of the Canadian Funds Administrator by the terms hereof or thereof. Agent and each Lender may regard any notice or other communication pursuant to any Credit Documents from the Canadian Funds Administrator as a notice or communication from all Borrowers, and may give any notice or communication required or permitted to be given to any Canadian Borrower or Canadian Borrowers hereunder to the US Funds Administrator on behalf of such Borrower or Borrowers. Each Canadian Borrower agrees that each notice, election, representation and warranty, covenant, agreement and undertaking made on its behalf by the Canadian Funds Administrator shall be deemed for all purposes to have been made by such Borrower and shall be binding upon and enforceable against such Borrower to the same extent as if the same had been made directly by such Borrower.

(d) The Canadian Funds Administrator may perform any of its duties hereunder or under any of the other Credit Documents by or through its agents or employees.

11.23 DESIGNATION OF NEW BORROWERS. The Funds Administrators may from time to time submit new Borrowers to Agents for their sole discretion approval. If Agent so approves a new Borrower, such new Borrower shall execute a counterpart signature page to this Credit Agreement and all other applicable Credit Documents, and the US Agent or the Canadian Agent, as appropriate, shall receive security interests in 100% of the Capital Securities of such New Borrower and substantially all assets of such New Borrower. The Agents shall not approve a new Canadian Borrower if the joint and several obligations of such new Canadian Borrower and the other Canadian Borrowers pursuant to this Credit Agreement or any other applicable Credit Document (a) could constitute financial assistance that is prohibited by the laws of the jurisdiction of incorporation of the relevant Canadian Borrower; or (b) require reference to any solvency or other financial test to determine whether such joint and several obligations

could constitute such prohibited financial assistance. Notwithstanding anything to the contrary in the foregoing, no new Borrower may be admitted if such Person is not a wholly-owned subsidiary, directly or indirectly, of Holdings.

11.24 JUDGMENT CURRENCY.

(a) If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due to a Lender in any currency (the "ORIGINAL CURRENCY") into another currency (the "OTHER CURRENCY"), the parties agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which, in accordance with normal banking procedures, such Lender could purchase the Original Currency with the Other Currency on the Business Day preceding the day on which final judgment is given or, if permitted by applicable law, on the day on which the judgment is paid or satisfied.

(b) The obligations of a Borrower in respect of any sum due in the Original Currency from it to a Lender under any of the Credit Documents shall, notwithstanding any judgment in any Other Currency, be discharged only to the extent that on the Business Day following receipt by such Lender of any sum adjudged to be so due in the Other Currency, such Lender may, in accordance with normal banking procedures, purchase the Original Currency with such Other Currency. If the amount of the Original Currency so purchased is less than the sum originally due to such Lender in the Original Currency, such Borrower agrees, as a separate obligation and notwithstanding the judgment, to indemnify such Lender, against any loss, and, if the amount of the Original Currency so purchased exceeds the sum originally due to the Lender in the Original Currency, such Lender shall remit such excess to such Borrower.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Credit Agreement to be executed and delivered by their proper and duly authorized officers as of the date set forth above.

BORROWERS:

GRANT PRIDECO, LP, individually, as
a Borrower and as US Funds Administrator

By: Reed-Hycalog, LLC, its general partner

By:

Philip A. Choyce
Title: Vice President

XL SYSTEMS, L.P.,

By: Grant Prideco Holding, LLC, its general
partner

By:

Philip A. Choyce
Title: Vice President

TEXAS ARAI, INC.,

By:

Philip A. Choyce
Title: Vice President

TUBE-ALLOY CORPORATION,

By:

        Philip A. Choyce
Title: Vice President

STAR OPERATING COMPANY,

By:

        Philip A. Choyce
Title: Vice President

REED-HYCALOG OPERATING, L.P.,

By: Grant Prideco Holding, LLC, its general
partner

By:

        Philip A. Choyce
Title: Vice President

GRANT PRIDECO CANADA LTD., individually, as
a Borrower and as Canadian Funds
Administrator

By:

Title:

GUARANTOR:

GRANT PRIDECO, INC.,

By:

Title:

AGENT:

DEUTSCHE BANK TRUST COMPANY AMERICAS,
as Agent

By:

Title:

CANADIAN AGENT:

DEUTSCHE BANK AG, CANADA BRANCH,
as Canadian Agent

By:

Title:

DOCUMENTATION AGENT:

TRANSAMERICA BUSINESS CAPITAL CORPORATION

By:

Title:

CO-SYNDICATION AGENTS:

JPMORGAN CHASE BANK

By:

Title:

MERRILL LYNCH CAPITAL,
A DIVISION OF MERRILL LYNCH BUSINESS
FINANCIAL SERVICES INC.

By:

Title:

LENDERS:

DEUTSCHE BANK TRUST COMPANY AMERICAS

By:

Title:

DEUTSCHE BANK AG, CANADA BRANCH

By:

Title:

SCHEDULE A
TO
CREDIT AGREEMENT
DATED AS OF DECEMBER 19, 2002

CLOSING DOCUMENT LIST

A. CREDIT PARTY DOCUMENTS.

(i) Copies of the Governing Documents of each Credit Party, certified by the Secretary of State or equivalent Government Authority of its jurisdiction of organization and dated a recent date prior to the Closing Date or, if such document is of a type that may not be so certified, certified by the secretary or similar officer of the applicable Credit Party, together with a good standing certificate from the Secretary of State or equivalent Government Authority of its jurisdiction of organization and each other state in which such Person is qualified to do business and, to the extent generally available, a certificate or other evidence of good standing as to payment of any applicable franchise or similar taxes from the appropriate taxing authority of each of such jurisdictions, each dated a recent date prior to the Closing Date;

(ii) Resolutions of the Governing Body of such Credit Party approving and authorizing the execution, delivery and performance of the Credit Documents and Related Agreements to which it is a party, certified as of the Closing Date by the secretary or similar officer of such Credit Party as being in full force and effect without modification or amendment;

(iii) Signature and incumbency certificates of the officers of such Credit Party executing the Loan Documents to which it is a party;

(iv) Executed originals of the Loan Documents to which such Credit Party is a party; and

(v) Such other documents as US Agent may reasonably request.

B. FINANCIAL STATEMENTS; PRO FORMA BALANCE SHEET. On or before the Closing Date, Lenders shall have received from Holdings (i) audited financial statements of the Subject Business and its Subsidiaries for Fiscal Years 1999, 2000 and 2001, consisting of balance sheets and the related consolidated statements of income, stockholders' equity and cash flows for such Fiscal Years, (ii) unaudited financial statements of the Subject Business and its Subsidiaries as at September 30, 2002, consisting of a balance sheet and the related consolidated and consolidating statements of income, stockholders' equity and cash flows for the 9-month period ending on such date, all in reasonable detail and certified by the chief financial officer of Holdings that they fairly present the financial condition of the Subject Business and its Subsidiaries as at the dates indicated and the results of their operations and their cash flows for the periods indicated, subject to changes resulting from audit and normal year-end adjustments, and (iii) pro forma consolidated and consolidating balance sheets of Holdings and its Subsidiaries prepared based on financial statements as at September 30, 2002, prepared in accordance with GAAP and reflecting the consummation of the Acquisition, the related financings and the other transactions contemplated by the Loan Documents and the Related Agreements, which pro forma financial statements shall be in

form and substance satisfactory to Agent along with a certificate signed by a duly authorized Officer of Borrowers that there has not been a material change in Holdings and its Subsidiaries since October 31, 2002.

C. OPINIONS OF COUNSEL TO CREDIT PARTIES. Lenders shall have received (i) originally executed copies of one or more favorable written opinions of Fulbright & Jaworski, counsel for Credit Parties, and other counsel to the Credit Parties approved by Agent, in form and substance reasonably satisfactory to Agents and their counsel, dated as of the Closing Date and setting forth substantially the matters in the opinions designated in Exhibit F annexed hereto and as to such other matters as Agents acting on behalf of Lenders may reasonably request (this Credit Agreement constituting a written request by Borrowers to such counsel to deliver such opinions to Lenders) and (ii) copies of all opinions issued by counsel to any Loan Party or issued to any Credit Party relating to any transactions occurring on or about the Closing Date pursuant to any of the Credit Documents or any of the Related Agreements, each of which opinions shall be accompanied by a written authorization from counsel issuing such opinion stating that US Agent and Lenders may rely on such opinions as though such opinions were addressed to US Agent and Lenders.

D. SOLVENCY ASSURANCES. On the Closing Date, Agents and Lenders shall have received an Officer's Certificate of Holdings and each Subsidiary Guarantor dated the Closing Date, substantially in the form of Exhibit G annexed hereto and with appropriate attachments, in each case demonstrating that, after giving effect to the consummation of the transactions contemplated by the Credit Documents, Holdings and each Subsidiary Guarantor will be solvent.

E. EVIDENCE OF INSURANCE. Agents shall have reviewed the adequacy of the types and amounts of Credit Parties' insurance coverage, including without limitation, casualty, hazard, title, business interruption and product liability insurance, and such review shall be in form and substance satisfactory to Agents. Agents shall have received a certificate from Borrowers' insurance broker or other evidence satisfactory to it that all insurance required to be maintained pursuant to Section 7.8 is in full force and effect and that an Agent on behalf of Lenders has been named as additional insured and/or loss payee thereunder to the extent required under Section 7.8.

F. SECURITY INTERESTS IN PERSONAL AND MIXED PROPERTY. Agents shall have received evidence satisfactory to it that each Credit Party shall have taken or caused to be taken all such actions, executed and delivered or caused to be executed and delivered all such agreements, documents and instruments, and made or caused to be made all such filings and recordings (other than the filing or recording of items described in clauses (iii), (iv) and (v) below) that may be necessary or, in the opinion of Agents, desirable in order to create in favor of Agents, for the benefit of Lenders, a valid and (upon such filing and recording) perfected First Priority security interest in the entire personal and mixed property Collateral. Such actions shall include the following:

(i) Schedules to Collateral Documents. Delivery to Agents of accurate and complete schedules to all of the applicable Collateral Documents;

(ii) Stock Certificates and Instruments. Delivery to Agents of (a) certificates (which certificates shall be accompanied by irrevocable undated stock powers, duly endorsed in blank and otherwise satisfactory in form and substance to Agents) representing all Capital

Securities pledged pursuant to the Security Agreement and all Foreign Pledge Agreements and (b) all promissory notes or other instruments (duly endorsed, where appropriate, in a manner satisfactory to Agents) evidencing any Collateral, it being agreed, however, that "Collateral" shall not include loans by Holdings to Grant Prideco Canada, Ltd. treated as equity investments for purposes of US tax reporting;

(iii) Lien Searches and UCC Termination Statements. Delivery to Agents of (a) the results of a recent search, by a Person satisfactory to Agents, of all effective UCC financing statements and fixture filings and all judgment and tax lien filings which may have been made with respect to any personal or mixed property of any Credit Party, together with copies of all such filings disclosed by such search, and (b) UCC termination statements duly executed by all applicable Persons in all applicable jurisdictions as may be necessary to terminate any effective UCC financing statements or fixture filings disclosed in such search (other than any such financing statements or fixture filings in respect of Liens permitted to remain outstanding pursuant to the terms of this Credit Agreement);

(iv) UCC Financing Statements and Fixture Filings. Prior filing of UCC financing statements and, where appropriate, fixture filings, duly executed by each applicable Credit Party (if required) with respect to all personal and mixed property Collateral of such Credit Party, for filing in all jurisdictions as may be necessary or, in the opinion of Agents, desirable to perfect the security interests created in such Collateral pursuant to the Collateral Documents;

(v) PTO Cover Sheets, Etc. Delivery to US Agent of all cover sheets or other documents or instruments required to be filed with the PTO in order to create or perfect Liens in respect of any IP Collateral;

(vi) Cash Management. Delivery to Agents of a Control Agreement executed by each Person that is a party thereto with respect to each Depository Account and a Control Agreement with respect to each Concentration Account;

(vii) Foreign Pledge Agreements. Execution and delivery to Agent of Foreign Pledge Agreements with respect to 65% of the Capital Securities owned by Holdings or a Domestic Subsidiary of all Foreign Subsidiaries and Canadian Borrowers, in each case, with respect to which an Agent deems a Foreign Pledge Agreement necessary or advisable to perfect or otherwise protect the First Priority Liens granted to such Agent on behalf of Lenders in such Capital Securities, and the taking of all such other actions under the laws of such jurisdictions as such Agent may deem necessary or advisable to perfect or otherwise protect such Liens; and

(viii) Opinions of Local Counsel. Upon request by an Agent, delivery to such Agent of (a) an opinion of counsel (which counsel shall be reasonably satisfactory to such Agent) with respect to the creation and perfection of the security interests in favor of such Agent in such personal or mixed property Collateral and such other matters governed by the laws of such jurisdiction regarding such security interests as such Agent may reasonably

request, and (b) an opinion of counsel (which counsel shall be reasonably satisfactory to such Agent) under the laws of each jurisdiction in which any Loan Party or any personal or mixed property Collateral is located with respect to the creation and perfection of the security interests in favor of Agent in such Collateral and such other matters governed by the laws of such jurisdiction regarding such security

interests as Agent may reasonably request, in each case in form and substance reasonably satisfactory to Agent.

G. CLOSING DATE MORTGAGES; CLOSING DATE MORTGAGE POLICIES; ETC. Agent shall have received from Borrowers and each applicable Subsidiary Guarantor:

(i) Closing Date Mortgages. Fully executed and notarized Mortgages (each a "CLOSING DATE MORTGAGE" and, collectively, the "CLOSING DATE MORTGAGES"), duly recorded in all appropriate places in all applicable jurisdictions, encumbering each Real Property Asset listed in Schedule A-Part G annexed hereto (each a "CLOSING DATE MORTGAGED PROPERTY" and, collectively, the "CLOSING DATE MORTGAGED PROPERTIES");

(ii) Opinions of Local Counsel. An opinion of counsel (which counsel shall be reasonably satisfactory to Agents) in each state or other jurisdiction in which a Closing Date Mortgaged Property is located with respect to the enforceability of the form(s) of Closing Date Mortgages to be recorded in such state and such other matters as Agents reasonably request, in each case in form and substance reasonably satisfactory to Agents;

(iii) Landlord Consents and Estoppels; Recorded Leasehold Interests. In the case of each Closing Date Mortgaged Property consisting of a Leasehold Property, (a) a Landlord Consent and Estoppel with respect thereto and (b) evidence that such Leasehold Property is a Recorded Leasehold Interest;

(iv) Title Insurance. (a) ALTA mortgagee title insurance policies or unconditional commitments therefor (the "CLOSING DATE MORTGAGE POLICIES") issued by the Title Company with respect to the Closing Date Mortgaged Properties listed in Part A of Schedule A-Part G) annexed hereto, in amounts not less than the respective amounts designated therein with respect to any particular Closing Date Mortgaged Properties, insuring fee simple title to, or a valid leasehold interest in, each such Closing Date Mortgaged Property vested in such Credit Party and assuring Agent that the applicable Closing Date Mortgages create valid and enforceable First Priority mortgage Liens on the respective Closing Date Mortgaged Properties encumbered thereby, subject only to a standard survey exception, which Closing Date Mortgage Policies (1) shall include an endorsement for mechanics' liens, for future advances under this Credit Agreement and for any other matters reasonably requested by Agent and (2) shall provide for affirmative insurance and such reinsurance as Agent may reasonably request, all of the foregoing in form and substance reasonably satisfactory to Agent; and (b) evidence satisfactory to Agent that such Credit Party has (i) delivered to the Title Company all certificates and affidavits required by the Title Company in connection with the issuance of the Closing Date Mortgage Policies and (ii) paid to the Title Company or to the appropriate governmental authorities all expenses and premiums of the Title Company in connection with the issuance of the Closing Date Mortgage Policies and all recording and stamp taxes (including mortgage recording and intangible taxes) payable in connection with recording the Closing Date Mortgages in the appropriate real estate records;

(v) Copies of Documents Relating to Title Exceptions. Copies of all recorded documents listed as exceptions to title or otherwise referred to in the Closing Date Mortgage Policies or in the title reports delivered pursuant to paragraph (v), above;

(vi) Matters Relating to Flood Hazard Properties. (a) Evidence, which may be in the form of a letter from an insurance broker or a municipal engineer, as to whether (1) any Closing Date Mortgaged Property is a Flood Hazard Property and (2) the community in which any such Flood Hazard

Property is located is participating in the National Flood Insurance Program, (b) if there are any such Flood Hazard Properties, such Credit Party's written acknowledgement of receipt of written notification from Agent (1) as to the existence of each such Flood Hazard Property and (2) as to whether the community in which each such Flood Hazard Property is located is participating in the National Flood Insurance Program, and (c) in the event any such Flood Hazard Property is located in a community that participates in the National Flood Insurance Program, evidence that Company has obtained flood insurance in respect of such Flood Hazard Property to the extent required under the applicable regulations of the Board of Governors of the Federal Reserve System; and

(vii) Environmental Indemnity. If requested by an Agent, an environmental indemnity agreement, satisfactory in form and substance to such Agent and its counsel, with respect to the indemnification of such Agent and Lenders for any liabilities that may be imposed on or incurred by any of them as a result of any Hazardous Materials Activity.

H. REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF AGREEMENTS. Credit Parties shall have delivered to US Agent an Officer's Certificate, in form and substance satisfactory to US Agent, to the effect that the representations and warranties in Section 6 hereof are true, correct and complete in all material respects on and as of the Closing Date to the same extent as though made on and as of that date (or, to the extent such representations and warranties specifically relate to an earlier date, that such representations and warranties were true, correct and complete in all material respects on and as of such earlier date) and that Credit Parties shall have performed in all material respects all agreements and satisfied all conditions which this Credit Agreement provides shall be performed or satisfied by them on or before the Closing Date except as otherwise disclosed to and agreed to in writing by US Agent; provided that where a representation and warranty, covenant or condition is qualified as to materiality, such materiality qualifier shall be disregarded for purposes of this condition.

I. BORROWING BASE CERTIFICATE. On or before the Closing Date, Borrowers shall have delivered to Agents and Lenders a Borrowing Base Certificate relating to the Borrowing Base for each Borrower substantially in the form of Exhibit E annexed hereto, prepared as of a recent date prior to the Closing Date.

J. COLLATERAL AUDITS AND APPRAISALS. Agents shall have received (i) audits of the Inventory and Accounts of each Borrower and other Collateral designated by the Agents in form, scope and substance satisfactory to Agents, and (ii) appraisals, in form, scope and substance satisfactory to Agents, concerning (a) the value of any Real Property Assets constituting Closing Date Mortgaged Properties, and (b) the value of machinery and equipment of Borrowers and their Subsidiaries designated by Agent, in each case to the extent required by an Agent in its sole discretion.

K. RELATED AGREEMENTS. Agents and Requisite Lenders shall have received a fully executed or conformed copy of each Related Agreement and any documents executed in connection therewith, and each Related Agreement shall be in full force and effect and no provision

thereof shall have been modified or waived in any respect determined by Agent or Requisite Lenders to be material, in each case without the consent of Agent and Requisite Lenders, and Agent shall have received an Officer's Certificate of Company to that effect. Related Agreements shall not have been amended after the execution and delivery thereof (except as approved by US Agent and Requisite Lenders), and the Related Agreements shall each be satisfactory in form and substance to Agent and Requisite Lenders.

SCHEDULE L

CERTAIN PROVISIONS RELATING TO BANKERS' ACCEPTANCES

This Schedule L sets forth certain terms and conditions relating to the obligation of the Canadian Lenders to make loans to any Canadian

Borrower pursuant to Section 2.1(c) of the Credit Agreement by way of Bankers' Acceptances. Capitalized terms used herein shall have the meanings assigned to such terms in the Credit Agreement.

(a) Availability. Each Notice of Borrowing, Notice of Conversion or Notice of Continuation for Bankers' Acceptances shall be in a minimum aggregate Face Amount of Cdn.$1,000,000 or a multiple of Cdn. $1,000,000 in excess thereof, and a Canadian Lender shall not be obliged to accept any Draft:

(i) which is drawn on or which matures on a day which is not a Business Day;

(ii) which matures on a day subsequent to the Expiration Date;

(iii) which has a term other than approximately 30, 60 or 90 days;

(iv) which is denominated in any currency other than Canadian Dollars;

(v) which is not in a form satisfactory to such Canadian Lender or the Canadian Agent;

(vi) which has a Face Amount of less than Cdn. $1,000,000 or the Face Amount of which is not an integral multiple of Cdn. $1,000,000;

(vii) in respect of which the applicable Canadian Borrower has not then paid the applicable Acceptance Fee; or

(vii) if a Default or an Event of Default has occurred and is continuing.

(b) Grace. Each Canadian Borrower hereby renounces, and shall not claim or request or require any Canadian Lender to claim, any days of grace for the payment of any Bankers' Acceptance.

(c) Bankers' Acceptances in Blank. To facilitate the acceptance by the Canadian Lenders of Drafts as contemplated by the Credit Agreement and this Schedule L, each Canadian Borrower that wishes to borrow Bankers' Acceptance Loans shall, on the date of the initial Credit Event and from time to time as required, supply each Canadian Lender with such numbers of Drafts as it may request, each executed and endorsed in blank by such Canadian Borrower. Each Canadian Lender shall exercise such care in the custody and safekeeping of such bills as they give to similar property owned by them. Each Canadian Lender is hereby authorized to issue such Bankers' Acceptances endorsed in blank in such Face Amounts as may be determined by such Canadian Lender, provided that the aggregate amount thereof is equal to the aggregate amount of Bankers' Acceptances required to be accepted by such Canadian Lender. No Canadian Lender shall be responsible or liable for its failure to accept a Bankers' Acceptance if the cause of

such failure is, in whole or in part, due to the failure of any Canadian Borrower to provide duly executed and endorsed Drafts to such Canadian Lender on a timely basis, nor shall any Canadian Lender be liable for any damage, loss or other claim arising by reason of any loss or improper use of any such instrument except loss or improper use to the extent same has been finally judicially determined to have arisen by reason of the gross negligence or willful misconduct of such Canadian Lender, its officers, employees, agents or representatives. Each Canadian Lender shall maintain a record with respect to Bankers' Acceptances (i) received by it from the Canadian Borrower in blank hereunder, (ii) voided by it for any reason, (iii) accepted by it hereunder, (iv) purchased by it hereunder, and (v) canceled at their respective maturity dates.

(d) Execution of Bankers' Acceptances. Drafts of any Canadian Borrower to be accepted as Bankers' Acceptances hereunder shall be duly executed on behalf of such Canadian Borrower and upon the request of any Canadian Lender, each Canadian Borrower shall provide to such Canadian Lender a power of attorney to complete, sign, endorse and issue Bankers' Acceptances on behalf of such Canadian Borrower in form and substance satisfactory to such Canadian Lender.

Notwithstanding that any one or more of the individuals whose manual or facsimile signature appears on any bill as a signatory on behalf of any Canadian Borrower may no longer hold office at the date of such bill or at the date of its acceptance by any Canadian Lender hereunder, or at any time thereafter, any Bankers' Acceptance signed as aforesaid on behalf of such Canadian Borrower shall be valid and binding upon such Canadian Borrower. Alternatively, at the request of any Canadian Lender, each Canadian Borrower shall deliver to such Canadian Lender a "depository note" which complies with the requirements of the Depository Bills and Notes Act (Canada), and hereby consents to the deposit of any Bankers' Acceptance in the form of a depository note in the book-based debt clearance system maintained by the Canadian Depository of Securities Limited or other recognized clearing house. In such circumstances, the delivery of Bankers' Acceptances shall be governed by the clearance procedures established thereunder.

(e) Issuance of Bankers' Acceptances. Promptly following receipt of a notice of borrowing, conversion or continuation by way of Bankers' Acceptances, the Canadian Agent shall so advise the Canadian Lenders and shall advise each Canadian Lender of the Face Amount of each Bankers' Acceptance to be accepted by it and the term thereof. The aggregate Face Amount of Bankers' Acceptances to be accepted by a Canadian Lender shall be determined by the Canadian Agent on a pro rata basis by reference to, in the case of a Bankers' Acceptance Loan that is a Canadian Revolving Loan, the respective Canadian Revolving Loan Commitments of the Canadian Lenders, or, in the case of a Bankers' Acceptance Loan that is a Canadian Term Loan, the respective Canadian Term Loan Commitments of the Canadian Lenders, except that, if the Face Amount of the Bankers' Acceptance that would otherwise be accepted by a Canadian Lender, would not be Cdn. $1,000,000 or a multiple thereof, such Face Amount shall be increased or reduced by the Canadian Agent in its sole discretion to the nearest multiple of Cdn. $1,000,000.

Notwithstanding the foregoing, if by reason of any increase or reduction described in the immediately preceding sentence, any Canadian Lender shall have a Canadian Revolving Loan Exposure in excess of its respective Canadian Revolving Loan Commitment or a Canadian Term Loan Exposure in excess of its respective Canadian Term Loan Commitment (any such Canadian Lender being herein called an "Over-Allotted Lender"), then at any time following the occurrence and during the continuance of an Event of Default, each other Canadian Lender agrees, upon request of the Over-Allotted Lender, to promptly purchase from such Over-Allotted Lender

participations in (or, if and to the extent specified by any such purchasing Lender, direct interests in) the Canadian Revolving Loans or Canadian Term Loans, as applicable, owing to the Over-Allotted Lender (and in interest due thereon, as the case may be) in such amounts, and to make such other adjustments from time to time as shall be equitable, such that all the Canadian Lenders shall hold the Canadian Revolving Loans and Canadian Term Loans ratably according to their respective Canadian Revolving Loan Commitments or Canadian Term Loan Commitments, as the case may be.

(f) Purchase of Bankers' Acceptances: Continuations as and Conversions into Bankers' Acceptance Loans. Subject to clause (k) below, upon the acceptance of a Bankers' Acceptance by a Canadian Lender, such Canadian Lender shall purchase, or arrange the purchase of, each Bankers' Acceptance from the respective Canadian Borrower at a price equal to the BA Discount Proceeds of such Bankers' Acceptance and provide to the Canadian Agent an amount in Canadian Dollars equal to such BA Discount Proceeds for the account of the respective Canadian Borrower. The BA Discount Proceeds so received by the Canadian Agent from the Canadian Lenders shall be retained by the Canadian Agent and applied as follows: (i) in the case of a conversion of a Canadian Prime Rate Loan made in Canadian Dollars to a Bankers Acceptance Loan, to the payment of the applicable Canadian Prime Rate Loan, (ii) in the case of a continuance of Bankers' Acceptance Loans to new Bankers' Acceptance Loans, to the payment of the applicable Bankers' Acceptance Loans maturing on such date, and (iii) in all other cases, remitted to the respective Canadian Borrower; provided that in the case of any such conversion or continuation of Canadian Loans, the respective Canadian Borrower shall pay to the Canadian Agent for account of the respective Canadian Lenders such additional amounts, if any, as shall be necessary to effect the payment in full of the respective Canadian Prime Rate Loans or LIBOR Rate Loans, as the case may be, being repaid, or the Bankers' Acceptances maturing, on such date.

On any date on which a borrowing, conversion or continuation shall occur, the Canadian Agent shall be entitled to net all amounts payable on such date by the Canadian Agent to a Canadian Lender against all amounts payable on such date by such Canadian Lender to the Canadian Agent. Similarly, on any such date, each Canadian Borrower hereby authorizes each Canadian Lender to net all amounts payable on such date by such Canadian Lender to the Canadian Agent for the account of such Canadian Borrower, against all amounts (including without limitation, Acceptance Fees under clause (g) below) payable on such date by such Canadian Borrower to such Canadian Lender in accordance with the Canadian Agent's calculations.

(g) Acceptance Fees. Each Canadian Borrower shall pay to the Canadian Agent, in advance, for distribution to each Canadian Lender which accepts a Bankers' Acceptance, an Acceptance Fee in respect of the Face Amount of such Bankers' Acceptance, which shall be payable on or before the date of acceptance of such Bankers' Acceptance.

(h) Prepayments and Payments. Subject to clause (j) of this Schedule L, no prepayment of any Bankers' Acceptances shall be made by any Canadian Borrower prior to the maturity date of such Bankers' Acceptance. Each Canadian Borrower hereby unconditionally agrees to pay to the Canadian Agent for the account of each Canadian Lender an amount in Canadian Dollars equal to the Face Amount of each Bankers' Acceptance created by such Canadian Lender for the account of such Borrower on the maturity date thereof (whether at stated

maturity, by acceleration or otherwise and notwithstanding that the Canadian Lender may be the holder of it at maturity).

(i) Conversion to Canadian Prime Rate Loans upon Maturity. Unless a Bankers' Acceptance is paid in full at the maturity thereof, or continued as another Bankers' Acceptance Loan, the obligation of any Canadian Borrower to any Canadian Lender in respect of a maturing Bankers' Acceptance accepted by such Canadian Lender shall be deemed to be converted automatically into a Canadian Prime Rate Loan in an amount equal to the full Face Amount of the maturing Bankers' Acceptance. Such Canadian Prime Rate Loan shall be subject to all of the provisions of the Credit Agreement applicable to a Canadian Prime Rate Loan, including in particular the obligation to pay interest, from and after the maturity date of such Bankers' Acceptance. Each Canadian Lender shall be obligated to make the Canadian Prime Rate Loan contemplated under this clause (i) regardless of whether the conditions precedent to borrowing set forth in the Credit Agreement are then satisfied.

(j) Default. Upon the Canadian Loans becoming due and payable pursuant to Article 9 of the Credit Agreement (whether by action of the Canadian Agent, upon the written request of the Majority Lenders, or automatically by reason of the occurrence of an Event of Default referred to in Section 9.1(e) with respect to any Credit Party), each Canadian Borrower shall pay to the Canadian Agent in satisfaction of the obligations of such Canadian Borrower to the Canadian Lenders in respect of then-outstanding Bankers' Acceptances, and there shall become immediately due and payable, an amount equal to: (i) the aggregate Face Amount of all outstanding Bankers' Acceptances thereof; and (ii) all unpaid Acceptance Fees, if any.

(k) Circumstances Making Bankers' Acceptances Unavailable. If the Canadian Agent shall have reasonably determined (which determination shall be conclusive and binding upon all parties hereto) and notified the Canadian Funds Administrator and each of the Canadian Lenders that, by reason of circumstances arising after the date of the initial Credit Event and affecting the Canadian money market (i) there is no market for Bankers' Acceptances or (ii) the demand for Bankers' Acceptances is insufficient to allow the sale or trading of the Bankers' Acceptances created and purchased hereunder, then the right of any Canadian Borrower to request that any Canadian Lender accept a Bankers' Acceptance shall be suspended until the Canadian Agent determines that the circumstances giving rise to such suspension no longer exist and the Canadian Agent so notifies the Canadian Funds Administrator.

(l) Indemnification in Respect of Bankers' Acceptances. In addition to any liability of any Canadian Borrower to any Lender or Agent under any other provision hereof, each Canadian Borrower shall indemnify each Canadian Lender and the Canadian Agent and hold each of them harmless against any loss or expense incurred by such Canadian Lender or the Canadian Agent as a result of (x) any failure by such Canadian Borrower to fulfill any of its obligations

hereunder including, without limitation, any cost or expense incurred by reason of the liquidation or re-employment in whole or in part of deposits or other funds required by any Canadian Lender to fund any Bankers' Acceptance as a result of the failure of such Canadian Borrower to make any payment, repayment or prepayment on the date required hereunder or specified by it in any notice given hereunder or under the Credit Agreement; or (y) such Canadian Borrower's failure to provide

for the payment to the Canadian Agent, for the account of each of the Canadian Lenders, of the full Face Amount of each Bankers' Acceptance on its maturity date.

(m) Canadian Lenders as Holders. Bankers' Acceptances purchased by a Canadian Lender may be held by it for its own account until the maturity date or sold by it at any time prior to that date in any relevant Canadian market in such Canadian Lender's sole discretion.

(n) Utilizations under Canadian Dollar Loans Commitment. For the purposes of the Credit Agreement and this Schedule L, each Bankers' Acceptance shall be considered to be a Canadian Loan in an amount equal to the aggregate Face Amount of such Bankers' Acceptance and, for greater certainty and without limiting the generality of the foregoing, in any calculation of the amount of any Canadian Revolving Loans or Canadian Term Loans, there shall be included in such calculation the Face Amount of all outstanding Bankers' Acceptances accepted by the Canadian Lenders pursuant to the Canadian Revolving Loan Commitment or the Canadian Term Loan Commitment, as the case may be.

EXHIBIT 4.7

SECURITY AGREEMENT

This SECURITY AGREEMENT (this "AGREEMENT") is dated as of December 19, 2002 and entered into by and among Grant Prideco, Inc., a Delaware corporation ("HOLDINGS"), each of THE UNDERSIGNED DIRECT AND INDIRECT SUBSIDIARIES of Holdings (each of such undersigned Subsidiaries being a "SUBSIDIARY GRANTOR" and collectively "SUBSIDIARY GRANTORS") and each ADDITIONAL GRANTOR that may become a party hereto after the date hereof in accordance with Section 22 hereof (each of Holdings, each Subsidiary Grantor, and each Additional Grantor being a "GRANTOR" and collectively the "GRANTORS") and Deutsche Bank Trust Company Americas ("AGENT"), as agent for and representative of (in such capacity herein called "SECURED PARTY") the financial institutions ("LENDERS") party to the Credit Agreement referred to below.

PRELIMINARY STATEMENTS

A. Pursuant to the Credit Agreement dated as of the date hereof (said Credit Agreement, as it may hereafter be further amended, restated, supplemented or otherwise modified from time to time, being the "CREDIT AGREEMENT"), by and among the Grantors, the financial institutions listed therein as Lenders, and Deutsche Bank Trust Company Americas, as Agent, Lenders have made certain commitments, subject to the terms and conditions set forth in the Credit Agreement, to extend certain credit facilities to the Grantors. Capitalized terms used herein and not otherwise defined herein have the meanings ascribed thereto in the Credit Agreement.

B. Grantors may from time to time enter, or may from time to time have entered, into one or more Permitted Hedge Agreements (collectively, the "LENDER HEDGE AGREEMENTS") with one or more Persons that are Lenders or Affiliates of Lenders at the time such Lender Hedge Agreements are entered into (in such capacity, collectively, "HEDGE LENDERS") in accordance with the terms of the Credit Agreement, and it is desired that the obligations of such Grantors under the Lender Hedge Agreements, including without limitation the obligation of such Grantors to make payments thereunder in the event of early termination thereof, together with all obligations of such Grantors under the Credit Agreement and the other Loan Documents, be secured hereunder.

C. Each Subsidiary Grantor has executed and delivered that certain Subsidiary Guaranty dated the date hereof (said Subsidiary Guaranty, as it may hereafter be amended, restated, supplemented or otherwise modified from time to time, being the "SUBSIDIARY GUARANTY") in favor of Secured Party for the benefit of Lenders and any Hedge Lenders, pursuant to which each such Subsidiary Grantor has guarantied the prompt payment and performance when due of all obligations of such Grantor under the Credit Agreement and all obligations of such Grantor under the Lender Hedge Agreements, including without limitation the obligation of such Grantor to make payments thereunder in the event of early

termination thereof.

D. It is a condition precedent to the initial extensions of credit by Lenders under the Credit Agreement that Grantors listed on the signature pages hereof shall have granted the security interests and undertaken the obligations contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce Lenders to make Loans and other extensions of credit under the Credit Agreement and to induce Hedge Lenders to enter into the Lender Hedge Agreements, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, each Grantor hereby agrees with Secured Party as follows:

SECTION 1. GRANT OF SECURITY.

Each Grantor hereby assigns to Secured Party, and hereby grants to Secured Party a security interest in, all of such Grantor's right, title and interest in and to the following, in each case whether now or hereafter existing, whether tangible or intangible, or in which such Grantor now has or hereafter acquires an interest and wherever the same may be located (the "COLLATERAL"):

(a) all equipment in all of its forms, all parts thereof and all accessions thereto (any and all such equipment, parts and accessions being the "EQUIPMENT");

(b) all inventory in all of its forms, including but not limited to (i) all goods held by such Grantor for sale or lease or to be furnished under contracts of service or so leased or furnished, (ii) all raw materials, work in process, finished goods, and materials used or consumed in the manufacture, packing, shipping, advertising, selling, leasing, furnishing or production of such inventory or otherwise used or consumed in such Grantor's business, (iii) all goods in which such Grantor has an interest in mass or a joint or other interest or right of any kind, and (iv) all goods which are returned to or repossessed by such Grantor and all accessions thereto and products thereof (collectively the "INVENTORY") and all negotiable and non-negotiable documents of title (including without limitation warehouse receipts, dock receipts and bills of lading) issued by any Person covering any Inventory (any such negotiable document of title being a "NEGOTIABLE DOCUMENT OF TITLE");

(c) all accounts, contract rights, chattel paper, documents, instruments, letters of credit; letter-of-credit rights and other rights and obligations of any kind owned by or owing to such Grantor and all rights in, to and under all security agreements, leases and other contracts securing or

otherwise relating to any such accounts, contract rights, chattel paper, documents, instruments, letter-of-credit rights or other rights and obligations (any and all such accounts, contract rights, chattel paper, documents, instruments, letter-of-credit rights and other rights and obligations being the "ACCOUNTS", and any and all such security agreements, leases and other contracts being the "RELATED CONTRACTS");

(d) all deposit accounts, including the restricted deposit account established and maintained by Secured Party pursuant to Section 12 (the "COLLATERAL ACCOUNT"), together with (i) all amounts on deposit from time to time in such deposit accounts and (ii) all interest, cash, instruments, securities and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the foregoing ("DEPOSIT ACCOUNTS");

(e) the "SECURITIES COLLATERAL", which term means:

(i) all shares of stock, partnership interests, interests in joint ventures, limited liability company interests and all other equity interests in a Person, including all securities convertible into, and rights, warrants, options and other rights to purchase or otherwise acquire, any of the foregoing now or hereafter owned by such Grantor, including those owned on the date hereof and described on Schedule 1(e)(i), and the certificates or other instruments representing any of the foregoing and any interest of such Grantor in the entries on the books of any securities intermediary pertaining thereto (the "PLEDGED SHARES"), and all dividends, distributions, returns of capital, cash, warrants, option, rights, instruments, rights to vote or manage the business of such Person pursuant to organizational documents governing the rights and obligations of the stockholders, partners, members or other owners thereof and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such Pledged Shares; provided, that if the issuer of any of such Pledged Shares is a controlled foreign corporation (used hereinafter as such term is defined in Section 957(a) or a successor provision of the Internal Revenue Code), the Pledged Shares shall not include any shares of stock of such issuer in excess of the number of shares of such issuer possessing up to but not exceeding 65% of the voting power of all classes of capital stock entitled to vote of such issuer, and all dividends, cash, warrants, rights, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such Pledged Shares;

(ii) all indebtedness from time to time owed to such Grantor by any obligor that is, or becomes, a direct or indirect Subsidiary of such Grantor, or by any obligor of which Grantor is a direct or indirect Subsidiary, including the indebtedness described on Schedule 1(e)(ii) and issued by the obligors named therein, and the instruments evidencing such indebtedness (the "PLEDGED DEBT"), and all interest, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Debt; and

(iii) all other investment property of such Grantor;

(f) the "INTELLECTUAL PROPERTY COLLATERAL", which term means:

(i) all rights, title and interest (including rights acquired pursuant to a license or otherwise, but only to the extent not prohibited by any enforceable provision of any agreements governing such license or other use) in and to all trademarks, service marks, designs, logos, indicia, tradenames, trade dress, corporate names, company names, business names, fictitious business names, trade styles and/or other source and/or business identifiers and applications pertaining thereto, owned by such Grantor, or hereafter adopted and used, in its business (including, without limitation, the trademarks specifically identified in Schedule 1(f)(i), as the same may be amended pursuant hereto from time to time) (collectively, the "TRADEMARKS"), all registrations that have been or may hereafter be issued or applied for thereon in the United States and any state thereof and in foreign countries (including, without limitation, the registrations and applications

specifically identified in Schedule 1(f)(i), as the same may be amended pursuant hereto from time to time; but excluding any application at the United States Patent and Trademark Office to the extent an assignment for security purposes would void the same pursuant to applicable law or any enforceable contract provision) (the "TRADEMARK REGISTRATIONS"), all common law and other rights in and to the Trademarks in the United States and any state thereof and in foreign countries (the "TRADEMARK RIGHTS"), and all goodwill of such Grantor's business symbolized by the Trademarks and associated therewith (the "ASSOCIATED GOODWILL"):

(ii) all rights, title and interest (including rights acquired pursuant to a license or otherwise, but only to the extent not prohibited by any enforceable provision of any agreements governing such license or other use) in and to all patents and patent

applications and rights and interests in patents and patent applications under any domestic or foreign law that are presently, or in the future may be, owned or held by such Grantor and all patents and patent applications and rights, title and interests in patents and patent applications under any domestic or foreign law that are presently, or in the future may be, owned by such Grantor in whole or in part (including, without limitation, the patents and patent applications listed in Schedule 1(f)(ii), as the same may be amended pursuant hereto from time to time), all rights corresponding thereto (including, without limitation, the right, exercisable only upon the occurrence and during the continuation of an Event of Default, to sue for past, present and future infringements in the name of such Grantor or in the name of Secured Party or Lenders), and all re-issues, divisions, continuations, renewals, extensions and continuations-in-part thereof (all of the foregoing being collectively referred to as the "PATENTS"); it being understood that the rights and interests included in the Intellectual Property Collateral hereby shall include, without limitation, all rights and interests pursuant to licensing or other contracts in favor of such Grantor pertaining to patent applications and patents presently or in the future owned or used by third parties but, (x) in the case of third parties which are not Affiliates of such Grantor, only to the extent permitted by such licensing or other contracts and, if not so permitted, only with the consent of such third parties, and (y) excluding any application at the United States Patent and Trademark Office to the extent an assignment for security purposes would void the same pursuant to applicable law or any enforceable contract provision; and

(iii) all rights, title and interest (including rights acquired pursuant to a license or otherwise, but only to the extent not prohibited by any enforceable provision of any agreements governing such license or other use) under copyright in various published and unpublished works of authorship including, without limitation, computer programs, computer data bases, other computer software, layouts, trade dress, drawings, designs, writings, and formulas owned by such Grantor (including, without limitation, the works listed on Schedule 1(f)(iii), as the same may be amended pursuant hereto from time to time) (collectively, the "COPYRIGHTS"), all copyright registrations issued to such Grantor and applications for copyright registration that have been or may hereafter be issued or applied for thereon by such Grantor in the United States and any state thereof and in foreign countries (including, without limitation, the registrations listed on Schedule 1(f)(iii), as the same may be amended pursuant hereto from time to time) (collectively, the "COPYRIGHT REGISTRATIONS"), all common law and other rights in and to the

Copyrights in the United States and any state thereof and in foreign countries including all copyright licenses (but with respect to such copyright licenses, only to the extent permitted by such licensing arrangements) (the "COPYRIGHT RIGHTS"), including, without limitation, each of the Copyrights, rights, titles and interests in and to the Copyrights, all derivative works and other works protectable by copyright, which are presently, or in the future may be, owned, created (as a work for hire for the benefit of such Grantor), authored (as a work for hire for the benefit of such Grantor), or acquired by such Grantor, in whole or in part, and all Copyright Rights with respect thereto and all Copyright Registrations therefor, heretofore or hereafter granted or applied for, and all renewals and extensions thereof, throughout the world, including all proceeds thereof (such as, by way of example and not by limitation, license royalties and proceeds of infringement suits), the right to renew and extend such Copyright Registrations and Copyright Rights and to register works protectable by copyright and the right to sue for past, present and future infringements of the Copyrights and Copyright Rights;

(g) all information used or useful or arising from the business including all goodwill, trade secrets, trade secret rights, know-how, customer lists, processes of production, ideas, confidential business information, techniques, processes, formulas, and all other proprietary information;

(h) the agreements listed in Schedule 1(h), as each such agreement may be amended, restated, supplemented or otherwise modified from time to time (said agreements, as so amended, restated, supplemented or otherwise modified, being referred to herein individually as an "ASSIGNED AGREEMENT" and collectively as the "ASSIGNED AGREEMENTS"), including, without limitation, (i) all rights of such Grantor to receive moneys due or to become due under or pursuant to the Assigned Agreements, (ii) all rights of such Grantor to receive proceeds of any insurance, indemnity, warranty or guaranty with respect to the Assigned Agreements, (iii) all claims of such Grantor for damages arising out of any breach of or default under the Assigned Agreements, and (iv) all rights of such Grantor to terminate, amend, supplement, modify or exercise rights or options under the Assigned Agreements, to perform thereunder and to compel performance and otherwise exercise all remedies thereunder; provided, however, that the term "ASSIGNED AGREEMENT" shall not include any agreement listed in Schedule 1(h) to the extent that the grant of a security interest in, or in connection with, any such agreement would result in a breach of an enforceable term of such agreement prohibiting such grant without the consent of the other party thereto (if such consent has not been provided);

(i) to the extent not included in any other paragraph of this Section 1, all general intangibles, including, without limitation, tax refunds, payment intangibles, other rights to payment or performance, choses in action, software and judgments taken on any rights or claims included in the Collateral);

(j) all plant fixtures, business fixtures and other fixtures and storage and office facilities, and all accessions thereto and products thereof;

(k) all books, records, ledger cards, files, correspondence, computer programs, tapes, disks and related data processing software that at any time evidence or contain information

relating to any of the Collateral or are otherwise necessary or helpful in the collection thereof or realization thereupon; and

(l) all proceeds, products, rents and profits of or from any and all of the foregoing Collateral and, to the extent not otherwise included, all payments under insurance (whether or not Secured Party is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral. For purposes of this Agreement, the term "PROCEEDS" includes whatever is receivable or received when Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary; but

(m) excluding the items specifically described on Schedule 1(m).

Each item of Collateral listed in this Section 1 that is defined in Articles 8 or 9 of the Uniform Commercial Code, as it exists on the date of this Agreement or as it may hereafter be amended, in the State of New York (the "UCC") shall have the meaning set forth in the UCC, it being the intention of the Grantors that the description of the Collateral set forth above be construed to include the broadest possible range of assets, except for assets expressly excluded as set forth above.

SECTION 2. SECURITY FOR OBLIGATIONS.

This Agreement secures, and the Collateral assigned by each Grantor is collateral security for, the prompt payment or performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including without limitation the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code), of all Secured Obligations of such Grantor. "Secured Obligations" means, with respect to each Grantor, all obligations and liabilities of every nature of such Grantor now or hereafter existing under or arising out of or in connection with the Credit Agreement and the other Credit Documents, together with all extensions or renewals thereof, whether for principal, interest (including without limitation interest that, but

for the filing of a petition in bankruptcy with respect to any Grantor, would accrue on such obligations, whether or not a claim is allowed against such Grantor for such interest in the related bankruptcy proceeding), reimbursement of amounts drawn under Letters of Credit, fees, expenses, indemnities or otherwise, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from Secured Party or any Lender as a preference, fraudulent transfer or otherwise, and all obligations of every nature of such Grantor now or hereafter existing under this Agreement.

SECTION 3. GRANTORS REMAIN LIABLE.

Anything contained herein to the contrary notwithstanding, (a) each Grantor shall remain liable under any contracts and agreements included in the Collateral, to the extent set forth therein, to perform all of its duties and obligations thereunder to the same extent as if this

Agreement had not been executed, (b) the exercise by Secured Party of any of its rights hereunder shall not release any Grantor from any of its duties or obligations under the contracts and agreements included in the Collateral, and (c) Secured Party shall not have any obligation or liability under any contracts, licenses, and agreements included in the Collateral by reason of this Agreement, nor shall Secured Party be obligated to perform any of the obligations or duties of any Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

SECTION 4. REPRESENTATIONS AND WARRANTIES.

Each Grantor represents and warrants as follows with respect to itself (and not with respect to any other Grantor):

(a) OWNERSHIP OF COLLATERAL. Except as expressly permitted by the Credit Agreement and for the security interest created by this Agreement, such Grantor owns the Collateral owned by such Grantor free and clear of any Lien. Except as expressly permitted by the Credit Agreement and such as may have been filed in favor of Secured Party relating to this Agreement, no effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any filing or recording office.

(b) DELIVERY OF CERTAIN COLLATERAL. All certificates or instruments (excluding checks and drafts) evidencing, comprising or representing

the Collateral (including, without limitation, the Securities Collateral) have been delivered to Secured Party duly endorsed or accompanied by duly executed instruments of transfer or assignment in blank. Notwithstanding anything to the contrary in the preceding sentence, (i) the Grantors are not obligated to deliver to Secured Party negotiable instruments of title unless an Event of Default has occurred and is continuing and the applicable Agent requests delivery of such items and (ii) the Grantors are not obligated to deliver to Secured Party Letters of Credit unless requested by Secured Party. If requested by Secured Party, each Grantor will cause all Letters of Credit to be delivered to Secured Party. If Grantors are required to deliver Letters of Credit to Secured Party, then any Grantor notify the Secured Party from time to time of its desire to make a draw on a Letter of Credit and its request for return of the Letter of Credit for such purposes. The Secured Party shall, promptly after receipt of any such request, return the requested Letter of Credit to the requesting Grantor. Such Grantor shall within five (5) business days after receipt of such Letter of Credit either, present such Letter of Credit to the issuing bank for draw thereon or return the Letter of Credit to Secured Party. If the Letter of Credit is partially (rather than fully) drawn, the Grantor shall return the Letter of Credit to the Secured Party within three (3) business days after submitting the Letter of Credit for such partial draw (or if the Letter of Credit is retained by the issuing bank, then within three (3) business days after the Letter of Credit is returned to the Grantor by the issuing bank).

(c) SECURITIES COLLATERAL. (i) All of the Pledged Shares described on Schedule 1(e)(i) have been duly authorized and validly issued and are fully paid and non-assessable; (ii) all of the Pledged Debt described on Schedule 1(e)(ii) has been duly authorized, authenticated or issued, and delivered and is the legal, valid and binding obligation of the issuers thereof and is not in default; (iii) except as set forth on Schedule 1(e)(i), the Pledged Shares constitute all of the issued and outstanding shares of stock or other equity interests of each issuer

thereof (subject to the proviso to Section 1(e)(i) with respect to shares of a foreign controlled corporation), and there are no outstanding warrants, options or other rights to purchase, or other agreements outstanding with respect to, or property that is now or hereafter convertible into, or that requires the issuance or sale of, any Pledged Shares; (iv) the Pledged Debt constitutes all of the issued and outstanding intercompany indebtedness evidenced by a promissory note of the respective issuers thereof owing to such Grantor; (v) Schedule 1(e)(i) sets forth all of the Pledged Shares owned by each Grantor on the date hereof; and (vi) Schedule 1(e)(ii) sets forth all of the Pledged Debt in existence on the date hereof.

(d) INTELLECTUAL PROPERTY COLLATERAL.

(i) a true and complete list of all Trademark Registrations and Trademark applications owned by such Grantor, in whole or in part, is set forth in Schedule 1(f)(i);

(ii) a true and complete list of all Patents owned by such Grantor, in whole or in part, is set forth in Schedule 1(f)(ii);

(iii) a true and complete list of all Copyright Registrations and applications for Copyright Registrations owned by such Grantor, in whole or in part, is set forth in Schedule 1(f)(iii);

(iv) such Grantor is not aware of any pending or threatened claim by any third party that any of the Intellectual Property Collateral owned, held or used by such Grantor is invalid or unenforceable; and

(v) no effective security interest or other Lien covering all or any part of the Intellectual Property Collateral is on file in the United States Patent and Trademark Office or the United States Copyright Office.

(e) PERFECTION. The security interests in the Collateral granted to Secured Party for the ratable benefit of the Lenders and Hedge Lenders hereunder constitute valid security interests in the Collateral, securing the payment of Secured Obligations as provided in Section 2 hereof. Upon (i) the filing of UCC financing statements naming each Grantor as "debtor", naming Secured Party as "secured party" and describing the Collateral in the filing offices with respect to such Grantor set forth on Schedule 4(i), (ii) in the case of the Securities Collateral consisting of certificated securities or evidenced by instruments, delivery of the certificates representing such certificated securities and delivery of such instruments to Secured Party, in each case duly endorsed or accompanied by duly executed instruments of assignment or transfer in blank, (iii) in the case of the Intellectual Property Collateral, in addition to the filing of such UCC financing statements, the filing of a Grant of Trademark Security Interest, substantially in the form of Exhibit I, and a Grant of Patent Security Interest, substantially in the form of Exhibit II, with the United States Patent and Trademark Office and the filing of a Grant of Copyright Security Interest, substantially in the form of Exhibit III, with the United States Copyright Office (each such Grant of Trademark Security Interest, Grant of Patent Security Interest and Grant of Copyright Security Interest being referred to herein as a "GRANT"), and (iv) in the case of Equipment that is covered by a certificate of title, the filing with the registrar of

motor vehicles or other appropriate authority in the applicable jurisdiction of an application requesting the notation of the security interest created hereunder on such certificate of title, the security interests in the Collateral granted to Secured Party for the ratable benefit of the Lenders and Hedge Lenders will constitute perfected security interests therein prior to all other Liens (except for Permitted Liens), and all filings and other actions necessary or desirable to perfect and protect such security interest have been duly made or taken.

SECTION 5. FURTHER ASSURANCES.

(a) GENERALLY. Each Grantor agrees that from time to time, at the expense of Grantors, such Grantor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that Secured Party may request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Secured Party to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, each Grantor will: (i) at the request of Secured Party, mark conspicuously each item of chattel paper included in the Accounts, each Related Contract and, at the request of Secured Party, each of its records pertaining to its Collateral, with a legend, in form and substance reasonably satisfactory to Secured Party, indicating that such Collateral is subject to the security interest granted hereby, (ii) at the request of Secured Party, deliver and pledge to Secured Party hereunder all promissory notes and other instruments (including checks) and all original counterparts of chattel paper constituting Collateral, duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance reasonably satisfactory to Secured Party, (iii) (A) execute and file such financing or continuation statements, or amendments thereto, (B) execute and deliver, and cause to be executed and delivered, agreements establishing that Secured Party has control of specified items of Collateral for which possession is the required or preferable means of perfecting a security interest (as determined by Agent) and (C) deliver such other instruments or notices, in each case, as may be necessary or desirable, or as Secured Party may request, in order to perfect and preserve the security interests granted or purported to be granted hereby, (iv) furnish to Secured Party from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Secured Party may reasonably request, all in reasonable detail, (v) promptly after the acquisition by such Grantor of any item of Equipment that is covered by a certificate of title under a statute of any jurisdiction under the law of which indication of a security interest on such certificate is required as a condition of perfection thereof, execute and file with the registrar of motor vehicles or other appropriate authority in such jurisdiction an application or other document requesting the notation or other indication of the security interest created hereunder on such certificate of title, (vi) within 30 days after the end of each calendar quarter, deliver to Secured Party copies of all such applications or other documents filed during such calendar quarter and copies of all such certificates of title issued during such calendar quarter indicating the security interest created hereunder in the items of

Equipment covered thereby, (vii) at any reasonable time (and during normal business hours so long as no Event of Default has occurred that is continuing), upon request by Secured Party, exhibit the Collateral to and allow inspection of the Collateral by Secured Party, or persons designated by Secured Party, (viii) at Secured Party's request, appear in and defend any action or proceeding that may adversely affect such Grantor's title to or Secured Party's security interest in all or any part of the Collateral, and (ix) use commercially reasonable efforts to obtain any necessary consents of third parties to the

assignment and perfection of a security interest to Secured Party with respect to any Collateral. Each Grantor hereby authorizes Secured Party to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of any Grantor. Each Grantor agrees that a carbon, photographic or other reproduction of this Agreement or of a financing statement signed by such Grantor shall be sufficient as a financing statement and may be filed as a financing statement in any and all jurisdictions. Notwithstanding anything to the contrary in the foregoing, so long as no Event of Default has occurred and is continuing, Grantors are not obligated to make filings, and Secured Party will not make filings with respect to Intellectual Property rights established in jurisdictions other than the U.S. (except filings in Canada with respect to Intellectual Property owned by Grant Prideco, Inc. and Grant Prideco, L.P. or filings with respect to Canadian Borrowers pursuant to the Canadian Security Agreements).

(b) SECURITIES COLLATERAL. Without limiting the generality of the foregoing Section 5(a), each Grantor agrees that it will, upon obtaining any additional shares of stock or other securities required to be pledged hereunder, promptly (and in any event within five Business Days) deliver to Secured Party a Pledge Supplement, duly executed by such Grantor, in substantially the form of Exhibit IV (a "PLEDGE SUPPLEMENT"), in respect of the additional Pledged Shares or Pledged Debt to be pledged pursuant to this Agreement. Upon each delivery of a Pledge Supplement to Secured Party, the representations and warranties contained in clauses (i)-(iv) of Section 4(g) hereof shall be deemed to have been made by such Grantor as to the Securities Collateral described in such Pledge Supplement as of the date thereof. Each Grantor hereby authorizes Secured Party to attach each Pledge Supplement to this Agreement and agrees that all Pledged Shares or Pledged Debt of such Grantor listed on any Pledge Supplement shall for all purposes hereunder be considered Collateral of such Grantor; provided, the failure of any Grantor to execute a Pledge Supplement with respect to any additional Pledged Shares or Pledged Debt pledged pursuant to this Agreement shall not impair the security interest of Secured Party therein or otherwise adversely affect the rights and remedies of Secured Party hereunder with respect thereto.

(c) INTELLECTUAL PROPERTY COLLATERAL. Without limiting the

generality of the foregoing Section 5(a), if any Grantor shall hereafter obtain rights to any new Intellectual Property Collateral or become entitled to the benefit of (i) any patent application or patent or any reissue, division, continuation, renewal, extension or continuation-in-part of any Patent or any improvement of any Patent or (ii) any Copyright Registration, application for Copyright Registration or renewals or extension of any Copyright, then in any such case, the provisions of this Agreement shall automatically apply thereto. Each Grantor shall notify Secured Party in writing, on the quarterly basis prescribed in Section 7.1(b) of the Credit Agreement, of any of the foregoing rights acquired by such Grantor after the date hereof and of (i) any Trademark Registrations issued or application for a Trademark Registration or application for a Patent made, and (ii) any Copyright Registrations issued or applications for Copyright Registration made, in any such case, after the date hereof. Promptly within thirty (30) days after the filing of an application for any (1) Trademark Registration; (2) Patent; and (3) Copyright Registration, each Grantor shall execute and deliver to Secured Party and record in all places where a Grant is recorded an IP Supplement, substantially in the form of Exhibit V (an "IP SUPPLEMENT"), pursuant to which such Grantor shall grant to Secured Party a security interest to the extent of its interest in such Intellectual Property Collateral; provided, if, in the reasonable judgment of such

Grantor, after due inquiry, granting such interest would result in the grant of a Trademark Registration or Copyright Registration in the name of Secured Party, such Grantor shall give written notice to Secured Party as soon as reasonably practicable and the filing shall instead be undertaken as soon as practicable but in no case later than immediately following the grant of the applicable Trademark Registration or Copyright Registration, as the case may be. Upon delivery to Secured Party of an IP Supplement, Schedules 1(f)(i), 1(f)(ii), and 1(f)(iii) hereto and Schedule A to each Grant, as applicable, shall be deemed modified to include reference to any right, title or interest in any existing Intellectual Property Collateral or any Intellectual Property Collateral included on Schedule A to such IP Supplement. Each Grantor hereby authorizes Secured Party to modify this Agreement without the signature or consent of such Grantor by attaching Schedules 1(f)(i), 1(f)(ii), and 1(f)(iii), as applicable, that have been modified to include such Intellectual Property Collateral or to delete any reference to any right, title or interest in any Intellectual Property Collateral in which such Grantor no longer has or claims any right, title or interest; provided, the failure of such Grantor to execute an IP Supplement with respect to any additional Intellectual Property Collateral pledged pursuant to this Agreement shall not impair the security interest of Secured Party therein or otherwise adversely affect the rights and remedies of Secured Party hereunder with respect thereto.

SECTION 6. CERTAIN COVENANTS OF GRANTORS.

Each Grantor shall:

(a) notify Secured Party of any change in such Grantor's name, identity or corporate structure within 15 days of such change;

(b) if Secured Party gives value to enable such Grantor to acquire rights in or the use of any Collateral, use such value for such purposes; and

(c) except as expressly permitted by the Credit Agreement, pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including claims for labor, services, materials and supplies) against, the Collateral, except to the extent the validity thereof is being contested in good faith; provided that such Grantor shall in any event pay such taxes, assessments, charges, levies or claims not later than five days prior to the date of any proposed sale under any judgment, writ or warrant of attachment entered or filed against such Grantor or any of the Collateral as a result of the failure to make such payment.

SECTION 7. SPECIAL COVENANTS WITH RESPECT TO EQUIPMENT AND INVENTORY.

Each Grantor shall:

(a) keep correct and accurate records of Inventory owned by such Grantor, itemizing and describing the kind, type and quantity of such Inventory, such Grantor's cost therefor and (where applicable) the current list prices for such Inventory;

(b) if any Inventory is in possession or control of any of such Grantor's agents or processors, upon the occurrence and continuation of an Event of Default (as defined in Section

16(a)), instruct such agent or processor to hold all such Inventory for the account of Secured Party and subject to the instructions of Secured Party;

(c) maintain insurance with respect to the Equipment and Inventory in accordance with the terms of the Credit Agreement; and

(d) upon (i) the occurrence and during the continuation of any Event of Default or (ii) the actual or constructive loss of any Equipment or Inventory, insurance payments in respect of such Equipment or Inventory shall be paid to and applied by Secured Party to the extent required by, and as specified

in, the Credit Agreement.

SECTION 8. SPECIAL COVENANTS WITH RESPECT TO ACCOUNTS AND RELATED CONTRACTS.

(a) Each Grantor shall, for not less than three (3) years from the date on which each Account of such Grantor arose, maintain (i) complete records of such Account, including records of all payments received, credits granted and merchandise returned consistent with good business practice, and (ii) all documentation relating thereto.

(b) Except as otherwise provided in this subsection (b), each Grantor shall continue to collect, at its own expense, all amounts due or to become due to such Grantor under the Accounts and Related Contracts. In connection with such collections, each Grantor may take (and, upon the occurrence and during the continuance of an Event of Default at Secured Party's direction, shall take) such action as such Grantor or Secured Party may deem necessary or advisable to enforce collection of amounts due or to become due under the Accounts; provided, however, that Secured Party shall have the right at any time, upon the occurrence and during the continuation of an Event of Default or a Potential Event of Default and upon written notice to such Grantor of its intention to do so, to notify the account debtors or obligors under any Accounts of the assignment of such Accounts to Secured Party and to direct such account debtors or obligors to make payment of all amounts due or to become due to such Grantor thereunder directly to Secured Party, to notify each Person maintaining a lockbox or similar arrangement to which account debtors or obligors under any Accounts have been directed to make payment to remit all amounts representing collections on checks and other payment items from time to time sent to or deposited in such lockbox or other arrangement directly to Secured Party and, upon such notification and at the expense of such Grantor, to enforce collection of any such Accounts and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as such Grantor might have done. After receipt by such Grantor of the notice from Secured Party referred to in the proviso to the preceding sentence and during the continuation of an Event of Default, (i) all amounts and proceeds (including checks and other instruments) received by such Grantor in respect of the Accounts and the Related Contracts shall be received in trust for the benefit of Secured Party hereunder, shall be segregated from other funds of such Grantor and shall be forthwith paid over or delivered to Secured Party in the same form as so received (with any necessary endorsement) to be held as cash Collateral and applied as provided by Section 18, and (ii) such Grantor shall not adjust, settle or compromise the amount or payment of any Account, or release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon.

SECTION 9. SPECIAL COVENANTS WITH RESPECT TO THE SECURITIES COLLATERAL.

(a) DELIVERY. Each Grantor agrees that all certificates or instruments representing or evidencing its Securities Collateral shall be delivered to and held by or on behalf of Secured Party pursuant hereto and shall be in suitable form for transfer by delivery or, as applicable, shall be accompanied by such Grantor's endorsement, where necessary, or duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to Secured Party in its Permitted Discretion.

(b) COVENANTS. Each Grantor shall (i) not, except as expressly permitted by the Credit Agreement, permit any issuer of Pledged Shares that is a Subsidiary to merge or consolidate unless all the outstanding capital stock or other equity interests of the surviving or resulting Person owned by such Grantor is, upon such merger or consolidation, pledged hereunder and no cash, securities or other property is distributed in respect of the outstanding shares of any other constituent corporation; provided, if the surviving or resulting Person upon any such merger or consolidation involving an issuer of Pledged Shares which is a controlled foreign corporation is a controlled foreign corporation, then such Grantor shall only be required to pledge outstanding capital stock of such surviving or resulting Person possessing up to but not exceeding 65% of the voting power of all classes of capital stock of such issuer entitled to vote; (ii) cause each issuer of Pledged Shares that is a Subsidiary not to issue any stock, other equity interests or other securities in addition to or in substitution for the Pledged Shares issued by such issuer, except in connection with any transaction permitted under the Credit Agreement (or except to such Grantor or any other Grantor); (iii) pledge hereunder, upon its acquisition (directly or indirectly) thereof, in accordance with the Credit Agreement, any and all additional shares of stock, other equity interests or other securities of each issuer of Pledged Shares in accordance with the Credit Agreement; (iv) pledge hereunder, immediately upon its acquisition (directly or indirectly) thereof, any and all shares of stock or other equity interests of any Person that, after the date of this Agreement, becomes, as a result of any occurrence, a direct Subsidiary of such Grantor; provided, notwithstanding anything contained in this clause (iv) or the above clause (iii) to the contrary, such Grantor shall only be required to pledge the outstanding capital stock of a controlled foreign corporation possessing up to but not exceeding 65% of the voting power of all classes of capital stock of such controlled foreign corporation entitled to vote; (v) pledge hereunder, upon their issuance, in accordance with the Credit Agreement, any and all instruments or other evidences of additional indebtedness from time to time owed to such Grantor by any obligor on the Pledged Debt; (vi) pledge hereunder, upon their issuance, in accordance with the Credit Agreement, any and all instruments or other evidences of indebtedness from time to time owed to such Grantor by any Person that after the date of this Agreement becomes, as a result of any occurrence, a direct or indirect Subsidiary of such Grantor; (vii) promptly deliver to Secured Party all written notices received by it with respect to the Securities Collateral; and (viii), at the request of Secured Party, promptly execute and deliver to Secured Party an agreement providing for the control, as that term is defined in the

UCC, by Secured Party of all securities entitlements and securities accounts of such Grantor.

(c) VOTING AND DISTRIBUTIONS. So long as no Event of Default shall have occurred and be continuing, (i) each Grantor shall be entitled to exercise any and all management, voting and other consensual rights (and all other rights, powers, privileges and remedies) pertaining to its Securities Collateral or any part thereof for any purpose not

inconsistent with the terms of this Agreement or the Credit Agreement; provided, no Grantor shall exercise or refrain from exercising any such right if Secured Party shall have notified such Grantor that, in Secured Party's reasonable judgment, such action would have a material adverse effect on the value of the Securities Collateral or any part thereof; (ii) each Grantor shall be entitled to receive and retain, and to utilize any and all dividends, other distributions and interest paid in respect of the Securities Collateral to the extent permitted by the Credit Agreement; and (iii) Secured Party shall promptly execute and deliver (or cause to be executed and delivered) to such Grantor all such proxies, dividend payment orders and other instruments as such Grantor may from time to time reasonably request for the purpose of enabling such Grantor to exercise the voting and other rights which it is entitled to exercise pursuant to clause (i) above and to receive the dividends, distributions, principal or interest payments which it is authorized to receive and retain pursuant to clause (ii) above.

Upon the occurrence and during the continuation of an Event of Default, (x) upon written notice from Secured Party to any Grantor, all rights of such Grantor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant hereto shall cease, and all such rights shall thereupon become vested in Secured Party who shall thereupon have the sole right to exercise such voting and other consensual rights; (y) all rights of such Grantor to receive the dividends, other distributions and interest payments which it would otherwise be authorized to receive and retain pursuant hereto shall cease, and all such rights shall thereupon become vested in Secured Party who shall thereupon have the sole right to receive and hold as Securities Collateral such dividends, other distributions and interest payments; and (z) all dividends, principal, interest payments and other distributions which are received by such Grantor contrary to the provisions of clause (ii) of the immediately preceding paragraph or clause (y) above shall be received in trust for the benefit of Secured Party, shall be segregated from other funds of such Grantor and shall forthwith be paid over to Secured Party as Securities Collateral in the same form as so received (with any necessary endorsements).

In order to permit Secured Party to exercise the voting and

other consensual rights which it may be entitled to exercise pursuant hereto and to receive all dividends and other distributions which it may be entitled to receive hereunder, (I) each Grantor shall promptly execute and deliver (or cause to be executed and delivered) to Secured Party all such proxies, dividend payment orders and other instruments as Secured Party may from time to time reasonably request for the purpose of enabling Secured Party to exercise its voting and other consensual rights hereunder upon the occurrence and during the continuation of an Event of Default, and (II) without limiting the effect of clause (I) above, each Grantor hereby grants to Secured Party an irrevocable proxy to vote its Pledged Shares and to exercise all other rights, powers, privileges and remedies to which a holder of such Pledged Shares would be entitled (including giving or withholding written consents of shareholders or other holders of equity interests, calling special meetings of shareholders or other holders of equity interests and voting at such meetings), which proxy shall be effective, automatically and without the necessity of any action (including any transfer of any Pledged Shares on the record books of the issuer thereof) by any other Person (including the issuer of the Pledged Shares or any officer or agent thereof), upon the occurrence and during the continuation of an Event of Default and which proxy shall only terminate upon the earlier of (i) payment in full of the Secured Obligations, or (ii) the discontinuance of such Event of Default, or the delivery by U.S. Agent of a waiver thereof in accordance with Section 11.10 of the Credit Agreement.

SECTION 10. SPECIAL COVENANTS WITH RESPECT TO THE INTELLECTUAL PROPERTY COLLATERAL.

(a) Each Grantor shall:

(i) diligently keep reasonable records respecting the Intellectual Property Collateral and at all times keep at least one complete set of its records concerning such Collateral at its chief executive office or principal place of business;

(ii) take any and all reasonable steps to protect the secrecy of all trade secrets relating to the products and services sold or delivered under or in connection with the Intellectual Property Collateral, including, without limitation, where appropriate entering into confidentiality agreements with employees and labeling and restricting access to secret information and documents;

(iii) use proper statutory notice in connection with its use of any of the Intellectual Property Collateral;

(iv) use a commercially appropriate standard of quality (which may be consistent with such Grantor's past practices) in

the manufacture, sale and delivery of products and services sold or delivered under or in connection with the Trademarks; and

(v) furnish to Secured Party from time to time at Secured Party's reasonable request statements and schedules further identifying and describing any Intellectual Property Collateral and such other reports in connection with such Collateral, all in reasonable detail.

(b) Except as otherwise provided in this Section 10, each Grantor shall continue to collect, at its own expense, all amounts due or to become due to such Grantor in respect of the Intellectual Property Collateral or any portion thereof. In connection with such collections, each Grantor may take (and, after the occurrence and during the continuance of any Event of Default at Secured Party's reasonable direction, shall take) such action as such Grantor or Secured Party may deem reasonably necessary or advisable to enforce collection of such amounts; provided, Secured Party shall have the right at any time, upon the occurrence and during the continuation of an Event of Default and upon written notice to such Grantor of its intention to do so, to notify the obligors with respect to any such amounts of the existence of the security interest created hereby and to direct such obligors to make payment of all such amounts directly to Secured Party, and, upon such notification and at the expense of such Grantor, to enforce collection of any such amounts and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as such Grantor might have done. After receipt by any Grantor of the notice from Secured Party referred to in the proviso to the preceding sentence and during the continuation of any Event of Default, (i) all amounts and proceeds (including checks and other instruments) received by each Grantor in respect of amounts due to such Grantor in respect of its Intellectual Property Collateral or any portion thereof shall be received in trust for the benefit of Secured Party hereunder, shall be segregated from other funds of such Grantor and shall be forthwith paid over or delivered to Secured Party in the same form as so received (with any necessary endorsement) to be held as cash Collateral

and applied as provided by Section 18, and (ii) such Grantor shall not adjust, settle or compromise the amount or payment of any such amount or release wholly or partly any obligor with respect thereto or allow any credit or discount thereon.

(c) Each Grantor shall have the duty diligently to prosecute, file and/or make, unless and until such Grantor, in its commercially reasonable judgment, decides otherwise, (i) any application relating to any of the Intellectual Property Collateral owned, held or used by such Grantor and identified on Schedules 1(f)(i), 1(f)(ii) or 1(f)(iii), as applicable, that is pending as of the date of this Agreement, (ii) any Copyright Registration on any

existing or future unregistered but copyrightable works (except for works of nominal commercial value or with respect to which such Grantor has determined in the exercise of its commercially reasonable judgment that it shall not seek registration), (iii) application on any future patentable but unpatented innovation or invention comprising Intellectual Property Collateral, and (iv) any Trademark opposition and cancellation proceedings, renew Trademark Registrations and Copyright Registrations and do any and all acts which are necessary or desirable to preserve and maintain all rights in its Intellectual Property Collateral. Any expenses incurred in connection therewith shall be borne solely by Grantors. Subject to the foregoing, each Grantor shall give Secured Party prior written notice of any abandonment of any Intellectual Property Collateral or any pending patent application or any Patent.

(d) Except as provided herein, each Grantor shall have the right to commence and prosecute in its own name, as real party in interest, for its own benefit and at its own expense, such suits, proceedings or other actions for infringement, unfair competition, dilution, misappropriation or other damage, or reexamination or reissue proceedings as are necessary to protect the Intellectual Property Collateral. Secured Party shall provide, at such Grantor's expense, all reasonable and necessary cooperation in connection with any such suit, proceeding or action including, without limitation, joining as a necessary party. Each Grantor shall promptly, following its becoming aware thereof, notify Secured Party of the institution of, or of any adverse determination in, any proceeding (whether in the United States Patent and Trademark Office, the United States Copyright Office or any federal, state, local or foreign court) or regarding such Grantor's ownership, right to use, or interest in any Intellectual Property Collateral material to the conduct of such Grantor's business. Each Grantor shall provide to Secured Party any information with respect thereto reasonably requested by Secured Party.

(e) In addition to, and not by way of limitation of, the granting of a security interest in the Collateral pursuant hereto, each Grantor, effective upon the occurrence and during the continuation of an Event of Default, hereby assigns, transfers and conveys to Secured Party the nonexclusive right and license to use all trademarks, tradenames, copyrights, patents or technical processes (including, without limitation, the Intellectual Property Collateral) owned or used by such Grantor that relate to the Collateral and any other collateral granted by such Grantor as security for the Secured Obligations, together with any goodwill associated therewith, all to the extent necessary to enable Secured Party to realize on the Collateral in accordance with this Agreement and to enable any transferee or assignee of the Collateral to enjoy the benefits of the Collateral. This right shall inure to the benefit of all successors, assigns and transferees of Secured Party and its successors, assigns and transferees, whether by voluntary conveyance, operation of law, assignment, transfer, foreclosure, deed in lieu of foreclosure or otherwise. Such right and license shall be granted free of charge, without requirement that any monetary

payment whatsoever be made to such Grantor. In addition, each Grantor hereby grants to Secured Party and its employees, representatives and agents the right to visit such Grantor's and any of its Affiliate's or subcontractor's plants, facilities and other places of business that are utilized in connection with the manufacture, production, inspection, storage or sale of products and services sold or delivered under any of the Intellectual Property Collateral (or which were so utilized during the prior six month period), and to inspect the quality control and all other records relating thereto upon reasonable advance written notice to such Grantor and during normal business hours at reasonable dates and times and as often as may be reasonably requested. Any Grantor may license its Intellectual Property Collateral to any Person as it may deem necessary to the successful conduct of its business. Nothing contained herein shall prohibit or limit the licensing of Intellectual Property to any Person as a Grantor may deem necessary to the successful conduct of its business. If and to the extent that any Grantor licenses the Intellectual Property Collateral, Secured Party shall promptly enter into a non-disturbance agreement or other similar arrangement, at such Grantor's request and expense, with such Grantor and any licensee of any Intellectual Property Collateral permitted hereunder in form and substance reasonably satisfactory to Secured Party pursuant to which (i) Secured Party shall agree not to disturb or interfere with such licensee's rights under its license agreement with such Grantor so long as such licensee is not in default thereunder, and (ii) such licensee shall acknowledge and agree that the Intellectual Property Collateral licensed to it is subject to the security interest created in favor of Secured Party and the other terms of this Agreement subject to clause (i).

(f) Notwithstanding anything in the foregoing, Grantors will not be subject to clauses (a)(i) through (a)(iv), (b), and (c) of this Section 10 with respect to Intellectual Property Collateral that is obsolete.

SECTION 11. INTENTIONALLY OMITTED

SECTION 12. COLLATERAL ACCOUNT.

Secured Party is hereby authorized to establish and maintain at its office at 31 West 52nd Street, New York, New York 10019 as a blocked account in the name of each Borrower and under the sole dominion and control of Secured Party, a restricted deposit account designated as "Grant Prideco Collateral Account". All amounts at any time held in the Collateral Account shall be beneficially owned by such Grantor but shall be held in the name of Secured Party hereunder, for the benefit of Lenders, as collateral security for the Secured Obligations upon the terms and conditions set forth herein. Grantors shall have no right to withdraw, transfer or, except as expressly set forth herein, otherwise receive any funds deposited into the Collateral Account. Anything contained herein to the contrary notwithstanding, the Collateral Account shall be subject to such applicable laws, and such applicable regulations of the Board of Governors of the Federal Reserve System and of any

other appropriate banking or Governmental Authority, as may now or hereafter be in effect. All deposits of funds in the Collateral Account shall be made by wire transfer (or, if applicable, by intra-bank transfer from another account of a Grantor) of immediately available funds, in each case addressed in accordance with instructions of Secured Party. Each Grantor shall, promptly after initiating a transfer of funds to the Collateral Account, give notice to Secured Party by telefacsimile of the date, amount and method of delivery of such deposit. Cash held by Secured Party in the Collateral Account shall not be invested by Secured Party but instead shall be maintained as a cash deposit in the Collateral

Account pending application thereof as elsewhere provided in this Agreement. To the extent permitted under Regulation Q of the Board of Governors of the Federal Reserve System, any cash held in the Collateral Account shall bear interest at the standard rate paid by Secured Party to its customers for deposits of like amounts and terms. Subject to Secured Party's rights hereunder, any interest earned on deposits of cash in the Collateral Account shall be deposited directly in, and held in the Collateral Account.

SECTION 13. SECURED PARTY APPOINTED ATTORNEY-IN-FACT.

Each Grantor hereby irrevocably appoints Secured Party as such Grantor's attorney-in-fact, with full authority in the place and stead of such Grantor and in the name of such Grantor, Secured Party or otherwise, from time to time in Secured Party's discretion.

(a) upon the occurrence and during the continuance of an Event of Default, to obtain and adjust insurance required to be maintained by such Grantor or paid to Secured Party pursuant to Section 7;

(b) upon the occurrence and during the continuance of an Event of Default, to ask for, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(c) upon the occurrence and during the continuance of an Event of Default, to receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with clauses (a) and (b) above;

(d) upon the occurrence and during the continuance of an Event of Default, to file any claims or take any action or institute any proceedings that Secured Party may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of Secured Party with respect to any of the Collateral;

(e) to pay or discharge taxes or Liens (other than Liens permitted under this Agreement or the Credit Agreement) levied or placed upon or threatened against the Collateral, the legality or validity thereof and the amounts necessary to discharge the same to be determined by Secured Party in its sole discretion, any such payments made by Secured Party to become obligations of such Grantor to Secured Party, due and payable immediately without demand;

(f) upon the occurrence and during the continuance of an Event of Default, to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with Accounts and other documents relating to the Collateral; and

(g) upon the occurrence and during the continuance of an Event of Default, generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Secured Party were the absolute owner thereof for all purposes, and to do, at Secured Party's option and Grantors' expense, at any time or from time to time, all acts and things that Secured Party deems necessary to protect, preserve or realize upon the Collateral and Secured Party's security interest therein in order to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

SECTION 14. SECURED PARTY MAY PERFORM.

If any Grantor fails to perform any agreement contained herein, Secured Party may itself perform, or cause performance of, such agreement, and the expenses of Secured Party incurred in connection therewith shall be payable by Grantors under Section 19(b).

SECTION 15. STANDARD OF CARE.

The powers conferred on Secured Party hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, Secured Party shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of Collateral in its possession if such Collateral is accorded treatment substantially equal to that which Secured Party accords its own property.

SECTION 16. REMEDIES.

(a) GENERALLY. If any Event of Default shall have occurred and be continuing, Secured Party may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the UCC (whether or not the UCC applies to the affected Collateral), and also may (i) require each Grantor to, and each Grantor hereby agrees that it will at its expense and upon request of Secured Party forthwith, assemble all or part of the Collateral as directed by Secured Party and make it available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties, (ii) enter onto the property where any Collateral is located and take possession thereof with or without judicial process, (iii) prior to the disposition of the Collateral, store, process, repair or recondition the Collateral or otherwise prepare the Collateral for disposition in any manner to the extent Secured Party deems appropriate, (iv) take possession of any Grantor's premises or place custodians in exclusive control thereof, remain on such premises and use the same and any of such Grantor's equipment for the purpose of completing any work in process, taking any actions described in the preceding clause (iii) and collecting any Secured Obligation, (v) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of Secured Party's offices or elsewhere, for cash, on credit or for future delivery, at such time or times and at such price or prices and upon such other terms as Secured Party may deem commercially reasonable, (vi) exercise dominion and control over and refuse to permit further withdrawals from any Deposit Account maintained with Secured Party or any Lender and provide instructions directing the disposition of funds in Deposit Accounts not maintained with Secured Party or any Lender and (vii) provide entitlement orders with respect to security entitlements and other investment property constituting a part of the Collateral and, without notice to any Grantor, transfer to or register in the name of Secured Party or any of its nominees any or all of the Securities Collateral. Secured Party or any Lender may be the purchaser of any or all of the Collateral at any such sale and Secured Party, as agent for and representative of Lenders (but not any Lender in its individual capacity unless Majority Lenders shall otherwise agree in writing), shall be entitled, for the purpose of bidding and making settlement or payment

of the purchase price for all or any portion of the Collateral sold at any such public sale, to use and apply any of the Secured Obligations as a credit on account of the purchase price for any Collateral payable by Secured Party at such sale. Each purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of any Grantor, and each Grantor hereby waives (to the extent permitted by applicable law) all rights of redemption, stay and/or appraisal which it now has or may at any time in the

future have under any rule of law or statute now existing or hereafter enacted. Each Grantor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to such Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Each Grantor hereby waives any claims against Secured Party arising by reason of the fact that the price at which any Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale, even if Secured Party accepts the first offer received and does not offer such Collateral to more than one offeree. If the proceeds of any sale or other disposition of the Collateral are insufficient to pay all the Secured Obligations, Grantors shall be jointly and severally liable for the deficiency and the fees of any attorneys employed by Secured Party to collect such deficiency. Each Grantor further agrees that a breach of any of the covenants contained in this Section will cause irreparable injury to Secured Party, that Secured Party has no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section shall be specifically enforceable against such Grantor, and each Grantor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no default has occurred giving rise to the Secured Obligations becoming due and payable prior to their stated maturities.

(b) SECURITIES COLLATERAL.

(i) Each Grantor recognizes that, by reason of certain prohibitions contained in the Securities Act of 1933, as amended (the "SECURITIES ACT") and applicable state or foreign securities laws, Secured Party may be compelled, with respect to any sale of all or any part of the Securities Collateral not registered or qualified under the Securities Act and/or such state or foreign securities laws, to limit purchasers to those who will agree, among other things, to acquire such Securities Collateral for their own account, for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges that any such private sales may be at prices and on terms less favorable than those obtainable through a public sale without such restrictions (including a public offering made pursuant to a registration statement under the Securities Act) and, notwithstanding such circumstances and the registration rights granted to Secured Party by such Grantor pursuant hereto and notwithstanding the provisions of Section 9610 of the UCC, which each Grantor hereby waives, each Grantor agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner, and that Secured Party shall have no obligation to engage in public sales and no obligation to delay the sale of any Securities Collateral for the period of time necessary to permit the issuer thereof to register it for a form of public sale requiring registration under the Securities Act or under applicable state or foreign securities laws,

even if such issuer

would, or should, agree to so register it. If Secured Party determines to exercise its right to sell any or all of the Securities Collateral, upon written request, each Grantor shall and shall cause each issuer of any Pledged Shares to be sold hereunder from time to time to furnish to Secured Party all such information as Secured Party may request in order to determine the number of shares and other instruments included in the Securities Collateral which may be sold by Secured Party in exempt transactions under the Securities Act and the rules and regulations of the Securities and Exchange Commission thereunder, as the same are from time to time in effect.

(ii) If Secured Party shall determine to exercise its right to sell all or any of the Securities Collateral pursuant to this Section, each Grantor agrees that, upon request of Secured Party (which request may be made by Secured Party in its sole discretion), such Grantor will, at its own expense (A) execute and deliver, and cause each issuer of the Securities Collateral contemplated to be sold and the directors and officers thereof to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts and things, as may be necessary or, in the reasonable opinion of Secured Party, advisable to register such Securities Collateral under the provisions of the Securities Act and to cause the registration statement relating thereto to become effective and to remain effective for such period as prospectuses are required by law to be furnished, and to make all amendments and supplements thereto and to the related prospectus which, in the opinion of Secured Party, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto; (B) use its best efforts to qualify the Securities Collateral under all applicable state securities or "Blue Sky" laws and to obtain all necessary governmental approvals for the sale of the Securities Collateral, as requested by Secured Party; (C) cause each such issuer to make available to its security holders, as soon as practicable, an earnings statement which will satisfy the provisions of Section 11(a) of the Securities Act; (D) do or cause to be done all such other acts and things as may be necessary to make such sale of the Securities Collateral or any part thereof valid and binding and in compliance with applicable law; and (E) bear all costs and expenses, including reasonable attorneys' fees, of carrying out its obligations under this Section.

(iii) Without limiting the generality of Sections

10.6 and 11.8 of the Credit Agreement, in the event of any public sale described herein, each Grantor agrees to indemnify and hold harmless Secured Party, and each Lender and each Hedge Lender and each of their respective directors, officers, employees and agents from and against any loss, fee, cost, expense, damage, liability or claim, joint or several, to which any such Persons may become subject or for which any of them may be liable, under the Securities Act or otherwise, insofar as such losses, fees, costs, expenses, damages, liabilities or claims (or any litigation commenced or threatened in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, registration statement, prospectus or other such document published or filed in connection with such public sale, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse Secured Party and such other Persons for any legal or

other expenses reasonably incurred by Secured Party and such other Persons in connection with any litigation, of any nature whatsoever, commenced or threatened in respect thereof (including any and all fees, costs and expenses whatsoever reasonably incurred by Secured Party and such other Persons and counsel for Secured Party and such other Persons in investigating, preparing for, defending against or providing evidence, producing documents or taking any other action in respect of, any such commenced or threatened litigation or any claims asserted). This indemnity shall be in addition to any liability which any Grantor may otherwise have and shall extend upon the same terms and conditions to each Person, if any, that controls Secured Party or such Persons within the meaning of the Securities Act.

(c) COLLATERAL ACCOUNT. If an Event of Default has occurred and is continuing and, in accordance with Article 9 of the Credit Agreement, the Grantors are required to pay to Secured Party an amount (the "AGGREGATE AVAILABLE AMOUNT") equal to the maximum amount that may at any time be drawn under all Letters of Credit then outstanding under the Credit Agreement, the US Funds Administrator shall deliver funds in such an amount for deposit in the Collateral Account. If for any reason the aggregate amount delivered by the Funds Administrators for deposit in the Collateral Account as aforesaid is less than the Aggregate Available Amount, the aggregate amount so delivered by the Funds Administrators shall be apportioned among all outstanding Letters of Credit for purposes of this Section in accordance with the ratio of the maximum amount available for drawing under each such Letter of Credit (as to such Letter of Credit, the "MAXIMUM AVAILABLE AMOUNT") to the Aggregate Available Amount. Upon any drawing under any outstanding Letter of Credit in respect of which the

Funds Administrators have deposited in the Collateral Account any amounts described above, Secured Party shall apply such amounts to reimburse the Issuing Lender for the amount of such drawing. In the event of cancellation or expiration of any Letter of Credit in respect of which the Funds Administrators have deposited in the Collateral Account any amounts described above, or in the event of any reduction in the Maximum Available Amount under such Letter of Credit, Secured Party shall apply the amount then on deposit in the Collateral Account in respect of such Letter of Credit (less, in the case of such a reduction, the Maximum Available Amount under such Letter of Credit immediately after such reduction) first, to the payment of any amounts payable to Secured Party pursuant to Section 18 hereof, second, to the extent of any excess, to the cash collateralization pursuant to the terms of this Agreement of any outstanding Letters of Credit in respect of which the Funds Administrators have failed to pay all or a portion of the amounts described above (such cash collateralization to be apportioned among all such Letters of Credit in the manner described above), third, to the extent of any further excess, to the payment of any other outstanding Secured Obligations in such order as Secured Party shall elect, and fourth, to the extent of any further excess, to the payment to whomsoever shall be lawfully entitled to receive such funds.

SECTION 17. ADDITIONAL REMEDIES FOR INTELLECTUAL PROPERTY COLLATERAL.

(a) Anything contained herein to the contrary notwithstanding, upon the occurrence and during the continuation of an Event of Default, (i) Secured Party shall have the right (but not the obligation) to bring suit, in the name of any Grantor, Secured Party or otherwise, to enforce any Intellectual Property Collateral, in which event each Grantor shall, at the request of Secured Party, do any and all lawful acts and execute any and all documents

required by Secured Party in aid of such enforcement and each Grantor shall promptly, upon demand, reimburse and indemnify Secured Party as provided in Sections 10.6 and 11.8 of the Credit Agreement and Section 19 hereof, as applicable, in connection with the exercise of its rights under this Section, and, to the extent that Secured Party shall elect not to bring suit to enforce any Intellectual Property Collateral as provided in this Section, each Grantor agrees to use all reasonable measures, whether by action, suit, proceeding or otherwise, to prevent the infringement of any of its Intellectual Property Collateral by others and for that purpose agrees to use its commercially reasonable judgment in maintaining any action, suit or proceeding against any Person so infringing reasonably necessary to prevent such infringement; (ii) upon written demand from Secured Party, each Grantor shall execute and deliver to Secured Party an assignment or assignments of its Intellectual Property Collateral and such other documents as are necessary or appropriate to carry out the intent and purposes of this Agreement; (iii) each Grantor agrees that such

an assignment and/or recording shall be applied to reduce its Secured Obligations outstanding only to the extent that Secured Party (or any Lender) receives cash proceeds in respect of the sale of, or other realization upon, its Intellectual Property Collateral; and (iv) within five Business Days after written notice from Secured Party, each Grantor shall make available to Secured Party, to the extent within such Grantor's power and authority, such personnel in such Grantor's employ on the date of such Event of Default as Secured Party may reasonably designate, by name, title or job responsibility, to permit such Grantor to continue, directly or indirectly, to produce, advertise and sell the products and services sold or delivered by such Grantor under or in connection with the Trademarks, Trademark Registrations and Trademark Rights, such persons to be available to perform their prior functions on Secured Party's behalf and to be compensated by Secured Party at such Grantor's expense on a per diem, pro-rata basis consistent with the salary and benefit structure applicable to each as of the date of such Event of Default.

(b) If (i) an Event of Default shall have occurred and, by reason of cure, waiver, modification, amendment or otherwise, no longer be continuing, (ii) no other Event of Default shall have occurred and be continuing, (iii) an assignment to Secured Party of any rights, title and interests in and to the Intellectual Property Collateral shall have been previously made, and (iv) the Secured Obligations shall not have become immediately due and payable, upon the written request of any Grantor, Secured Party shall promptly execute and deliver to such Grantor such assignments as may be necessary to reassign to such Grantor any such rights, title and interests as may have been assigned to Secured Party as aforesaid, subject to any disposition thereof that may have been made by Secured Party; provided, after giving effect to such reassignment, Secured Party's security interest granted pursuant hereto, as well as all other rights and remedies of Secured Party granted hereunder, shall continue to be in full force and effect; and provided further, the rights, title and interests so reassigned shall be free and clear of all Liens other than Liens (if any) encumbering such rights, title and interest at the time of their assignment to Secured Party and Permitted Liens.

SECTION 18. APPLICATION OF PROCEEDS.

Except as expressly provided elsewhere in this Agreement, all proceeds received by Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Collateral shall be applied as provided in the Credit Agreement.

SECTION 19. INDEMNITY AND EXPENSES.

(a) Grantors jointly and severally agree to indemnify Secured Party and each Lender from and against any and all claims, losses and

liabilities in any way relating to, growing out of or resulting from this Agreement and the transactions contemplated hereby (including without limitation enforcement of this Agreement), except to the extent such claims, losses or liabilities result solely from Secured Party's or such Lender's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction.

(b) Grantors jointly and severally agree to pay to Secured Party upon demand the amount of any and all reasonable costs and expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, that Secured Party may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of Secured Party hereunder, or (iv) the failure by any Grantor to perform or observe any of the provisions hereof.

(c) The obligations of Grantors in this Section 19 shall (i) survive the termination of this Agreement and the discharge of Grantors' other obligations under this Agreement, the Credit Agreement and the other Credit Documents and (ii), as to any Grantor that is a party to a Subsidiary Guaranty, be subject to the provisions of Section 1(b) thereof.

SECTION 20. CONTINUING SECURITY INTEREST; TRANSFER OF LOANS; TERMINATION AND RELEASE.

(a) This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until the payment in full of the Secured Obligations, the cancellation or termination of the Commitments and the cancellation or expiration of all outstanding Letters of Credit, (ii) be binding upon Grantors and their respective successors and assigns, and (iii) inure, together with the rights and remedies of Secured Party hereunder, to the benefit of Secured Party and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (iii), but subject to the provisions of Section 11.6 of the Credit Agreement, any Lender may assign or otherwise transfer any Loans held by it to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to Lenders herein or otherwise.

(b) Upon the payment in full of all Secured Obligations, the cancellation or termination of the Commitments and the cancellation or expiration of all outstanding Letters of Credit, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to the applicable Grantors. Upon any such termination Secured Party will, at Grantors' expense, (a) return to Grantors such of the Collateral in Secured Party's possession as shall not have been sold or otherwise disposed of or applied pursuant to the terms hereof, and (ii) execute and deliver to Grantors such documents as Grantors shall reasonably request to evidence such termination. In addition, upon the proposed sale or other disposition of any Collateral by a Grantor in accordance with the Credit Agreement for which such Grantor desires to obtain a security interest release from Secured Party, a security interest

release may be obtained pursuant to the provisions of Section 10.10 of the Credit Agreement.

SECTION 21. SECURED PARTY AS AGENT.

(a) Secured Party has been appointed to act as Secured Party hereunder by Lenders. Secured Party shall be obligated, and shall have the right hereunder, to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking any action (including without limitation the release or substitution of Collateral), solely in accordance with this Agreement and the Credit Agreement; provided that Secured Party shall exercise, or refrain from exercising, any remedies provided for in Section 16 in accordance with the instructions of Requisite Lenders.

(b) Secured Parties shall at all times be the same Persons that are Agents under the Credit Agreement. Written notice of resignation by an Agent or removal of an Agent pursuant to Section 10.9 of the Credit Agreement shall also constitute notice of resignation or removal as Secured Party under this Agreement; and appointment of a successor Agent pursuant to Section 10.9 of the Credit Agreement shall also constitute appointment of a successor Secured Party under this Agreement. Upon the acceptance of any appointment as an Agent under Section 10.9 of the Credit Agreement by a successor Agent, that successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Secured Party under this Agreement, and the retiring or removed Secured Party under this Agreement shall promptly (i) transfer to such successor Secured Party all sums, securities and other items of Collateral held hereunder, together with all records and other documents necessary or appropriate in connection with the performance of the duties of the successor Secured Party under this Agreement, and (ii) execute and deliver to such successor Secured Party such amendments to financing statements, and take such other actions, as may be necessary or appropriate in connection with the assignment to such successor Secured Party of the security interests created hereunder, whereupon such retiring or removed Secured Party shall be discharged from its duties and obligations under this Agreement. After any retiring or removed Agent's resignation or removal hereunder as Secured Party, the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it under this Agreement while it was Secured Party hereunder.

SECTION 22. ADDITIONAL GRANTORS.

The initial Subsidiary Grantors hereunder shall be such of the Subsidiaries of Holdings as are signatories hereto on the date hereof. From time to time subsequent to the date hereof, additional Subsidiaries of Holdings may become parties hereto as additional Grantors (each an "ADDITIONAL GRANTOR"), by

executing a counterpart substantially in the form of Exhibit VI annexed hereto (each, a "COUNTERPART"). Upon delivery of any such Counterpart to Secured Party, notice of which is hereby waived by Grantors, each such Additional Grantor shall be a Grantor and shall be as fully a party hereto as if such Additional Grantor were an original signatory hereto. Each Grantor expressly agrees that its obligations arising hereunder shall not be affected or diminished by the addition or release of any other Grantor hereunder, nor by any election of Administrative Agent not to cause any Subsidiary of Holdings to become an Additional Grantor hereunder. This Agreement shall be fully effective as to any Grantor that is or becomes a party hereto regardless of whether any other Person becomes or fails to become or ceases to be a Grantor hereunder.

SECTION 23. AMENDMENTS; ETC.

No amendment, modification, termination or waiver of any provision of this Agreement, and no consent to any departure by any Grantor therefrom, shall in any event be effective unless the same shall be in writing and signed by Secured Party and, in the case of any such amendment or modification, by Grantors; provided this Agreement may be modified by the execution of a Counterpart by an Additional Grantor in accordance with Section 22 and Grantors hereby waive any requirement of notice of or consent to any such amendment. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

SECTION 24. NOTICES.

Any notice or other communications required or permitted hereunder shall be given as provided in the Credit Agreement.

SECTION 25. FAILURE OR INDULGENCE NOT WAIVER; REMEDIES CUMULATIVE.

No failure or delay on the part of Secured Party in the exercise of any power, right or privilege hereunder shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude any other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

SECTION 26. SEVERABILITY.

In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of

such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

SECTION 27. HEADINGS.

Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

SECTION 28. GOVERNING LAW; TERMS; RULES OF CONSTRUCTION.

THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES, EXCEPT TO THE EXTENT THAT THE UCC PROVIDES THAT THE PERFECTION OF THE SECURITY INTEREST HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE

GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK. Unless otherwise defined herein or in the Credit Agreement, terms used in Articles 8 and 9 of the Uniform Commercial Code in the State of New York are used herein as therein defined. The rules of construction set forth in Section 1.3 of the Credit Agreement shall be applicable to this Agreement mutatis mutandis.

SECTION 29. CONSENT TO JURISDICTION AND SERVICE OF PROCESS.

ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST ANY GRANTOR ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR ANY OBLIGATIONS HEREUNDER, MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE, COUNTY AND CITY OF NEW YORK. BY EXECUTING AND DELIVERING THIS AGREEMENT, EACH GRANTOR, FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, IRREVOCABLY (I) ACCEPTS GENERALLY AND UNCONDITIONALLY THE NONEXCLUSIVE JURISDICTION AND VENUE OF SUCH COURTS; (II) WAIVES ANY DEFENSE OF FORUM NON CONVENIENS; (III) AGREES THAT SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO SUCH GRANTOR AT ITS ADDRESS PROVIDED IN ACCORDANCE WITH SECTION 24; (IV) AGREES THAT SERVICE AS PROVIDED IN CLAUSE (III) ABOVE IS SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER SUCH GRANTOR IN ANY SUCH PROCEEDING IN ANY SUCH COURT, AND OTHERWISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT; (V) AGREES THAT SECURED PARTY RETAINS THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING PROCEEDINGS AGAINST SUCH GRANTOR IN THE COURTS OF ANY OTHER JURISDICTION; AND (VI) AGREES THAT THE PROVISIONS OF THIS SECTION 29 RELATING TO JURISDICTION AND VENUE SHALL BE BINDING AND ENFORCEABLE TO THE FULLEST EXTENT

PERMISSIBLE UNDER NEW YORK GENERAL OBLIGATIONS LAW SECTION 5-1402 OR OTHERWISE.

SECTION 30. WAIVER OF JURY TRIAL.

GRANTORS AND SECURED PARTY HEREBY AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including without limitation contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. Each Grantor and Secured Party acknowledge that this waiver is a material inducement for Grantors and Secured Party to enter into a business relationship, that Grantors and Secured Party have already relied on this waiver in entering into this Agreement and that each will continue to rely on this waiver in their related future dealings. Each Grantor and Secured Party further warrant and represent that each has reviewed this waiver with its legal counsel, and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN

WAIVER SPECIFICALLY REFERRING TO THIS SECTION 30 AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

SECTION 31. COUNTERPARTS.

This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

SECTION 32. CONFLICTS WITH FOREIGN LAW PLEDGES.

To the extent that the terms of any agreement or instrument executed by any Grantor or Secured Party for the purpose of creating or perfecting a security interest (a "FOREIGN LAW PLEDGE") under the law of a jurisdiction not within the United States of America (a "FOREIGN PLEDGE

JURISDICTION") conflicts with the terms of this Security Agreement, the terms of this Security Agreement shall prevail. Any undertaking, waiver or covenant of or by Secured Party under the terms of any Foreign Pledge shall not be enforceable against Secured Party except in a proceeding to enforce such Foreign Law Pledge brought in a court of competent jurisdiction in the applicable Foreign Pledge Jurisdiction.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Grantors and Secured Party have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

GRANTORS:

GRANT PRIDECO, INC.

By:

Title:

GRANT PRIDECO, LP,

By:

Title:

XL SYSTEMS, L.P.,

By:

Title:

TEXAS ARAI, INC.,
By:

Title:

TUBE-ALLOY CORPORATION,

By:

Title:

STAR OPERATING COMPANY,

By:

Title:

REED-HYCALOG OPERATING, L.P.,

By:

Title:

[EACH OTHER GRANTOR]

SECURED PARTIES:

DEUTSCHE BANK TRUST COMPANY AMERICAS,
as Secured Party

By:

Title:

CANADIAN AGENT:

DEUTSCHE BANK AG, CANADA BRANCH,
as Secured Party

By:

Title:

EXHIBIT 4.8

GRANT PRIDECO CANADA LTD.

as Corporation

and

DEUTSCHE BANK AG, CANADA BRANCH

as Agent

AMENDED AND RESTATED
SECURITY AGREEMENT

DECEMBER 19, 2002

TABLE OF CONTENTS

<Table>
<S> <C>

<Table>
<S> <C>

AMENDED AND RESTATED SECURITY AGREEMENT

Amended and Restated Security Agreement (this "AMENDED AND RESTATED SECURITY AGREEMENT") dated December 19, 2002 made by Grant Prideco Canada Ltd. (the "CORPORATION") to and in favour of Deutsche Bank AG, Canada Branch, as Canadian agent (the "AGENT") for the Canadian Lenders referred to below.

RECITALS:

(a) Pursuant to the Existing Credit Arrangements (as that term is defined in the Loan Agreement hereinafter defined and referred to), the Cdn. Lenders (as that term is defined in the Existing Credit Arrangements) agreed to make certain credit facilities available to the Corporation;

(b) The Corporation entered into a security agreement dated April 14, 2000 (the "EXISTING TRANSAMERICA SECURITY AGREEMENT") in favour of Transamerica Commercial Finance Corporation, Canada ("TRANSAMERICA") as security for the payment and performance of the Corporation's obligations to the Cdn. Lenders and Transamerica under the Existing Credit Arrangements and the other loan documents entered into in connection with the Existing Credit Arrangements;

(c) The Canadian Lenders (as that term is defined in the Loan Agreement hereinafter defined and referred to) have purchased and assumed all of the rights and obligations of the Cdn. Lenders relating to the Canadian loan commitments and outstanding Cdn. Loans (as that term is defined in the Loan Agreement hereinafter defined and referred to) under the Existing Credit Arrangements (collectively, the "EXISTING TRANSAMERICA LOANS") including the rights and obligations of the Cdn. Lenders under the Existing Transamerica Security Agreement;

(d) The Canadian Lenders and the Corporation have amended and restated terms and conditions of the Existing Transamerica Loans upon and subject to the terms and conditions contained in a credit agreement among Grant Prideco, LP, XL Systems, L.P., Texas Arai, Inc., Tube-Alloy Corporation, Star Operating Company, Reed-Hycalog Operating, L.P. and the Corporation, as Borrowers (as that term is defined in the Loan Agreement hereinafter defined and referred to), with Grant Prideco, LP acting in its capacity as US Funds Administrator (as that term is defined in the Loan Agreement hereinafter defined and referred to) for the Borrowers, and Grant Prideco Canada Ltd. acting in its capacity as Canadian Funds Administrator (as that

term is defined in the Loan Agreement hereinafter defined and referred to) for the Borrowers, with Grant Prideco, Inc., as a guarantor, each of the Lenders from time to time party hereto (as that term is defined in the Loan Agreement hereinafter defined and referred to), Deutsche Bank Trust Company Americas, acting in its capacity as contractual representative for the US Lenders (US Lenders, as that term is defined in the Loan Agreement hereinafter defined and referred to and Deutsche Bank Trust Company Americas, acting in its capacity as contractual representative for the US Lenders, referred to as the "US AGENT") and the Agent, acting in its capacity as contractual representative of the Canadian Lenders Transamerica Business Capital Corporation, as Document Agent (as that term is defined in the Loan Agreement hereinafter defined and referred to), JP Morgan Chase Bank, as Co-Syndication Agent (as that term is defined in the Loan Agreement hereinafter defined and referred to) and Merrill Lynch Capital, as Co-Syndication Agent (as that term is defined in the Loan Agreement hereinafter defined and referred to) (such credit agreement as it may at any time or from time to time be amended, supplemented, restated or replaced, the "LOAN AGREEMENT");

(e) The Agent is to hold for its own benefit and is to act as agent to hold for itself and for the rateable benefit of the Canadian Lenders any and all security for the payment and performance of the obligations of the Corporation under the Loan Agreement and the other Credit Documents (as such term is defined in the Loan Agreement); and

(f) The Corporation and the Agent have agreed to amend and restate the terms and conditions of the Existing Transamerica Security Agreement subject to the terms and conditions contained in this Amended and Restated Security Agreement to provide for security to and in favour of the Agent for the payment and performance of the Corporation's obligations to the Canadian Lenders and the Agent under the Loan Agreement and other Credit Documents in respect of the Canadian Revolving Loans (as that term is defined in the Loan Agreement).

In consideration of the foregoing and other good and valuable

consideration (the receipt and adequacy of which are acknowledged), the Corporation agrees that the Existing Transamerica Security Agreement is amended and restated in its entirety as follows:

ARTICLE 1
SECURITY

SECTION 1.1 TERMS INCORPORATED BY REFERENCE

Terms defined in the Personal Property Security Act (Alberta) (as amended from time to time, the "PPSA") and used in this Amended and Restated Security Agreement

shall have the same meanings attributed to such terms in the PPSA. For all purposes of this Amended and Restated Security Agreement, capitalized terms defined in the Loan Agreement and used in this Amended and Restated Security Agreement and not otherwise defined in this Amended and Restated Security Agreement shall herein have the meanings provided to those terms in the Loan Agreement.

SECTION 1.2 GRANT OF SECURITY

Subject to Section 1.6, the Corporation grants to the Agent, for its own benefit and as agent and for the rateable benefit of the Canadian Lenders, a security interest in all the Corporation's right, title and interest in and to any and all of the Corporation's:

(a) accounts due or accruing due and all agreements, books, accounts, invoices, letters, documents and papers recording, evidencing or relating thereto including without limiting the foregoing all contract rights, promissory notes, chattel paper, tax refunds, rights to receive tax refunds, rights of indemnification, contribution and subrogation, causes of action, choses in action, judgments, claims against third parties of every kind or nature, drafts, acceptances, letters of credit, rights to receive payments under letters of credit, book accounts, accounts maintained by the Corporation with any financial institutions (including, without limitation, the Canadian Collateral Account (as defined in the Blocked Account Agreement dated December 19, 2002) and all money, balances, credits, deposits or other financial assets therein or represented thereby, all credits and reserves and all other forms of obligations whatsoever owing to the Corporation, and all instruments, books, ledgers, files, computer tapes, programs, discs and software, trade secrets, computer service contracts and records with respect to any of the foregoing, together with all right, title, security and guarantees with respect to any such receivables, including any right of stoppage in transit, wherever located, whether now or hereafter acquired and all claims, causes of action or other rights to enforce or sue for performance (collectively, the "RECEIVABLES");

(b) inventory, including without limiting the foregoing all present and future goods intended for sale, lease or other disposition including, without limitation, all raw materials, work in process, finished goods and other retail inventory, goods in the possession of outside processors or other third parties, consigned goods (to the extent of the consignee's interest therein), materials and supplies of any kind, nature or description which are or might be used in connection with the manufacture, packing, shipping, advertising, selling or finishing of any such goods, all documents of title or documents representing the same and all records, files and writings with respect thereto, wherever located, whether now or hereafter acquired (collectively, the "INVENTORY");

(c) machinery, equipment, furniture, fixtures and leasehold improvements, including, without limitation, conveyors, tools, materials, storage and handling equipment, hydraulic presses, cutting equipment, computer equipment and hardware (including, without limitation, central processing units, terminals, drives, memory units, printers, keyboards, screens, peripherals and input or output devices), molds, dies, stamps, and other equipment of every kind and nature and wherever situated now or hereafter owned by the Corporation or in which the Corporation may have any interest as lessee or otherwise (to the extent of such interest), together with all additions and accessions thereto, all replacements and all accessories and parts therefor, all manuals, blueprints, know-how, warranties and records in connection therewith and all rights against suppliers, warrantors, manufacturers, and sellers or others in connection therewith (other than equipment that is subject to a lease which prohibits, or creates a default or right of termination upon, the assignment of or the granting of a security interest in or other Lien on the Corporation's rights thereunder) (collectively, the "EQUIPMENT");

(d) substitutions and replacements of and increases, additions and, where applicable, accessions to the property described in Section 1.2(a), (b) and (c) above; and

(e) proceeds in any form derived directly or indirectly from any dealing with all or any part of the property described in Section 1.2(a), (b), (c) and (d) above or the proceeds of such proceeds

(collectively, the "COLLATERAL").

SECTION 1.3 OBLIGATIONS SECURED

(a) The security interest granted hereby (the "SECURITY INTEREST") secures the payment and performance of all debts, liabilities and obligations at any time or from time to time due or accruing due and owing by or otherwise payable by the Corporation to the Agent or the Canadian Lenders under or pursuant to the Loan Agreement and any other agreements executed by the Corporation in connection therewith, including this Amended and Restated Security Agreement and the Credit Documents to which the Corporation is a party, with respect to the Canadian Revolving Loans and including all charges and fees of the Canadian Lenders and the Agent, whether present or future, direct or indirect, absolute or contingent, matured or unmatured, however or wherever incurred, and in any currency, and whether incurred by the Corporation alone or with another or others and whether as principal or surety (collectively, and together with the expenses, costs and charges set out in Section 1.3(b), herein the

"OBLIGATIONS"). For greater certainty, Obligations shall not include any debts, liabilities or obligations payable by the Corporation with respect to the Canadian Term Loans.

(b) All expenses, costs and charges incurred by or on behalf of the Agent and the Canadian Lenders in connection with this Amended and Restated Security Agreement, the Security Interest or the Collateral, including all legal fees, court costs, receiver's or agent's remuneration and other expenses of

taking possession of, repairing, protecting, insuring, preparing for disposition, realizing, collecting, selling, transferring, delivering or obtaining payment of the Collateral or other lawful exercises of the powers conferred by the Loan Agreement, and of taking, defending or participating in any action or proceeding in connection with any of the foregoing matters or otherwise in connection with the Canadian Lenders' or the Agent's interest in any Collateral shall be added to and form a part of the Obligations.

SECTION 1.4 FURTHER SECURITY

The Corporation also grants to the Agent, for its own benefit and as agent for the rateable benefit of the Canadian Lenders, as further security for all of the Obligations, a security interest in all of its right, title and interest in and to all property of the Corporation in the possession of or deposited with or in the custody of the Agent or any Affiliate of the Agent or any representative, agent or correspondent of the Agent. For purposes of this Amended and Restated Security Agreement, any property in which the Agent or any such Affiliate has any security or title retention interest shall be deemed to be in the custody of the Agent or of such Affiliate.

SECTION 1.5 ATTACHMENT

(a) The Corporation acknowledges that (i) value has been given, (ii) it has rights in the Collateral (other than after-acquired Collateral), (iii) it has not agreed to postpone the time of attachment of the Security Interest, and (iv)it has received a duplicate original copy of this Amended and Restated Security Agreement. The Security Interest is intended to, and shall, attach to the existing Collateral when the Corporation signs this Amended and Restated Security Agreement, and to all Collateral subsequently acquired by the Corporation immediately upon the Corporation acquiring rights in such Collateral.

(b) If the Corporation acquires Collateral consisting of chattel paper, instruments, securities or negotiable documents of title (collectively, "NEGOTIABLE COLLATERAL"), the Corporation will, upon the Security Interest becoming enforceable and at the request of the Agent, deliver to the Agent the Negotiable Collateral and the Corporation shall, at the request of the

Agent: (i) cause the transfer of the Negotiable Collateral to the Agent to be registered wherever, in the opinion of the Agent, such registration may be required or advisable, (ii) duly endorse the same for transfer in blank or as the Agent may direct, and (iii) immediately deliver to the Agent any and all consents or other documents which may be necessary to effect the transfer of the Negotiable Collateral to the Agent or any third party.

(c) The Corporation will execute and deliver, at its own expense, from time to time, amendments to this Amended and Restated Security Agreement or additional security agreements as may be required by the Agent.

SECTION 1.6 SCOPE OF SECURITY INTEREST

The Security Interest shall not:

(a) extend or apply to the last day of the term of any lease, sublease or any agreement therefore applicable to all Collateral now held or hereafter acquired by the Corporation, but upon enforcement of the Security Interest, the Corporation shall thereafter stand possessed of such last day and shall hold it in trust for the Agent to assign the same to any

person acquiring such term in the course of the enforcement of the Security Interest; or

(b) extend to, and the Collateral shall not include any agreement, right, franchise, licence or permit (the "CONTRACTUAL RIGHTS") to which the Corporation is a party or of which the Corporation has the benefit, to the extent that the creation of the Security Interest herein would constitute a breach of the terms of, or permit any person to terminate, the Contractual Rights, but the Corporation shall hold its interest therein in trust for the Agent to assign the same to any person acquiring all or any portion of the Collateral in the course of enforcement of the Security Interest.

SECTION 1.7 CARE AND CUSTODY OF COLLATERAL

(a) The Agent shall have no obligation to keep Collateral in its possession identifiable.

(b) The Agent may, after the Security Interest shall have become enforceable, (i) notify any person obligated on an account or on chattel paper or any obligor on an instrument to make payments to the Agent whether or not the Corporation was previously making collections on such accounts, chattel paper or instruments, and (ii) assume control of any proceeds arising from the Collateral.

SECTION 1.8 CORPORATION REMAINS LIABLE

Notwithstanding the provisions of this Amended and Restated Security Agreement: (i) the Corporation shall remain liable to perform all of its duties and obligations in regard to the Collateral (including, without limitation, all of its duties and obligations arising under any leases, licenses, permits, reservations, contracts, agreements, instruments, contractual rights and governmental orders, authorizations, licenses and permits, if any, now or hereafter pertaining thereto) to the same extent as if this Amended and Restated Security Agreement had not been executed; (ii) the exercise by or on behalf of the Agent of any of its rights and remedies under or in regard to this Amended and Restated Security Agreement shall not release the Corporation from such duties and obligations; and (iii) the Agent nor the Canadian Lenders shall have no liability for such duties and obligations by reason of the execution and delivery of this Amended and Restated Security Agreement.

SECTION 1.9 DEALINGS IN THE ORDINARY COURSE

Subject to Section 1.10 hereof and until the Security Interest becomes enforceable, the Corporation may dispose of or deal with the Collateral in the ordinary course of business and for the purpose of carrying on the same, so that purchasers thereof or parties dealing with the Corporation take title thereto free and clear of the Security Interest, provided that such action is not in breach of any covenant in this Amended and Restated Security Agreement or any covenant of the Corporation in the Loan Agreement or any of the other Credit Documents to which the Corporation is a party. In the event of any such disposition, and provided that such disposition is not made in contravention of any provision in the Loan Agreement or any of the other Credit Documents to which the Corporation is a party, the Agent will, at the written request of the Corporation, release the Security Interest in the Collateral which has been disposed of pursuant to such disposition.

SECTION 1.10 NEGATIVE PLEDGE

The Corporation shall not, without the prior written consent of the Agent, or as otherwise permitted by the Loan Agreement, create, issue, incur, assume, have outstanding or permit to exist, any mortgage, charge, pledge, lien, assignment by way of security, security interest or other encumbrance on any part of the Collateral, other than Permitted Liens.

SECTION 1.11 CONTINUING SECURITY

This Amended and Restated Security Agreement shall be a continuing obligation, shall cover and secure any ultimate balance of the Obligations owing to the Agent or the Canadian Lenders, and shall be operative and binding notwithstanding that at any time or times the Obligations may be zero, or that any payments from time to time may be made to the Agent or the Canadian Lenders, or any settlements of

account effected, or any other thing whatsoever done, suffered or permitted, or any other action short of complete and irrevocable payment of all the Obligations and any other amounts payable hereunder.

SECTION 1.12 NOTIFICATION OF ACCOUNT DEBTORS

Upon the occurrence and during the continuance of an Event of Default, the Agent may give notice to any person obligated to the Corporation or other person liable to the Corporation in respect of a Receivable or intangible to make all further payments to the Lender, and, upon notice to the Corporation thereof, any payment or other proceeds of Collateral received by the Corporation from account debtors or from any other person liable to the Corporation after any such notice is given by the Agent shall be held by the Corporation in trust for the Agent and paid over to the Agent on request.

SECTION 1.13 NO RELEASE

The loss, injury or destruction of the Collateral shall not operate in any manner to release or discharge the Corporation from any of its liabilities to the Agent.

ARTICLE 2
REPRESENTATIONS, WARRANTIES AND COVENANTS

SECTION 2.1 REPRESENTATIONS AND WARRANTIES

The Corporation hereby represents and warrants to the Agent and the Canadian Lenders that:

(1) the Corporation has good title to, or a valid leasehold interest in, or a valid contractual agreement to use, all of the Collateral owned by the Corporation free and clear of any Lien, except for a Permitted Lien. Except as expressly permitted by the Loan Agreement and such as may have been filed in favor of Agent or the Canadian Lenders relating to this Amended and Restated Security Agreement, no effective financing statement or other instrument similar in effect under the law of any jurisdiction covering all or any part of the Collateral is on file in any filing, registry or recording office;

(2) all certificates or instruments (excluding cheques and drafts) evidencing, comprising or representing the Collateral have been delivered to the Agent duly endorsed or accompanied by duly executed instruments of transfer or assignment in blank. Notwithstanding, anything to the contrary in the preceding sentence, (i) the Corporation is not obligated to deliver to the Agent negotiable instruments of title unless an Event of Default has occurred and is continuing and the Agent requests delivery of such items and (ii) the Corporation is not obligated to deliver to the Agent Letters of Credit unless requested by the Agent.

If requested by the Agent, the Corporation will cause all Letters of Credit to be delivered to the Agent. If the Corporation is required to deliver Letters of Credit to the Agent, then the Corporation will

notify the Agent from time to time of its desire to make a draw on a Letter of Credit and its request for return of the Letter of Credit for such purposes. The Agent shall, promptly after receipt of any such request, return the requested Letter of Credit to the Corporation. The Corporation shall within five (5) business days after receipt of such Letter of Credit either, present such Letter of Credit to the issuing bank for draw thereon or return the Letter of Credit to the Agent. If the Letter of Credit is partially (rather than fully) drawn, the Corporation shall return the Letter of Credit to the Agent within three (3) business days after submitting the Letter of Credit for such partial draw (or if the Letter of Credit is retained by the issuing bank, then within three (3) business days after the Letter of Credit is returned to the Corporation by the issuing bank);

(3) the Security Interest in the Collateral granted to the Agent for its own benefit and as agent and for the rateable benefit of the Canadian Lenders hereunder creates a valid security interest in the Collateral, securing the payment of Obligations as provided in Section 1.3 hereof. Upon the filing of financing change statements naming the Corporation as "debtor", naming the Agent as "secured party" and describing the Collateral pursuant to the PPSA and the Personal Property Security Act (Newfoundland) and the filing of a financing statement naming the Corporation as "debtor" and the Agent as "secured party" pursuant to the Personal Property Security Act (Nova Scotia), the Security Interest in the Collateral granted hereunder will constitute a perfected security interest in all Collateral now owned and hereafter acquired by the Corporation enforceable against the Corporation prior to all other Liens (except for Permitted Liens), and all other documents and instruments for all filings, registrations and recordings and other actions necessary or desirable to perfect and protect such Security Interest will have been duly made or taken.

SECTION 2.2 ADDITIONAL COVENANTS

The Corporation covenants with the Agent that the Corporation shall:

(1) ensure that the representations and warranties set forth in Section 2.1 shall be true and correct at all times;

(2) not permit the Collateral to be affixed to real or personal property so as to become a fixture or accession without the prior written consent of the Agent, except where the Collateral is affixed to real or personal property which is a Permitted Lien or which is also subject to a security interest in favour of the Agent and which is not subject to a security interest in favour of any other person, except for a Permitted Lien;

(3) not change its name or, in addition to and without limiting the provisions of the Loan Agreement, shall not amalgamate with any other corporation, continue to, reorganize or reincorporate itself under any other jurisdiction other than the Province of Alberta without (i) first giving fifteen (15) days notice to the Agent of its intention to do so and providing such other information in connection therewith as the Agent may request including, without limitation, the new name and the names of all amalgamating corporations and the date when such new name or amalgamation is to become effective; and (ii) taking all action satisfactory to the Agent with respect to the new name or jurisdiction to maintain the Security Interest of the Agent in the Collateral intended to be granted and perfected hereby at all times fully perfected and in full force and effect;

(4) pay to the Agent forthwith upon demand all reasonable costs, charges and expenses (including, without limiting the generality of the foregoing, all legal, receiver's and accounting fees and expenses) incurred by or on behalf of the Agent or the Canadian Lenders in connection with the preparation, execution and perfection of this Amended and Restated Security Agreement and the carrying out of any of the provisions of this Amended and Restated Security Agreement

including, without limiting the generality of the foregoing, protecting and preserving the Security Interest and enforcing by legal process or otherwise the remedies provided herein; and all such costs and expenses shall be added to and form part of the Obligations secured hereunder;

(5) if the Agent gives value to enable the Corporation to acquire rights in or for the use of any Collateral, use such value for such purposes; and

(6) except as expressly permitted by the Loan Agreement, pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including claims for labor, services, materials and supplies) against, the Collateral, except to the extent the validity thereof is being contested in good faith; provided that the Corporation shall in any event pay such taxes, assessments, charges, levies or claims not later than five (5) days prior to the date of any proposed sale under any judgment, writ or warrant of attachment entered or filed against the Corporation or any of the Collateral as a result of the failure to make such payment.

SECTION 2.3 SPECIAL COVENANTS WITH RESPECT TO EQUIPMENT AND INVENTORY.

The Corporation shall:

(a) keep correct and accurate records of Inventory owned by the Corporation itemizing and describing the kind, type and quality of such Inventory, such Corporation's cost therefor and (where applicable) the current list prices for such Inventory;

(b) if any Inventory is in possession or control of any of the Corporation's agents or processors, upon the occurrence and continuation of an Event of Default, instruct such agent or processor to hold all such Inventory for the account of the Agent and subject to the instructions of the Agent;

(c) the Corporation shall, at its own expense, maintain insurance with respect to the Equipment and INVENTORY in accordance with the terms of the Loan Agreement;

(d) upon (i) the occurrence and during the continuation of any Event of Default or (ii) the actual or constructive loss of any Equipment or Inventory, all insurance payments in respect of such Equipment or Inventory shall be paid to and applied by the Agent against the Obligations as specified in the Loan Agreement.

SECTION 2.4 SPECIAL COVENANTS WITH RESPECT TO RECEIVABLES

(a) The Corporation shall, for not less than three (3) years from the date on which each Receivable of the Corporation arose, maintain (i) records of such Receivable in such detail, form and scope as is consistent with good business practice, and (ii) all documentation relating thereto as is consistent with good business practice.

(b) Except as otherwise provided in this Section 2.1(b), the Corporation shall continue to collect, at its own expense, all amounts due or to become due to the Corporation or in any way relate to the Receivables. In connection with such collections, the Corporation may take (and, upon the occurrence and during the continuance of an Event of Default at the Agent's direction, shall take) such action as the Corporation or the Agent may deem necessary or advisable to enforce collection of amounts due or to become due under the Receivables; provided, however, that the Agent shall have the right at any time, upon the occurrence and during the continuance of an Event of Default and upon written notice to the Corporation of its intention to do so, to notify the

account debtors or obligors under any Receivables of the assignment of such Receivables to the Agent and to direct such account debtors or obligors to make payment of all amounts due or to become due to the Corporation thereunder directly to the Agent, to notify each Person maintaining a lockbox, blocked account or similar arrangement to which account debtors or obligors under any Receivables have been directed to make payment to remit all amounts representing collections on cheques and other payment items from time to time sent to or deposited in such lockbox, blocked account or other arrangement directly to the Agent and, upon such notification and at the expense of the Corporation, to enforce collection of

any such Receivables and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as the Corporation might have done. After receipt by the Corporation of the notice from the Agent referred to in the proviso to the preceding sentence and during the continuation of an Event of Default, (i) all amounts and proceeds (including cheques and other instruments) received by the Corporation in respect of the Receivables shall be received in trust for the benefit of the Agent hereunder, shall be segregated from other funds of the Corporation and shall be forthwith paid over or delivered to the Agent in the same form as so received (with any necessary endorsement) to be held as cash Collateral and applied against the Obligations as provided by the Loan Agreement, and (ii) the Corporation shall not adjust, settle or compromise the amount or payment of any Receivable, or release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon.

ARTICLE 3
ENFORCEMENT

SECTION 3.1 ENFORCEMENT

The Security Interest shall be and become enforceable against the Corporation upon the occurrence and during the continuance of an Event of Default.

SECTION 3.2 REMEDIES

(a) Whenever the Security Interest has become enforceable, the Agent may realize upon the Collateral and enforce its rights by:

(i) entry onto any premises where Collateral consisting of tangible personal property may be located;

(ii) entry into possession of the Collateral by any method permitted by law;

(iii) sale or lease of all or any part of the Collateral;

(iv) collection of any proceeds arising in respect of the Collateral;

(v) collection, realization or sale of, or other dealing with, the Receivables;

(vi) appointment by instrument in writing of a receiver or agent of all or any part of the Collateral and removal or replacement from time to time of any receiver or agent;

(vii) institution of proceedings in any court of competent jurisdiction for the appointment of a receiver of all or any part of the Collateral;

(viii) institution of proceedings in any court of competent jurisdiction for sale or foreclosure of all or any part of the Collateral;

(ix) filing of proofs of claim and other documents to establish claims to the Collateral in any proceeding relating to the Corporation; and

(x) any other remedy or proceeding authorized or permitted under the PPSA or otherwise by law or equity.

(b) Such remedies may be exercised from time to time separately or in combination and are in addition to, and not in substitution for, any other rights of the Agent and the Canadian Lenders however created. The Agent or the Canadian Lenders shall not be bound to exercise any right or remedy, and the exercise of any rights and remedies shall be without prejudice to the rights of the Agent and the Canadian Lenders in respect of the Obligations including the right to claim for any deficiency.

SECTION 3.3 ADDITIONAL RIGHTS

In addition to the remedies set forth in Section 3.2, the Agent may, whenever the Security Interest has become enforceable:

(a) require the Corporation, by notice in writing, at the Corporation's expense, to assemble the Collateral at a place or places designated by notice in writing and the Corporation agrees to so assemble the Collateral;

(b) require the Corporation, by notice in writing, to disclose to the Agent the location or locations of the Collateral and the Corporation agrees to make such disclosure when so required;

(c) repair, process, modify, complete or otherwise deal with the Collateral and prepare for the disposition of the Collateral, whether on the premises of the Corporation or otherwise;

(d) enter upon, occupy and use all or any of the premises, buildings, and other property of or used by the Corporation for such time as the Agent sees fit, free of charge, to exercise any of the Agent's rights or remedies under or in relation to this Amended and Restated Security Agreement, and the Agent and the Canadian Lenders shall not be liable to the Corporation for any act, omission or negligence in so doing or for any rent, charges, depreciation or damages incurred in connection with or resulting from such action;

(e) borrow for the purpose of the maintenance, preservation or protection of the Collateral and grant a security interest in the Collateral, whether or not in priority to the Security Interest, to secure repayment; and

(f) commence, continue or defend any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining possession or payment of

the Collateral, and give good and valid receipts and discharges in respect of the Collateral and compromise or give time for the payment or performance of all or any part of the accounts or any other obligation of any third party to the Corporation.

SECTION 3.4 RECEIVER'S POWERS.

(a) Any receiver appointed by the Agent shall be vested with the rights and remedies which could have been exercised by the Agent in respect of the Corporation or the Collateral. The identity of the receiver, its replacement and its remuneration shall be within the sole and unfettered discretion of the Agent. Any receiver appointed by a court shall have all powers and discretions as are granted in the instrument of appointment and any supplemental instruments.

(b) Any receiver appointed by the Agent shall act as agent for the Agent for the purposes of taking possession of the Collateral, but otherwise and for all other purposes (except as provided below), as agent for the Corporation. The receiver may sell, lease, or otherwise dispose of Collateral as agent for the Corporation or as agent for the Agent as the Agent may determine in its discretion. The Corporation agrees to ratify and confirm all actions of the receiver acting as agent for the Corporation, and to release and indemnify the receiver in respect of all such actions.

(c) The Agent, in appointing or refraining from appointing any receiver, shall not incur liability to the receiver, the Corporation or otherwise and shall not be responsible for any misconduct or negligence of the receiver.

SECTION 3.5 APPOINTMENT OF ATTORNEY

The Corporation irrevocably appoints the Agent (and any of its officers) as attorney of the Corporation (with full power of substitution) to (a) sign the Corporation's name on any documents, instruments and other items described in the Loan Agreement; (b) request at any time from parties indebted to the Corporation verification of information concerning such indebtedness including the amount owing thereon (provided that any verification prior to an the occurrence of an Event of Default shall not contain the Agent's name); and (c) upon the occurrence and during the continuance of an Event of Default: (i) convey any item of the Collateral to any purchaser thereof; and (ii) make any payment or take any act necessary or desirable to

protect or preserve any Collateral. The Agent's authority hereunder shall include, without limitation, the authority to execute and give receipt for any certificate of ownership or any document, to transfer title to any item of the Collateral and to take any other actions arising from or incident to the powers granted to the Agent under this Amended and Restated Security Agreement. This power of attorney is coupled with an interest and is irrevocable.

SECTION 3.6 DEALING WITH THE COLLATERAL

(a) The Agent and the Canadian Lenders shall not be obliged to exhaust their recourse against the Corporation or any other person or against any other security it may hold in respect of the Obligations before realizing upon or otherwise dealing with the Collateral in such manner as the Agent may consider desirable.

(b) The Agent and the Canadian Lenders may grant extensions or other indulgences, take and give up securities, accept compositions, grant releases and discharges and otherwise deal with the Corporation, the Collateral and with other persons, sureties or securities as it may see fit without prejudice to the Obligations, the liability of the Corporation or the

rights of the Agent in respect of the Collateral.

(c) Except as otherwise provided by law or this Amended and Restated Security Agreement, the Agent and the Canadian Lenders shall not be: (i) liable or accountable for any failure to collect, realize or obtain payment in respect of the Collateral; (ii) bound to institute proceedings for the purpose of collecting, enforcing, realizing or obtaining payment of the Collateral or for the purpose of preserving any rights of any persons in respect of the Collateral; (iii) responsible for any loss occasioned by any sale or other dealing with the Collateral or by the retention of or failure to sell or otherwise deal with the Collateral; or (iv) bound to protect the Collateral from depreciating in value or becoming worthless.

SECTION 3.7 STANDARDS OF SALE

The Corporation acknowledges that, upon the Security Interest becoming enforceable and without prejudice to the ability of the Agent to dispose of the Collateral in any manner which is commercially reasonable:

(a) the Collateral may be disposed of in whole or in part;

(b) the Collateral may be disposed of by public auction, public tender and/or private contract, with or without advertising and without any other formality;

(c) any assignee of the Collateral or any part thereof may be a customer of the Agent or a Canadian Lender;

(d) a disposition of the Collateral or any part thereof may be on such terms and conditions as to credit or otherwise as the Agent, in its sole discretion, may deem advantageous; and

(e) the Agent may establish an upset or reserve bid or price in respect of the Collateral or any part thereof.

SECTION 3.8 DEALINGS BY THIRD PARTIES

(a) No person dealing with the Agent, any of the Canadian Lenders or an agent or receiver shall be required to determine (i) whether the Security Interest has become enforceable, (ii) whether the powers which such person is purporting to exercise have become exercisable, (iii) whether any money remains due to the Agent or the Canadian Lenders by the Corporation, (iv) the necessity or expediency of the stipulations and conditions subject to which any sale or lease is made, (v) the propriety or regularity of any sale or other dealing by the Agent or any Canadian Lender with the Collateral, or (vi) how any money paid to the Agent or the Canadian Lenders has been applied.

(b) At any time on or after such time as the Security Interest becomes enforceable, any purchaser of all or any part of the Collateral from the Agent or a receiver or agent shall hold the Collateral absolutely, free from any claim or right of whatever kind, including any equity of redemption, of the Corporation, which it specifically waives (to the fullest extent permitted by law) as against any such purchaser together with all rights of redemption, stay or appraisal which the Corporation has or may have under any rule of law or statute now existing or hereafter adopted.

ARTICLE 4
GENERAL

SECTION 4.1 DISCHARGE

The Security Interest shall be discharged upon, but only upon, (i) full payment and performance of the Obligations, and (ii) the Agent and the Canadian Lenders having no obligations under the Loan Documents or otherwise. Upon discharge of the Security Interest and at the request and expense of the Corporation, the Agent shall execute and deliver to the Corporation such releases and discharges as the Corporation may reasonably require.

SECTION 4.2 LOAN AGREEMENT GOVERNS

Notwithstanding anything to the contrary contained herein, this Amended and Restated Security Agreement is issued subject always to the covenants, conditions, limitations and other provisions contained in the Loan Agreement. In the event of any conflict, discrepancy or ambiguity in or between any of the provisions of this Amended and Restated Security Agreement and any of the provisions of the Loan Agreement, including, without limitation, in the amount payable thereunder, the principal amount for which this Amended and Restated Security Agreement is expressed to be security, the interest payable on such principal amount, the time at which demand may be made, the covenants therein and the remedies available to the Agent or the Canadian Lenders, the provisions of the Loan Agreement shall prevail and the provisions of this Amended and Restated Security Agreement shall be deemed to be rendered inoperative by the Loan Agreement, to the extent necessary to eliminate such conflict, discrepancy, difference or ambiguity.

SECTION 4.3 AMENDMENTS, ETC.

No amendment or waiver of any provision of this Amended and Restated Security Agreement, nor consent to any departure by the Corporation from such provisions, is effective unless in writing and, in the case of an amendment, signed by the Corporation and the Agent or, in the case of a waiver or consent, approved by the Agent. Any amendment, waiver or consent is effective only in the specific instance and for the specific purpose for which it was given.

SECTION 4.4 WAIVERS

No failure on the part of the Agent or any of the Canadian Lenders to exercise, and no delay in exercising, any right under this Amended and Restated Security Agreement shall operate as a waiver of such right; nor shall any single or partial exercise of any right under this Amended and Restated Security Agreement preclude any other or further exercise of such right or the exercise of any other right.

SECTION 4.5 NO MERGER

This Amended and Restated Security Agreement shall not operate by way of merger of any of the Obligations and no judgment recovered by the Agent or any of the Canadian Lenders shall operate by way of merger of, or in any way affect, the Security Interest, which is in addition to, and not in substitution for, any other security now or hereafter held by the Agent for itself and the rateable benefit of the Canadian Lenders in respect of the Obligations.

SECTION 4.6 FURTHER ASSURANCES

The Corporation shall from time to time, whether before or after the Security Interest shall have become enforceable, do all acts and things and execute and deliver all transfers, assignments and instruments as the Agent may reasonably require for (i) protecting the Collateral, (ii) perfecting the Security Interest, and (iii) exercising all powers, authorities and discretions conferred upon the Agent, provided that notwithstanding the foregoing, the Corporation is not required to assist the Agent in exercising any rights available to the Agent which are dependent upon the occurrence of an Event of

Default until the Security Interest has become enforceable. The Corporation shall, from time to time after the Security Interest has become enforceable, do all acts and things and execute and deliver all transfers, assignments and instruments as the Agent may require for facilitating the sale or other disposition of the Collateral in connection with its realization.

SECTION 4.7 SUPPLEMENTAL SECURITY

This Amended and Restated Security Agreement is in addition and without prejudice to and supplemental all other security now held or which may hereafter be held by the Agent or the Canadian Lenders as security for the Obligations.

SECTION 4.8 NOTICES

Any notices, directions or other communications provided for in this Amended and Restated Security Agreement shall be in writing and given in accordance with the provisions of the Loan Agreement.

SECTION 4.9 SUCCESSORS AND ASSIGNS

This Amended and Restated Security Agreement shall be binding upon the Corporation, its successors and assigns, and shall enure to the benefit of the Agent and its successors and permitted assigns. The rights of the Agent hereunder shall be assignable in accordance with the provisions of the Loan Agreement.

SECTION 4.10 GENDER AND NUMBER

Any reference in this Amended and Restated Security Agreement to gender shall include all genders and words importing the singular number only shall include the plural and vice versa.

SECTION 4.11 HEADINGS, ETC.

The division of this Amended and Restated Security Agreement into Articles and Sections and the insertion of headings are for convenient reference only and are not to affect its interpretation.

SECTION 4.12 SEVERABILITY

If any provision of this Amended and Restated Security Agreement shall be deemed by any court of competent jurisdiction to be invalid or void, the remaining provisions shall remain in full force and effect.

SECTION 4.13 GOVERNING LAW

This Amended and Restated Security Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

IN WITNESS WHEREOF the Corporation has executed this Amended and Restated Security Agreement.

GRANT PRIDECO CANADA LTD.

By:

Authorized Signing Officer

By:

Authorized Signing Officer

EXHIBIT 4.9

GRANT PRIDECO CANADA LTD.

as Corporation

and

DEUTSCHE BANK AG, CANADA BRANCH

as Agent

SECURITY AGREEMENT

DECEMBER 19, 2002

TABLE OF CONTENTS

<Table>
<S> <C> <C>

SECURITY AGREEMENT

Security Agreement (this "SECURITY AGREEMENT") dated December 19, 2002 made by Grant Prideco Canada Ltd. (the "CORPORATION") to and in favour of Deutsche Bank AG, Canada Branch, as Canadian agent (the "AGENT") for the Canadian Lenders referred to below.

RECITALS:

(a) The Canadian Lenders (as that term is defined in the Loan Agreement hereinafter defined and referred to) as may from time to time be parties to the Loan Agreement have agreed to make credit facilities including, without limitation, the Canadian Term Loans (as that term is defined in the Loan Agreement) available to the Corporation on the terms and conditions contained in a credit agreement among Grant Prideco, LP, XL Systems, L.P., Texas Arai, Inc., Tube-Alloy Corporation, Star Operating Company, Reed-Hycalog Operating, L.P. and the Corporation, as Borrowers (as that term is defined in the Loan Agreement hereinafter defined and referred to) with Grant Prideco, LP acting in its capacity as US Funds Administrator (as that term is defined in the Loan Agreement

hereinafter defined and referred to) for the Borrowers, and the Corporation acting in its capacity as Canadian Funds Administrator (as that term is defined in the Loan Agreement hereinafter defined and referred to) for the Borrowers, with Grant Prideco, Inc., as a guarantor, each of the Lenders from time to time party hereto (as that term is defined in the Loan Agreement hereinafter defined and referred to), Deutsche Bank Trust Company Americas, acting in its capacity as contractual representative for the US Lenders (US Lenders, as that term is defined in the Loan Agreement hereinafter defined and referred to and Deutsche Bank Trust Company Americas, acting in its capacity as contractual representative for the US Lenders, referred to as the "US AGENT") and the Agent, acting in its capacity as contractual representative of the Canadian Lenders, Transamerica Business Capital Corporation, as Document Agent (as that term is defined in the Loan Agreement hereinafter defined and referred to), JP Morgan Chase Bank, as Co-Syndication Agent (as that term is defined in the Loan Agreement hereinafter defined and referred to) and Merrill Lynch Capital, as Co-Syndication Agent (as that term is defined in the Loan Agreement hereinafter defined and referred to) (such credit agreement as it may at any time or from time to time be amended, supplemented, restated or replaced, the "LOAN AGREEMENT");

(b) The Agent is to hold for its own benefit and is to act as agent to hold for itself and for the rateable benefit of the Canadian Lenders any and

all security for the payment and performance of the obligations of the Corporation under the Loan Agreement and the other Credit Documents (as such term is defined in the Loan Agreement); and

(c) The Corporation has agreed to execute and deliver this Security Agreement to and in favour of the Agent as security for the payment and performance of the Corporation's obligations to the Canadian Lenders and the Agent under the Loan Agreement and other Credit Documents in respect of the Canadian Term Loans.

In consideration of the foregoing and other good and valuable consideration (the receipt and adequacy of which are acknowledged), the Corporation agrees as follows:

ARTICLE 1
SECURITY

SECTION 1.1 TERMS INCORPORATED BY REFERENCE

Terms defined in the Personal Property Security Act (Alberta) (as amended from time to time, the "PPSA") and used in this Security Agreement shall have the same meanings attributed to such terms in the PPSA. For all purposes of this Security Agreement, capitalized terms defined in the Loan Agreement and used in this Security Agreement and not otherwise defined in this Security Agreement shall herein have the meanings provided to those terms in the Loan Agreement.

SECTION 1.2 GRANT OF SECURITY

As general and continuing security for the payment and performance of the Obligations (as defined herein), the Corporation hereby grants to the Agent, for its own benefit and as agent and for the rateable benefit of the Canadian

Lenders, a security interest in all of the present and after acquired personal property of the Corporation and all of the present and future undertaking, assets and property of the Corporation (collectively, the "COLLATERAL"), and as further general and continuing security for the payment and performance of the Obligations, the Corporation hereby assigns the Collateral to the Agent for its own benefit and as agent and for the rateable benefit of the Canadian Lenders and mortgages and charges the Collateral to the Agent, for its own benefit and as agent and for the rateable benefit of the Canadian Lenders (collectively, the "SECURITY INTEREST"). Without limiting the generality of the foregoing, the Collateral shall include all right, title and interest that the Corporation now has, may be possessed of, entitled to, or acquire, by way of amalgamation or otherwise, now or hereafter or may hereafter have in all property of the following kinds:

(1) ACCOUNTS RECEIVABLE: all present and after-acquired debts, demands, accounts, claims and choses in action which are now, or which may hereafter become, due, owing or accruing due to the Corporation (collectively, the "RECEIVABLES");

(2) INVENTORY: all present and after-acquired inventory of whatever kind and wherever situated including, without limiting the generality of the foregoing, all goods held for sale, lease or resale, goods furnished or to be furnished to third parties under contracts of lease, consignment or service, goods that are work in progress or raw materials used or consumed in the business of the Corporation (collectively, the "INVENTORY");

(3) EQUIPMENT: all present and after-acquired equipment, machinery, fixtures, furniture, plants, vehicles and other tangible personal property which is not Inventory (collectively, the "EQUIPMENT");

(4) CHATTEL PAPER: all chattel paper;

(5) DOCUMENTS OF TITLE: all warehouse receipts, bills of lading and other documents of title, whether negotiable or not;

(6) SECURITIES AND INSTRUMENTS: all shares, stock, warrants, bonds, debentures, debenture stock and other securities and all instruments other than those excluded by Section 7.19 of the Loan Agreement (collectively, the "SECURITIES");

(7) INTANGIBLES: all present and after-acquired intangibles not described in Section 1.2(1) including, without limiting the generality of the foregoing, all other industrial property, security interests, goodwill, choses in action and other contractual benefits and all trademarks, trademark registrations and pending trademark applications, patents, pending patent applications, copyrights and copyright registrations and other intellectual property (such trademarks, trademark registrations and pending trademark applications, patents, pending patent applications, copyrights and copyright registrations and all other intellectual property collectively, the "INTELLECTUAL PROPERTY");

(8) MONEY: all coins or bills or other medium of exchange adopted for use as part of the currency of Canada or of any foreign government;

(9) BOOKS, RECORDS, ETC.: all books, papers, accounts, invoices, letters, files, charts, plans, drawings, specifications, manuals, documents and other records in any form recording, evidencing or relating to any of the property described in Sections 1.2(1) to (8) inclusive, and all contracts, securities, instruments, licences and other rights and benefits in respect thereof;

(10) SUBSTITUTIONS. ETC.: all replacements of, substitutions for and increases, additions and accessions to any of the property described in Sections 1.2(1) to (9) inclusive; and

(11) PROCEEDS: all proceeds of the property described in Sections 1.2(1) to (10) inclusive including, without limiting the generality of the foregoing, all personal property in any form, or fixtures derived directly or indirectly from any dealing with such property or that indemnifies or compensates for the loss of or damage to such property, inclusive of the proceeds of such proceeds.

SECTION 1.3 OBLIGATIONS SECURED

(a) The Security Interest granted hereby secures the payment and performance of all debts, liabilities and obligations at any time or from time to time due or accruing due and owing by or otherwise payable by the Corporation to the Agent or the Canadian Lenders under or pursuant to the Loan Agreement and any other agreements executed by the Corporation in connection therewith, including this Security Agreement and the Credit Documents to which the Corporation is a party, with respect to the Canadian Term Loans and including all charges and fees of the Canadian Lenders and the Agent, whether present or future, direct or indirect, absolute or contingent, matured or unmatured, however or wherever incurred, and in any currency, and whether incurred by the Corporation alone or with another or others and whether as principal or surety (collectively, and together with the expenses, costs and charges set out in 1.3(b), herein the "OBLIGATIONS"). For greater certainty, Obligations shall not include any debts, liabilities or obligations payable by the Corporation with respect to the Canadian Revolving Loans.

(b) All expenses, costs and charges incurred by or on behalf of the Agent and the Canadian Lenders in connection with this Security Agreement, the Security Interest or the Collateral, including all legal fees, court costs, receiver's or agent's remuneration and other expenses of taking possession of, repairing, protecting, insuring, preparing for disposition, realizing, collecting, selling, transferring, delivering or obtaining payment of the Collateral or other lawful exercises of the powers conferred by the Loan Agreement, and of taking, defending or participating in any action or proceeding in connection with any of the foregoing matters or otherwise in connection with the Canadian Lenders' or the Agent's interest in any Collateral shall be added to and form a part of the Obligations.

SECTION 1.4 FURTHER SECURITY

The Corporation also grants to the Agent, for its own benefit and as agent for the rateable benefit of the Canadian Lenders, as further security for all of the Obligations, a security interest in all of its right, title and interest in and to all property of the Corporation in the possession of or deposited with or in the custody of the Agent or any Affiliate of the Agent or any representative, agent or correspondent of the Agent. For purposes of this Security Agreement, any property in which the Agent or any such Affiliate has any security or title retention interest shall be deemed to be in the custody of the Agent or of such Affiliate.

SECTION 1.5 ATTACHMENT

(a) The Corporation acknowledges that (i) value has been given, (ii) it has rights in the Collateral (other than

after-acquired Collateral),(iii) it has not agreed to postpone the time of attachment of the Security Interest, and (iv) it has received a duplicate original copy of this Security Agreement. The Security Interest is intended to, and shall, attach to the existing Collateral when the Corporation signs this Security Agreement, and to all Collateral subsequently acquired by the Corporation immediately upon the Corporation acquiring rights in such Collateral.

(b) If the Corporation acquires Collateral consisting of chattel paper, instruments, securities or negotiable documents of title (collectively, "NEGOTIABLE COLLATERAL"), the Corporation will, upon the Security Interest becoming enforceable and at the request of the Agent, deliver to the Agent the Negotiable Collateral and the Corporation shall, at the request of the Agent: (i) cause the transfer of the Negotiable Collateral to the Agent to be registered wherever, in the opinion of the Agent, such registration may be required or advisable, (ii) duly endorse the same for transfer in blank or as the Agent may direct, and (iii) immediately deliver to the Agent any and all consents or other documents which may be necessary to effect the transfer of the Negotiable Collateral to the Agent or any third party.

(c) The Corporation will execute and deliver, at its own expense, from time to time, amendments to this Security Agreement or additional security agreements as may be required by the Agent.

SECTION 1.6 SCOPE OF SECURITY INTEREST

The Security Interest shall not:

(a) extend or apply to the last day of the term of any lease, sublease or any agreement therefore applicable to all Collateral now held or hereafter

acquired by the Corporation, but upon enforcement of the Security Interest, the Corporation shall thereafter stand possessed of such last day and shall hold it in trust for the Agent to assign the same to any person acquiring such term in the course of the enforcement of the Security Interest; or

(b) extend to, and the Collateral shall not include any agreement, right, franchise, licence or permit (the "CONTRACTUAL RIGHTS") to which the Corporation is a party or of which the Corporation has the benefit, to the extent that the creation of the Security Interest herein would constitute a breach of the terms of, or permit any person to terminate, the Contractual Rights, but the Corporation shall hold its interest therein in trust for the Agent to assign the same to any person acquiring all or any portion of the Collateral in the course of enforcement of the Security Interest.

SECTION 1.7 CARE AND CUSTODY OF COLLATERAL

(a) The Agent shall have no obligation to keep Collateral in its possession identifiable.

(b) The Agent may, after the Security Interest shall have become enforceable, (i) notify any person obligated on an account or on chattel paper or any obligor on an instrument to make payments to the Agent whether or not the Corporation was previously making collections on such accounts, chattel paper or instruments, and (ii) assume control of any proceeds arising from the Collateral.

SECTION 1.8 CORPORATION REMAINS LIABLE

Notwithstanding the provisions of this Security Agreement: (i) the Corporation shall remain liable to perform all of its duties and obligations in regard to the Collateral (including, without limitation, all of its duties and obligations arising under any leases, licenses, permits, reservations, contracts, agreements, instruments, contractual rights and governmental orders, authorizations, licenses and permits, if any, now or hereafter pertaining thereto) to the same extent as if this Security Agreement had not been executed; (ii) the exercise by or on behalf of the Agent of any of its rights and remedies under or in regard to this Security Agreement shall not release the Corporation from such duties and obligations; and (iii) the Agent nor the Canadian Lenders shall have no liability for such duties and obligations by reason of the execution and delivery of this Security Agreement.

SECTION 1.9 DEALINGS IN THE ORDINARY COURSE

Subject to Section 1.10 hereof and until the Security Interest becomes enforceable, the Corporation may dispose of or deal with the Collateral in the

ordinary course of business and for the purpose of carrying on the same, so that purchasers thereof or parties dealing with the Corporation take title thereto free and clear of the Security Interest, provided that such action is not in breach of any covenant in this Security Agreement or any covenant of the Corporation in the Loan Agreement or any of the other Credit Documents to which the Corporation is a party. In the event of any such disposition, and provided that such disposition is not made in contravention of any provision in the Loan Agreement or any of the other Credit Documents to which the Corporation is a party, the Agent will, at the written request of the Corporation, release the Security Interest in the Collateral which has been disposed of pursuant to such disposition.

SECTION 1.10 NEGATIVE PLEDGE

The Corporation shall not, without the prior written consent of the Agent, or as otherwise permitted by the Loan Agreement, create, issue, incur, assume, have outstanding or permit to exist, any mortgage, charge, pledge, lien, assignment by way of security, security interest or other encumbrance on any part of the Collateral, other than Permitted Liens.

SECTION 1.11 CONTINUING SECURITY

This Security Agreement shall be a continuing obligation, shall cover and secure any ultimate balance of the Obligations owing to the Agent or the Canadian Lenders, and shall be operative and binding notwithstanding that at any time or times the Obligations may be zero, or that any payments from time to time may be made to the Agent or the Canadian Lenders, or any settlements of account effected, or any other thing whatsoever done, suffered or permitted, or any other action short of complete and irrevocable payment of all the Obligations and any other amounts payable hereunder.

SECTION 1.12 NOTIFICATION OF ACCOUNT DEBTORS

Upon the occurrence and during the continuance of an Event of Default, the Agent may give notice to any person obligated to the Corporation or other person liable to the Corporation in respect of a Receivable or intangible to make all further payments to the Lender, and, upon notice to the Corporation thereof, any payment or other proceeds of Collateral received by the Corporation from account debtors or from any other person liable to the Corporation after any such notice is given by the Agent shall be held by the Corporation in trust for the Agent and paid over to the Agent on request.

SECTION 1.13 NO RELEASE

The loss, injury or destruction of the Collateral shall not operate in any manner to release or discharge the Corporation from any of its liabilities

to the Agent.

ARTICLE 2
REPRESENTATIONS, WARRANTIES AND COVENANTS

SECTION 2.1 REPRESENTATIONS AND WARRANTIES

The Corporation hereby represents and warrants to the Agent and the Canadian Lenders that:

(1) the Corporation has good title to, or a valid leasehold interest in, or a valid contractual agreement to use, all of the Collateral owned by the Corporation free and clear of any Lien, except for a Permitted Lien. Except as expressly permitted by the Loan Agreement and such as may have been filed in favour of Agent or the Canadian Lenders relating to this Security Agreement, no effective financing statement or other instrument similar in effect under the law of any jurisdiction covering all or any part of the Collateral is on file in any filing, registry or recording office;

(2) all certificates or instruments (excluding cheques and drafts) evidencing, comprising or representing the Collateral have been delivered to the Agent duly endorsed or accompanied by duly executed instruments of transfer or assignment in blank. Notwithstanding, anything to the contrary in the preceding sentence, (a) the Corporation is not obligated to deliver to the Agent negotiable instruments of title unless an Event of Default has occurred and is continuing and the Agent requests delivery of such items, and (b) the Corporation is not obligated to deliver to the Agent Letters of Credit unless requested by the Agent. If requested by the Agent, the Corporation will cause all Letters of Credit to be delivered to the Agent. If the Corporation is required to deliver Letters of Credit to the Agent, then the Corporation will notify the Agent from time to time of its desire to make a draw on a Letter of Credit and its request for return of the Letter of Credit for such purposes. The Agent shall, promptly after receipt of any such request, return the requested Letter of Credit to the Corporation. The Corporation shall within five (5) business days after receipt of such Letter of Credit either, present such Letter of Credit to the issuing bank for draw thereon or return the Letter of Credit to the Agent. If the Letter of Credit is partially (rather than fully) drawn, the Corporation shall return the Letter of Credit to the Agent within three (3) business days after submitting the Letter of Credit for such partial draw (or if the Letter of Credit is retained by the issuing bank, then within three (3) business days after the Letter of Credit is returned to the Corporation by the issuing bank);

(3) with respect to the Intellectual Property:

(a) A true and complete list of all trademark registrations and trademark applications owned by the Corporation, in whole or in part, is set forth in Schedule 2.1(3)(a);

(b) A true and complete list of all patents owned by the Corporation, in whole or in part, is set forth in Schedule 2.1(3)(b);

(c) A true and complete list of all copyrights and copyright registrations and applications for copyright registrations owned by the Corporation, in whole or in part, is set forth in

Schedule 2.1(3)(c);

(d) The Corporation is not aware of any pending or threatened claim by any third party that any of the Intellectual Property owned, held or used by the Corporation is invalid or unenforceable; and

(e) No effective security interest or other Lien covering all or any part of the Intellectual Property is on file in the Canadian Intellectual Property Office.

(4) the Security Interest in the Collateral granted to the Agent for its own benefit and as agent and for the rateable benefit of the Canadian Lenders hereunder creates a valid security interest in the Collateral, securing the payment of Obligations as provided in Section 1.3 hereof. Upon the filing of financing statements naming the Corporation as "debtor", naming the Agent as "secured party" and describing the Collateral pursuant to the PPSA and the Personal Property Security Act (Newfoundland) and the filing of a financing statement naming the Corporation as "debtor" and the Agent as "secured party" pursuant to the Personal Property Security Act (Nova Scotia), the Security Interest in the Collateral granted hereunder will constitute a perfected security interest in all Collateral now owned and hereafter acquired by the Corporation enforceable against the Corporation prior to all other Liens (except for Permitted Liens), and all other documents and instruments for all filings, registrations and recordings and other actions necessary or desirable to perfect and protect such Security Interest will have been duly made or taken.

SECTION 2.2 ADDITIONAL COVENANTS

The Corporation covenants with the Agent that the Corporation shall:

(1) ensure that the representations and warranties set forth in Section 2.1 shall be true and correct at all times;

(2) not permit the Collateral to be affixed to real or personal property so as to become a fixture or accession without the prior written consent of the Agent, except where the Collateral is affixed to real or personal property which is a Permitted Lien or which is also subject to a security interest in favour of the Agent and which is not subject to a security interest in favour of any other person, except for a Permitted Lien;

(3) not change its name or, in addition to and without limiting the provisions of the Loan Agreement, shall not amalgamate with any other corporation, continue to, reorganize or reincorporate itself under any other jurisdiction other than the Province of Alberta without (i) first giving fifteen (15) days notice to the Agent of its intention to do so and providing such other information in connection therewith as the Agent may request including, without limitation, the new name and the names of all amalgamating corporations and the date when such new name or amalgamation is to become effective; and (ii) taking all action satisfactory to the Agent with respect to the new name or jurisdiction to maintain the Security Interest of the Agent in the Collateral intended to be granted and perfected hereby at all times fully perfected and in full force and effect;

(4) pay to the Agent forthwith upon demand all reasonable costs, charges and expenses (including, without limiting the generality of the foregoing, all legal, receiver's and accounting fees and expenses) incurred by or on behalf of the Agent or the Canadian Lenders in connection with the preparation, execution and perfection of this Security Agreement and the carrying out of any of the provisions of this Security Agreement including, without limiting the generality of the foregoing, protecting and preserving the Security Interest and

enforcing by legal process or otherwise the remedies provided herein; and all such costs and expenses shall be added to and form part of the Obligations secured hereunder;

(5) if the Agent gives value to enable the Corporation to acquire rights in or for the use of any Collateral, use such value for such purposes; and

(6) except as expressly permitted by the Loan Agreement, pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including claims for labour, services, materials and supplies) against, the Collateral, except to the extent the validity thereof is being contested in good faith; provided that the Corporation shall in any event pay such taxes, assessments, charges, levies or claims not later than five (5) days prior to the date of any proposed sale under any judgment, writ or warrant of attachment entered or filed against the Corporation or any of the Collateral as a result of the failure to make such payment.

(7) if the Corporation shall hereafter obtain rights to any new Intellectual Property or become entitled to the benefit of (a) any patent application or patent or any reissue, division, continuation, renewal, extension or continuation-in-part of any patent or any improvement of any patent or (b) any copyright registration, application for copyright registration or renewals or extension of any copyright, then in any such case, the provisions of this Security Agreement shall automatically apply thereto. The Corporation shall notify the Agent in writing, on the quarterly basis prescribed in Section 7.1(b) of the Loan Agreement, of any of the foregoing rights acquired by the Corporation after the date hereof and of (a) any trademark registrations issued or application for a trademark registration or application for a patent made, and (b) any copyright registrations issued or applications for copyright registration made, in any such case, after the date hereof. Promptly within thirty (30) days after the filing of an application for any (i) trademark registration; (ii) patent; and (iii) copyright registration, the Corporation shall execute and deliver to the Agent and record in all places where a security interest is recorded a Confirmation of Security Interest in Intellectual Property (a "CONFIRMATION"); provided, if, in the reasonable judgment of the Corporation, after due inquiry, filing such Confirmation would result in the grant of a trademark registration or copyright registration in the name of the Agent, the Corporation shall give written notice to the Agent as soon as reasonably practicable and the filing shall instead be undertaken as soon as practicable but in no case later than immediately following the grant of the applicable trademark registration or copyright registration, as the case may be. Upon delivery to the Agent of a Confirmation, Schedules 2.1(3)(a), 2.1(3)(b) and 2.1(3)(c) hereto shall be deemed modified to include reference to any right, title or interest in any existing Intellectual Property or any Intellectual Property included in such Confirmation. The Corporation hereby authorizes the Agent to modify this Security Agreement without the signature or consent of the Corporation by attaching Schedules 2.1(3)(a), 2.1(3)(b) and 2.1(3)(c) as applicable, that have been modified to include such Intellectual Property or to delete any reference to any right, title or interest in any Intellectual Property in which the Corporation no longer has or claims any right, title or interest; provided, the failure of the Corporation to execute a Confirmation with respect to any additional Intellectual Property pledged pursuant to this Security Agreement shall not impair the security interest of the Agent therein or otherwise adversely affect the rights and remedies of the Agent hereunder with respect thereto.

SECTION 2.3 SPECIAL COVENANTS WITH RESPECT TO EQUIPMENT AND INVENTORY.

The Corporation shall:

(a) keep correct and accurate records of Inventory owned by the Corporation itemizing and describing the kind, type and quality of such Inventory, such Corporation's cost therefor and (where applicable) the current list prices for such Inventory;

(b) if any Inventory is in possession or control of any of the Corporation's agents or processors, upon the occurrence and continuation of an Event of Default, instruct such agent or processor to hold all such Inventory for the account of the Agent and subject to the instructions of the Agent;

(c) maintain insurance with respect to the Equipment and Inventory in accordance with the terms of the Loan Agreement; and

(d) upon (i) the occurrence and during the continuation of any Event of Default or (ii) the actual or constructive loss of any Equipment or Inventory, all insurance payments in respect of such Equipment or Inventory shall be paid to and applied against the Obligations by the Agent as specified in the Loan Agreement.

SECTION 2.4 SPECIAL COVENANTS WITH RESPECT TO RECEIVABLES

(a) The Corporation shall, for not less than three (3) years from the date on which each Receivable of the Corporation arose, maintain (i) records of such Receivable in such detail, form and scope as is consistent with good business practice, and (ii) all documentation relating thereto as is consistent with good business practice.

(b) Except as otherwise provided in this Section 2.4(b), the Corporation shall continue to collect, at its own expense, all amounts due or to become due to the Corporation or in any way relate to the Receivables. In connection with such collections, the Corporation may take (and, upon the occurrence and during the continuance of an Event of Default at the Agent's direction, shall take) such action as the Corporation or the Agent may deem necessary or advisable to enforce collection of amounts due or to become due under the Receivables; provided, however, that the Agent shall have the right at any time, upon the occurrence and during the continuance of an Event of Default and upon written notice to the Corporation of its intention to do so, to notify the account debtors or obligors under any Receivables of the assignment of such Receivables to the Agent and to direct such account debtors or obligors to make payment of all amounts due or to become due to the Corporation thereunder directly to the Agent, to notify each Person maintaining a lockbox, blocked account or similar arrangement to which account debtors or obligors under any Receivables have been

directed to make payment to remit all amounts representing collections on cheques and other payment items from time to time sent to or deposited in such lockbox, blocked account or other arrangement directly to the Agent and, upon such notification and at the expense of the Corporation, to enforce collection of any such Receivables and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as the Corporation might have done. After receipt by the Corporation of the notice from the Agent referred to in the proviso to the preceding sentence and during the continuation of an Event of Default, (i) all amounts and proceeds (including cheques and other instruments) received by the Corporation in respect of the Receivables shall be received in trust for the benefit of the Agent hereunder, shall be segregated from other funds of the Corporation and shall be forthwith paid over or delivered to the Agent in the same form as so received (with any necessary endorsement) to be held as cash

Collateral and applied against the Obligations as provided by the Loan Agreement, and (ii) the Corporation shall not adjust, settle or compromise the amount or payment of any Receivable, or release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon.

SECTION 2.5 SPECIAL COVENANTS WITH RESPECT TO THE INTELLECTUAL PROPERTY

(1) The Corporation shall:

(a) diligently keep reasonable records respecting the Intellectual Property and at all times keep at least one complete set of its records concerning such Collateral at its chief executive office or principal place of business;

(b) take any and all reasonable steps to protect the secrecy of all trade secrets relating to the products and services sold or delivered under or in connection with the Intellectual Property, including, without limitation, where appropriate entering into confidentiality agreements with employees and labelling and restricting access to secret information and documents;

(c) use proper statutory notice in connection with its use of any of the Intellectual Property;

(d) use a commercially appropriate standard of quality (which may be consistent with the Corporation's past practices) in the manufacture, sale and delivery of products and services sold or delivered under or in connection with its trademarks; and

(e) furnish the Agent from time to time at the Agent's reasonable request statements and schedules further identifying and describing any Intellectual Property and such other reports in connection with such Collateral, all in reasonable detail.

(2) Except as otherwise provided in this Section 2.5, the Corporation shall continue to collect, at its own expense, all amounts due or to become due to the Corporation in respect of the Intellectual Property or any portion thereof. In connection with such collections, the Corporation may take (and, after the occurrence and during the continuance of any Event of Default at the Agent's reasonable direction, shall take) such action as the Corporation or the Agent may deem reasonably necessary or advisable to enforce collections of such amounts; provided, the Agent shall have the right at any time, upon the occurrence and during the continuation of an Event of Default and upon written notice to the Corporation of its security interest created hereby to direct such obligors to make payment of all such amounts directly to the Agent, and, upon such notification and at the expense of the Corporation, to enforce collection of any such amounts and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as the Corporation might have done. After receipt by the Corporation of the notice from the Agent referred to in the proviso to the preceding sentence and during the continuation of any Event of Default, (a) all amounts and proceeds (including cheques and other instruments) received by the Corporation in respect of amounts due to the Corporation in respect of its Intellectual Property or any portion thereof shall be received in trust for the benefit of the Agent hereunder, shall be segregated from other funds of the Corporation and shall be forthwith paid over or delivered to the Agent in the same form as so received (with any necessary endorsement) to be held as cash Collateral and applied against the Obligations as provided by the Loan Agreement, and (b) the Corporation shall not adjust, settle or compromise the amount or payment of any such amount or release wholly or partly any obligor with respect thereto or allow any credit or discount thereon.

(3) The Corporation shall have the duty diligently to prosecute, file and/or make, unless and until the Corporation, in its commercially reasonably judgment, decides otherwise, (a) any application relating to any of the Intellectual Property owned, held or used by the Corporation and identified on Schedules 2.1(3)(a), 2.1(3)(b) or 2.1(3)(c), as applicable, that is pending as of the date of this Security Agreement, (b) any copyright registration on any existing or future unregistered but copyrightable works (except for works of nominal commercial value or with respect to which the Corporation has determined in the exercise of its commercially reasonable judgment that it shall not seek registration), (c) application on any future patentable but

unpatented innovation or invention comprising Intellectual Property, and (d) any trademark opposition and cancellation proceedings, renew trademark registrations and copyright registrations and do any and all acts which are necessary or desirable to preserve and maintain all rights in its Intellectual Property. Any expenses incurred in connection therewith shall be borne solely the Corporation. Subject to the foregoing, the Corporation shall give the Agent prior written notice of any abandonment of any Intellectual Property or any pending patent application or any patent.

(4) Except as provided herein, the Corporation shall have the right to commence and prosecute in its own name, as real party in interest, for its own benefit and at its own expense, such suits, proceedings or other actions for infringement, unfair competition, dilution, misappropriation or other damage, or re-examination or reissue proceedings as are necessary to protect the Intellectual Property. The Agent shall provide, at the Corporation's expense, all reasonable and necessary cooperation in connection with any such suit, proceeding or action including, without limitation, joining as a necessary party. The Corporation shall promptly, following its becoming aware thereof, notify the Agent of the institution of, or of any adverse determination in, any proceeding (whether in the Canadian Intellectual Property Office or any federal, provincial, local or foreign court) or regarding the Corporation's ownership, right to use, or interest in any Intellectual Property material to the conduct of the Corporation's business. The Corporation shall provide to the Agent any information with respect thereto reasonably requested by the Agent.

(5) In addition to, and not by way of limitation of, the granting of a security interest in the Collateral pursuant hereto, the Corporation, effective upon the occurrence and during the continuation of an Event of Default, hereby assigns, transfers and conveys to the Agent the nonexclusive right and license to use all trademarks, tradenames, copyrights, patents or technical processes (including, without limitation, the Intellectual Property) owned or used by the Corporation that relate to the Collateral and any other collateral granted by the Corporation as security for the Obligations, together with any goodwill associated therewith, all to the extent necessary to enable the Agent to realize on the Collateral in accordance with this Security Agreement and to enable any transferee or assignee of the Collateral to enjoy the benefits of the Collateral. This right shall inure to the benefit of all successors, assigns and transferees of the Agent or the Canadian Lenders and their successors, assigns and transferees, whether by voluntary conveyance, operation of law, assignment, transfer, foreclosure, deed in lieu of foreclosure or otherwise. Such right and license shall be granted free of charge, without requirement that any monetary payment whatsoever be made to the Corporation. In

addition, the Corporation hereby grants to the Agent and its employees, representatives and agents the right to visit the Corporation's and any of its Affiliate's or subcontractor's plants, facilities and other places of business that are utilized in connection with the manufacture, production, inspection, storage or sale of products and services sold or delivered under any of the Intellectual Property (or which were so utilized during the prior six month period), and to inspect the quality control and all other records relating thereto upon reasonable advance written notice to the Corporation and during normal business hours at reasonable dates and times and as often as may be reasonably requested. The Corporation may license its Intellectual Property to any Person as it may deem necessary to the successful conduct of its business. Nothing contained herein shall prohibit or limit the licensing of Intellectual Property to any Person as the Corporation may deem appropriate in the conduct of its business. If and to the extent that the Corporation licenses the Intellectual Property, the Agent shall promptly enter into a non-disturbance agreement or other similar arrangement, at the Corporation's request and expense, with the Corporation and any licensee of any Intellectual Property permitted hereunder in form and substance reasonably satisfactory to the Agent pursuant to which (a) the Agent shall agree not to disturb or interfere with such licensee's rights under its license agreement with the Corporation so long as such licensee is not in default thereunder, and (b) such licensee shall acknowledge and agree that the Intellectual Property licensed to it is subject to the Security Interest created in favour of the Agent and the other terms of this Security Agreement subject to clause (a).

(6) Notwithstanding anything in the foregoing, the Corporation will not be subject to Subsections 2.5(1)(a) through 2.5(1)(d), 2.5(2) and 2.5(3) with respect to Intellectual Property that is obsolete.

ARTICLE 3
ENFORCEMENT

SECTION 3.1 ENFORCEMENT

The Security Interest shall be and become enforceable against the Corporation upon the occurrence and during the continuance of an Event of Default.

SECTION 3.2 REMEDIES

(a) Whenever the Security Interest has become enforceable, the Agent may realize upon the Collateral and enforce its rights by:

(i) entry onto any premises where Collateral consisting of tangible personal property may be located;

(ii) entry into possession of the Collateral by any method permitted by law;

(iii) sale or lease of all or any part of the Collateral;

(iv) collection of any proceeds arising in respect of the Collateral;

(v) collection, realization or sale of, or other dealing with, the Receivables;

(vi) appointment by instrument in writing of a receiver or

agent of all or any part of the Collateral and removal or replacement from time to time of any receiver or agent;

(vii) institution of proceedings in any court of competent jurisdiction for the appointment of a receiver of all or any part of the Collateral;

(viii) institution of proceedings in any court of competent jurisdiction for sale or foreclosure of all or any part of the Collateral;

(ix) filing of proofs of claim and other documents to establish claims to the Collateral in any proceeding relating to the Corporation; and

(x) any other remedy or proceeding authorized or permitted under the PPSA or otherwise by law or equity.

(b) Such remedies may be exercised from time to time separately or in combination and are in addition to, and not in substitution for, any other rights of the Agent and the Canadian Lenders however created. The Agent or the Canadian Lenders shall not be bound to exercise any right or remedy, and the exercise of any rights and remedies shall be without prejudice to the rights of the Agent and the Canadian Lenders in respect of the Obligations including the right to claim for any deficiency.

SECTION 3.3 ADDITIONAL RIGHTS

In addition to the remedies set forth in Section 3.2, the Agent may, whenever the Security Interest has become enforceable:

(a) require the Corporation, by notice in writing, at the Corporation's expense, to assemble the Collateral at a place or places designated by notice in writing and the Corporation agrees to so assemble the Collateral;

(b) require the Corporation, by notice in writing, to disclose to the Agent the location or locations of the Collateral and the Corporation agrees to make such disclosure when so required;

(c) repair, process, modify, complete or otherwise deal with the Collateral and prepare for the disposition of the Collateral, whether on the premises of the Corporation or otherwise;

(d) enter upon, occupy and use all or any of the premises, buildings, and other property of or used by the Corporation for such time as the Agent sees fit, free of charge, to exercise any of the Agent's rights or remedies under or in relation to this Security Agreement, and the Agent and the Canadian Lenders shall not be liable to the Corporation for any act, omission or negligence in so doing or for any rent, charges, depreciation or damages incurred in connection with or resulting from such action;

(e) borrow for the purpose of the maintenance, preservation or protection of the Collateral and grant a security interest in the Collateral, whether or not in priority to the Security Interest, to secure repayment; and

(f) commence, continue or defend any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining possession or payment of the Collateral, and give good and valid receipts and

discharges in respect of the Collateral and compromise or give time for the payment or performance of all or any part of the accounts or any other obligation of any third party to the Corporation.

SECTION 3.4 RECEIVER'S POWERS.

(a) Any receiver appointed by the Agent shall be vested with the rights and remedies which could have been exercised by the Agent in respect of the Corporation or the Collateral. The identity of the receiver, its replacement and its remuneration shall be within the sole and unfettered discretion of the Agent. Any receiver appointed by a court shall have all powers and discretions as are granted in the instrument of appointment and any supplemental instruments.

(b) Any receiver appointed by the Agent shall act as agent for the Agent for the purposes of taking possession of the Collateral, but otherwise and for all other purposes (except as provided below), as agent for the Corporation. The receiver may sell, lease, or otherwise dispose of Collateral as agent for the Corporation or as agent for the Agent as the Agent may determine in its discretion. The Corporation agrees to

ratify and confirm all actions of the receiver acting as agent for the Corporation, and to release and indemnify the receiver in respect of all such actions.

(c) The Agent, in appointing or refraining from appointing any receiver, shall not incur liability to the receiver, the Corporation or otherwise and shall not be responsible for any misconduct or negligence of the receiver.

SECTION 3.5 APPOINTMENT OF ATTORNEY

The Corporation irrevocably appoints the Agent (and any of its officers) as attorney of the Corporation (with full power of substitution) to (a) sign the Corporation's name on any documents, instruments and other items described in the Loan Agreement; (b) request at any time from parties indebted to the Corporation verification of information concerning such indebtedness including the amount owing thereon (provided that any verification prior to an the occurrence of an Event of Default shall not contain the Agent's name); and (c) upon the occurrence and during the continuance of an Event of Default: (i) convey any item of the Collateral to any purchaser thereof; and (ii) make any payment or take any act necessary or desirable to protect or preserve any Collateral. The Agent's authority hereunder shall include, without limitation, the authority to execute and give receipt for any certificate of ownership or any document, to transfer title to any item of the Collateral and to take any other actions arising from or incident to the powers granted to the Agent under this Security Agreement. This power of attorney is coupled with an interest and is irrevocable.

SECTION 3.6 DEALING WITH THE COLLATERAL

(a) The Agent and the Canadian Lenders shall not be obliged to exhaust their recourse against the Corporation or any other person or against any other security it may hold in respect of the Obligations before realizing upon or otherwise dealing with the Collateral in such manner as the Agent may consider desirable.

(b) The Agent and the Canadian Lenders may grant extensions or other indulgences, take and give up securities, accept compositions, grant releases and discharges and otherwise deal with the Corporation, the Collateral and with other persons, sureties or securities as it may see fit without prejudice to

the Obligations, the liability of the Corporation or the rights of the Agent in respect of the Collateral.

(c) Except as otherwise provided by law or this Security Agreement, the Agent and the Canadian Lenders shall not be: (i) liable or accountable for any failure to collect, realize or obtain payment in respect of the

Collateral; (ii) bound to institute proceedings for the purpose of collecting, enforcing, realizing or obtaining payment of the Collateral or for the purpose of preserving any rights of any persons in respect of the Collateral; (iii) responsible for any loss occasioned by any sale or other dealing with the Collateral or by the retention of or failure to sell or otherwise deal with the Collateral; or (iv) bound to protect the Collateral from depreciating in value or becoming worthless.

SECTION 3.7 STANDARDS OF SALE

The Corporation acknowledges that, upon the Security Interest becoming enforceable and without prejudice to the ability of the Agent to dispose of the Collateral in any manner which is commercially reasonable:

(a) the Collateral may be disposed of in whole or in part;

(b) the Collateral may be disposed of by public auction, public tender and/or private contract, with or without advertising and without any other formality;

(c) any assignee of the Collateral or any part thereof may be a customer of the Agent or a Canadian Lender;

(d) a disposition of the Collateral or any part thereof may be on such terms and conditions as to credit or otherwise as the Agent, in its sole discretion, may deem advantageous; and

(e) the Agent may establish an upset or reserve bid or price in respect of the Collateral or any part thereof.

SECTION 3.8 DEALINGS BY THIRD PARTIES

(a) No person dealing with the Agent, any of the Canadian Lenders or an agent or receiver shall be required to determine (i) whether the Security Interest has become enforceable, (ii) whether the powers which such person is purporting to exercise have become exercisable, whether any money remains due to the Agent or the Canadian Lenders by the Corporation, (iii) the necessity or expediency of the stipulations and conditions subject to which any sale or lease is made, (iv) the propriety or regularity of any sale or other dealing by the Agent or any Canadian Lender with the Collateral, or (v) how any money paid to the Agent or the Canadian Lenders has been applied.

(b) At any time on or after such time as the Security Interest becomes enforceable, any purchaser of all or any part of the Collateral from the Agent or a receiver or agent shall hold the Collateral absolutely, free

from any claim or right of whatever kind, including any equity

of redemption, of the Corporation, which it specifically waives (to the fullest extent permitted by law) as against any such purchaser together with all rights of redemption, stay or appraisal which the Corporation has or may have under any rule of law or statute now existing or hereafter adopted.

ARTICLE 4
GENERAL

SECTION 4.1 DISCHARGE

The Security Interest shall be discharged upon, but only upon, (a) full payment and performance of the Obligations, and (b) the Agent and the Canadian Lenders having no obligations under the Loan Documents or otherwise. Upon discharge of the Security Interest and at the request and expense of the Corporation, the Agent shall execute and deliver to the Corporation such releases and discharges as the Corporation may reasonably require.

SECTION 4.2 LOAN AGREEMENT GOVERNS

Notwithstanding anything to the contrary contained herein, this Security Agreement is issued subject always to the covenants, conditions, limitations and other provisions contained in the Loan Agreement. In the event of any conflict, discrepancy or ambiguity in or between any of the provisions of this Security Agreement and any of the provisions of the Loan Agreement, including, without limitation, in the amount payable thereunder, the principal amount for which this Security Agreement is expressed to be security, the interest payable on such principal amount, the time at which demand may be made, the covenants therein and the remedies available to the Agent or the Canadian Lenders, the provisions of the Loan Agreement shall prevail and the provisions of this Security Agreement shall be deemed to be rendered inoperative by the Loan Agreement, to the extent necessary to eliminate such conflict, discrepancy, difference or ambiguity.

SECTION 4.3 AMENDMENTS, ETC.

No amendment or waiver of any provision of this Security Agreement, nor consent to any departure by the Corporation from such provisions, is effective unless in writing and, in the case of an amendment, signed by the Corporation and the Agent or, in the case of a waiver or consent, approved by the Agent. Any amendment, waiver or consent is effective only in the specific instance and for the specific purpose for which it was given.

SECTION 4.4 WAIVERS

No failure on the part of the Agent or any of the Canadian Lenders to exercise, and no delay in exercising, any right under this Security Agreement shall operate as a waiver of such right; nor shall any single or partial exercise of any right under this Security Agreement preclude any other or further exercise of such right or the exercise of any other right.

SECTION 4.5 NO MERGER

This Security Agreement shall not operate by way of merger of any of the Obligations and no judgment recovered by the Agent or any of the Canadian Lenders shall operate by way of merger of, or in any way affect, the Security Interest, which is in addition to, and not in substitution for, any other security now or hereafter held by the Agent for itself and the rateable benefit of the Canadian Lenders in respect of the Obligations.

SECTION 4.6 FURTHER ASSURANCES

The Corporation shall from time to time, whether before or after the Security Interest shall have become enforceable, do all acts and things and execute and deliver all transfers, assignments and instruments as the Agent may reasonably require for (i) protecting the Collateral, (ii) perfecting the

Security Interest, and (iii) exercising all powers, authorities and discretions conferred upon the Agent, provided that notwithstanding the foregoing, the Corporation is not required to assist the Agent in exercising any rights available to the Agent which are dependent upon the occurrence of an Event of Default until the Security Interest has become enforceable. The Corporation shall, from time to time after the Security Interest has become enforceable, do all acts and things and execute and deliver all transfers, assignments and instruments as the Agent may require for facilitating the sale or other disposition of the Collateral in connection with its realization.

SECTION 4.7 SUPPLEMENTAL SECURITY

This Security Agreement is in addition and without prejudice to and supplemental all other security now held or which may hereafter be held by the Agent or the Canadian Lenders as security for the Obligations.

SECTION 4.8 NOTICES

Any notices, directions or other communications provided for in this Security Agreement shall be in writing and given in accordance with the provisions of the Loan Agreement.

SECTION 4.9 SUCCESSORS AND ASSIGNS

This Security Agreement shall be binding upon the Corporation, its successors and assigns, and shall enure to the benefit of the Agent and its successors

and permitted assigns. The rights of the Agent hereunder shall be assignable in accordance with the provisions of the Loan Agreement.

SECTION 4.10 GENDER AND NUMBER

Any reference in this Security Agreement to gender shall include all genders and words importing the singular number only shall include the plural and vice versa.

SECTION 4.11 HEADINGS, ETC.

The division of this Security Agreement into Articles and Sections and the insertion of headings are for convenient reference only and are not to affect its interpretation.

SECTION 4.12 SEVERABILITY

If any provision of this Security Agreement shall be deemed by any court of competent jurisdiction to be invalid or void, the remaining provisions shall remain in full force and effect.

SECTION 4.13 GOVERNING LAW

This Security Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

IN WITNESS WHEREOF the Corporation has executed this Security Agreement.

GRANT PRIDECO CANADA LTD.

By:

Authorized Signing Officer

By:

Authorized Signing Officer

EXHIBIT 4.10

FORM OF SUBSIDIARY GUARANTY

This SUBSIDIARY GUARANTY is entered into as of December __, 2002 by the undersigned (each a "GUARANTOR", and together with any future Subsidiaries executing this Guaranty, being collectively referred to herein as the "GUARANTORS") in favor of and for the benefit of DEUTSCHE BANK TRUST COMPANY AMERICAS, as agent for and representative of (in such capacity herein called "GUARANTIED PARTY") the financial institutions ("LENDERS") party to the Credit Agreement referred to below and any Lender Hedge Providers (as hereinafter defined), and for the benefit of the other Beneficiaries (as hereinafter defined).

RECITALS.

A. Grant Prideco, LP, a Delaware limited partnership, XL Systems, L.P., a Texas limited partnership, Texas Arai, Inc., a Delaware corporation, Tube-Alloy Corporation, a Louisiana corporation, Star Operating Company, a Delaware corporation, Reed-Hycalog Operating, L.P., a Delaware limited partnership, and Grant Prideco Canada Ltd., a corporation organized, constituted and existing under the Alberta Business Corporations Act, (collectively, the "BORROWERS"), have entered into that certain Credit Agreement dated as of December __, 2002 with Lenders and Guarantied Party, as Agent for Lenders (said Credit Agreement, as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "CREDIT AGREEMENT"; capitalized terms used herein and not otherwise defined herein have the meanings ascribed thereto in the Credit Agreement).

B. The Borrowers may from time to time enter, or may from time to time have entered, into one or more Permitted Hedge Transactions (as defined in the Credit Agreement, collectively, the "LENDER HEDGE AGREEMENTS") with one or more Persons that are Lenders or Affiliates of Lenders at the time such Agreements are entered into (in such capacity, collectively, "LENDER HEDGE PROVIDERS") in accordance with the terms of the Credit Agreement, and it is desired that the obligations of Borrowers under the Lender Hedge Agreements, including without limitation the obligation of Borrowers to make payments thereunder in the event of early termination thereof (all such obligations being the "HEDGE OBLIGATIONS"), together with all obligations of Borrowers under the Credit Agreement and the other Credit Documents, be guarantied hereunder.

C. Guarantied Party, Lenders and each Lender Hedge Provider for which Guarantied Party has received the notice required by Section 18 hereof are sometimes referred to herein as "BENEFICIARIES."

D. A portion of the proceeds of the Loans may be advanced to other Guarantors that are Subsidiaries of Borrowers, and thus the Guarantied Obligations (as hereinafter defined) are being incurred for and will inure to the benefit of Guarantors (which benefits are hereby acknowledged).

E. It is a condition precedent to the making of the initial Loans under the Credit Agreement that Borrowers' obligations thereunder be guarantied by Guarantors.

F. Guarantors are willing irrevocably and unconditionally to guaranty such obligations of Borrowers.

NOW, THEREFORE, based upon the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to induce Lenders and Guarantied Party to enter into the Credit Agreement and to make Loans and other extensions of credit thereunder and to induce Lender Hedge Providers to enter into the Lender Hedge Agreements, Guarantors hereby agree as follows:

1. GUARANTY. (a) In order to induce Lenders to extend credit to Borrowers pursuant to the Credit Agreement and all other Credit Documents, and the entry by Lender Hedge Providers into the Lender Hedge Agreements, Guarantors jointly and severally irrevocably and unconditionally guaranty, as primary obligors and not merely as sureties, the due and punctual payment in full of all Guarantied Obligations (as hereinafter defined) when the same shall become due, whether at stated maturity, by acceleration, demand or otherwise (including amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. Section 362(a)). The term "GUARANTIED OBLIGATIONS" is used herein in its most comprehensive sense and includes any and all Obligations of Borrowers and all obligations of Borrowers under Lender Hedge Agreements, now or hereafter made, incurred or created, whether absolute or contingent, liquidated or unliquidated, whether due or not due, and however arising under or in connection with the Credit Agreement, the Lender Hedge Agreements, this Guaranty and the other Credit Documents, including those arising under successive borrowing transactions under the Credit Agreement which shall either continue such obligations of Borrowers or from time to time renew them after they have been satisfied.

Each Guarantor acknowledges that a portion of the Loans may be advanced to it, that Letters of Credit may be issued for the benefit of its business and that the Guarantied Obligations are being incurred for and will inure to its benefit.

Any interest on any portion of the Guarantied Obligations that accrues after the commencement of any proceeding, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, liquidation or

arrangement of Borrowers (or, if interest on any portion of the Guarantied Obligations ceases to accrue by operation of law by reason of the commencement of said proceeding, such interest as would have accrued on such portion of the Guarantied Obligations if said proceeding had not been commenced) shall be included in the Guarantied Obligations because it is the intention of each Guarantor and Guarantied Party that the Guarantied Obligations should be determined without regard to any rule of law or order that may relieve Borrowers of any portion of such Guarantied Obligations.

In the event that all or any portion of the Guarantied Obligations is paid by Borrowers, the obligations of each Guarantor hereunder shall continue and remain in full force and effect or be reinstated, as the case may be, in the event that all or any part of such payment(s) is rescinded or recovered directly or indirectly from Guarantied Party or any other Beneficiary as a preference, fraudulent transfer or otherwise, and any such payments that are so rescinded or recovered shall constitute Guarantied Obligations.

Subject to the other provisions of this Section 1, upon the failure of Borrowers to pay any of the Guarantied Obligations when and as the same shall become due, each Guarantor will upon written demand pay, or cause to be paid, in cash, to Guarantied Party for the ratable benefit of

Beneficiaries, an amount equal to the aggregate of such unpaid Guarantied Obligations.

(b) Anything contained in this Guaranty to the contrary notwithstanding, the obligations of each Guarantor under this Guaranty and the other Credit Documents shall be limited to a maximum aggregate amount equal to the largest amount that would not render its obligations hereunder subject to avoidance as a fraudulent transfer or conveyance under Section 548 of Title 11 of the United States Code or any applicable provisions of comparable state law (collectively, the "FRAUDULENT TRANSFER LAWS"), in each case after giving effect to all other liabilities of such Guarantor, contingent or otherwise, that are relevant under the Fraudulent Transfer Laws (specifically excluding, however, any liabilities of such Guarantor (x) in respect of intercompany indebtedness to Borrowers or other affiliates of Borrowers to the extent that such indebtedness would be discharged in an amount equal to the amount paid by such Guarantor hereunder and (y) under any guaranty of Subordinated Indebtedness which guaranty contains a limitation as to maximum amount similar to that set forth in this Section 1(b), pursuant to which the liability of such Guarantor hereunder is included in the liabilities taken into account in determining such maximum amount) and after giving effect as assets to the value (as determined under the applicable provisions of the Fraudulent Transfer Laws) of any rights to subrogation, reimbursement, indemnification or contribution of such Guarantor

pursuant to applicable law or pursuant to the terms of any agreement.

(c) Each Guarantor under this Guaranty, and each guarantor under other guaranties, if any, relating to the Credit Agreement (the "RELATED GUARANTIES") that contain a contribution provision similar to that set forth in this Section 1(c), together desire to allocate among themselves (collectively, the "CONTRIBUTING GUARANTORS"), in a fair and equitable manner, their obligations arising under this Guaranty and the Related Guaranties. Accordingly, in the event any payment or distribution is made on any date by a Guarantor under this Guaranty or a guarantor under a Related Guaranty, each such Guarantor or such other guarantor shall be entitled to a contribution from each of the other Contributing Guarantors in the maximum amount permitted by law so as to maximize the aggregate amount of the Guarantied Obligations paid to Beneficiaries.

2. GUARANTY ABSOLUTE; CONTINUING GUARANTY. The obligations of each Guarantor hereunder are irrevocable, absolute, independent and unconditional and shall not be affected by any circumstance which constitutes a legal or equitable discharge of a guarantor or surety other than payment in full of the Guarantied Obligations. In furtherance of the foregoing and without limiting the generality thereof, each Guarantor agrees that: (a) this Guaranty is a guaranty of payment when due and not of collectibility; (b) Guarantied Party may enforce this Guaranty upon the occurrence of an Event of Default under the Credit Agreement; (c) the obligations of each Guarantor hereunder are independent of the obligations of Borrowers under the Credit Documents or the Lender Hedge Agreements and the obligations of any other guarantor and a separate action or actions may be brought and prosecuted against each Guarantor whether or not any action is brought against Borrowers or any of such other guarantors and whether or not Borrowers are joined in any such action or actions; and (d) a payment of a portion, but not all, of the Guarantied Obligations by one or more Guarantors shall in no way limit, affect, modify or abridge the liability of such or any other Guarantor for any portion of the Guarantied Obligations that has not been paid. This Guaranty is a continuing guaranty and shall be binding upon each Guarantor and its successors and assigns, and each Guarantor irrevocably waives any right to revoke this Guaranty as to future transactions giving rise to any Guarantied Obligations.

3. ACTIONS BY BENEFICIARIES. Any Beneficiary may from time to time, without notice or demand and without affecting the validity or enforceability of this Guaranty or giving rise to any limitation, impairment or discharge of any Guarantor's liability hereunder, (a) renew, extend, accelerate or otherwise change the time, place, manner or terms of payment of the Guarantied Obligations, (b) settle, compromise, release or discharge, or accept or refuse any offer of performance with respect to, or substitutions for, the Guarantied Obligations or any agreement relating thereto and/or subordinate the payment of the same to the payment of any other obligations, (c) request and accept other

guaranties of the Guarantied Obligations and take and hold security for the payment of this Guaranty or the Guarantied Obligations, (d) release, exchange, compromise, subordinate or modify, with or without consideration, any security for payment of the Guarantied Obligations, any other guaranties of the Guarantied Obligations, or any other obligation of any Person with respect to the Guarantied Obligations, (e) enforce and apply any security now or hereafter held by or for the benefit of any Beneficiary in respect of this Guaranty or the Guarantied Obligations and direct the order or manner of sale thereof, or exercise any other right or remedy that Guarantied Party or the other Beneficiaries, or any of them, may have against any such security, as Guarantied Party in its discretion may determine consistent with the Credit Agreement, the Lender Hedge Agreements and any applicable security agreement, including foreclosure on any such security pursuant to one or more judicial or nonjudicial sales, whether or not every aspect of any such sale is commercially reasonable, and (f) exercise any other rights available to Guarantied Party or the other Beneficiaries, or any of them, under the Credit Documents or the Lender Hedge Agreements.

4. NO DISCHARGE. This Guaranty and the obligations of Guarantors hereunder shall be valid and enforceable and shall not be subject to any limitation, impairment or discharge for any reason (other than payment in full of the Guarantied Obligations), including without limitation the occurrence of any of the following, whether or not any Guarantor shall have had notice or knowledge of any of them: (a) any failure to assert or enforce or agreement not to assert or enforce, or the stay or enjoining, by order of court, by operation of law otherwise, of the exercise or enforcement of, any claim or demand or any right, power or remedy with respect to the Guarantied Obligations or any agreement relating thereto, or with respect to any other guaranty of or security for the payment of the Guarantied Obligations, (b) any waiver or modification of, or any consent to departure from, any of the terms or provisions of the Credit Agreement, any of the other Credit Documents, the Lender Hedge Agreements or any agreement or instrument executed pursuant thereto, or of any other guaranty or security for the Guarantied Obligations, (c) the Guarantied Obligations, or any agreement relating thereto, at any time being found to be illegal, invalid or unenforceable in any respect, (d) the application of payments received from any source to the payment of indebtedness other than the Guarantied Obligations, even though Guarantied Party or the other Beneficiaries, or any of them, might have elected to apply such payment to any part or all of the Guarantied Obligations, (e) any failure to perfect or continue perfection of a security interest in any collateral which secures any of the Guarantied Obligations, (f) any defenses, set-offs or counterclaims which Borrowers may assert against Guarantied Party or any Beneficiary in respect of the Guarantied Obligations, including but not limited to failure of consideration, breach of warranty, payment, statute of frauds, statute of limitations, accord and satisfaction and usury, and (g) any other act or thing or omission, or delay to do any other act or thing, which may or might in any manner or to any extent vary the risk of a Guarantor as an obligor in respect of the Guarantied Obligations.

5. WAIVERS. Each Guarantor waives, for the benefit of Beneficiaries: (a) any right to require Guarantied Party or the other Beneficiaries, as a condition of payment or performance by such Guarantor, to (i) proceed against Borrowers, any other guarantor of the Guarantied Obligations or any other Person, (ii) proceed against or exhaust any security held from Borrowers, any other guarantor of the Guarantied Obligations or any other Person, (iii) proceed against or have resort to any balance of any deposit account or credit on the books of any Beneficiary in favor of Borrowers or any other Person, or (iv) pursue any other remedy in the power of any Beneficiary; (b) any defense arising by reason of the incapacity, lack of authority or any disability or other defense of Borrowers including, without limitation, any defense based on or arising out of the lack of validity or the unenforceability of the Guarantied Obligations or any agreement or instrument relating thereto or by reason of the cessation of the liability of Borrowers from any cause other than payment in full of the Guarantied Obligations; (c) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in other respects more burdensome than that of the principal; (d) any defense based upon Guarantied Party's or any other Beneficiary's errors or omissions in the administration of the Guarantied Obligations, except behavior that amounts to bad faith; (e) (i) any principles or provisions of law, statutory or otherwise, that are or might be in conflict with the terms of this Guaranty and any legal or equitable discharge of such Guarantor's obligations hereunder, (ii) the benefit of any statute of limitations affecting such Guarantor's liability hereunder or the enforcement hereof, (iii) any rights to set-offs, recoupments and counterclaims, and (iv) promptness, diligence and any requirement that any Beneficiary protect, secure, perfect or insure any Lien or any property subject thereto; (f) notices, demands, presentments, protests, notices of protest, notices of dishonor and notices of any action or inaction, including acceptance of this Guaranty, notices of default under the Credit Agreement, notices of default or early termination under any Lender Hedge Agreement or any agreement or instrument related thereto, notices of any renewal, extension or modification of the Guarantied Obligations or any agreement related thereto, notices of any extension of credit to Borrowers and notices of any of the matters referred to in Sections 3 and 4 and any right to consent to any thereof; and (g) to the fullest extent permitted by law, any defenses or benefits that may be derived from or afforded by law which limit the liability of or exonerate guarantors or sureties, or which may conflict with the terms of this Guaranty.

6. GUARANTORS' RIGHTS OF SUBROGATION, CONTRIBUTION, ETC.; SUBORDINATION OF OTHER OBLIGATIONS. Each Guarantor assigns any claim, right or remedy, direct or indirect, that such Guarantor now has or may hereafter have against Borrowers or any of their assets in connection with this Guaranty or the performance by such Guarantor of its obligations hereunder, in each case whether such claim, right or remedy arises in equity, under contract, by statute, under common law or otherwise and including without limitation (a) any right of subrogation, reimbursement or indemnification that such Guarantor now has or may hereafter

have against Borrowers, (b) any right to enforce, or to participate in, any claim, right or remedy that any Beneficiary now has or may hereafter have against Borrowers, and (c) any benefit of, and any right to participate in, any collateral or security now or hereafter held by any Beneficiary. In addition, until the Guarantied Obligations shall have been paid in full and the Commitments shall have terminated and all Letters of Credit shall have expired or been cancelled, each Guarantor shall withhold exercise of any right of contribution such Guarantor

may have against any other guarantor of any of the Guarantied Obligations. Each Guarantor further agrees that, to the extent the waiver or agreement to withhold the exercise of its rights of subrogation, reimbursement, indemnification and contribution as set forth herein is found by a court of competent jurisdiction to be void or voidable for any reason, any rights of subrogation, reimbursement or indemnification such Guarantor may have against Borrowers or against any collateral or security, and any rights of contribution such Guarantor may have against any such other guarantor, shall be junior and subordinate to any rights Guarantied Party or the other Beneficiaries may have against Borrowers, to all right, title and interest Guarantied Party or the other Beneficiaries may have in any such collateral or security, and to any right Guarantied Party or the other Beneficiaries may have against such other guarantor.

Any indebtedness of Borrowers now or hereafter held by any Guarantor is subordinated in right of payment to the Guarantied Obligations, and any such indebtedness of Borrowers to a Guarantor collected or received by such Guarantor after an Event of Default has occurred and is continuing, and any amount paid to a Guarantor on account of any subrogation, reimbursement, indemnification or contribution rights referred to in the preceding paragraph when all Guarantied Obligations that are due and payable have not been paid in full in cash, shall be held in trust for Guarantied Party on behalf of Beneficiaries and shall forthwith be paid over to Guarantied Party for the benefit of Beneficiaries to be credited and applied against the Guarantied Obligations.

If the Guarantied Obligations (including any Guarantied Obligations not yet due and payable) are paid in full in cash by a Guarantor, then Guarantied Party shall at such Guarantor's request, execute and deliver to Guarantors appropriate documents without recourse and without representation and warranty, necessary to evidence the transfer to the Guarantor the rights assigned by such Guarantor pursuant to the first paragraph of this Section 6.

7. EXPENSES. Guarantors jointly and severally agree to pay, or cause to be paid, on demand, and to save Guarantied Party and the other Beneficiaries harmless against liability for, (i) any and all costs and expenses (including reasonable fees, costs of settlement, and disbursements of counsel and allocated

costs of internal counsel) incurred or expended by Guarantied Party or any other Beneficiary in connection with the enforcement of or preservation of any rights under this Guaranty and (ii) any and all costs and expenses (including those arising from rights of indemnification) required to be paid by Guarantors under the provisions of any other Loan Document.

8. FINANCIAL CONDITION OF BORROWERS. No Beneficiary shall have any obligation, and each Guarantor waives any duty on the part of any Beneficiary, to disclose or discuss with such Guarantor its assessment, or such Guarantor's assessment, of the financial condition of Borrowers or any matter or fact relating to the business, operations or condition of Borrowers. Each Guarantor has adequate means to obtain information from Borrowers on a continuing basis concerning the financial condition of Borrowers and their ability to perform its obligations under the Credit Documents and the Lender Hedge Agreements, and each Guarantor assumes the responsibility for being and keeping informed of the financial condition of Borrowers and of all circumstances bearing upon the risk of nonpayment of the Guarantied Obligations.

9. REPRESENTATIONS AND WARRANTIES. Each Guarantor makes, for the benefit of Beneficiaries, each of the representations and warranties made in the Credit Agreement by

Borrowers as to such Guarantor, its assets, financial condition, operations, organization, legal status, business and the Credit Documents to which it is a party.

10. COVENANTS. Each Guarantor agrees that, so long as any part of the Guaranteed Obligations shall remain unpaid, any Letter of Credit shall be outstanding, or any Lender shall have any Commitment or any Lender Hedge Provider shall have any obligation under any Lender Hedge Agreement, such Guarantor will, unless Requisite Lenders shall otherwise consent in writing, perform or observe, and cause its Subsidiaries to perform or observe, all of the terms, covenants and agreements that the Credit Documents state that Borrowers are to cause a Guarantor and such Subsidiaries to perform or observe.

11. SET OFF. In addition to any other rights any Beneficiary may have under law or in equity, if an Event of Default has occurred and is continuing, and any amount shall at any time be due and owing by a Guarantor to any Beneficiary under this Guaranty, such Beneficiary is authorized at any time or from time to time, without notice (any such notice being expressly waived), to set off and to appropriate and to apply any and all deposits (general or special, including but not limited to indebtedness evidence by certificates of deposit, whether matured or unmatured) and any other indebtedness of such Beneficiary owing to a Guarantor and any other property of such Guarantor held by a Beneficiary to or for the credit or the account of such Guarantor against

and on account of the Guarantied Obligations and liabilities of such Guarantor to any Beneficiary then due and payable under this Guaranty.

12. DISCHARGE OF GUARANTY UPON SALE OF GUARANTOR. If all of the stock of a Guarantor or any of its successors in interest under this Guaranty shall be sold or otherwise disposed of (including by merger or consolidation) in a sale or other disposition not prohibited by the Credit Agreement or otherwise consented to by Requisite Lenders, such Guarantor or such successor in interest, as the case may be, may request Guarantied Party to execute and deliver documents or instruments necessary to evidence the release and discharge of this Guaranty as provided in subsection 11.21 of the Credit Agreement.

13. AMENDMENTS AND WAIVERS. No amendment, modification, termination or waiver of any provision of this Guaranty, and no consent to any departure by any Guarantor therefrom, shall in any event be effective without the written concurrence of Guarantied Party and, in the case of any such amendment or modification, Guarantors. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

14. MISCELLANEOUS. It is not necessary for Beneficiaries to inquire into the capacity or powers of any Guarantor or Borrowers or the officers, directors or any agents acting or purporting to act on behalf of any of them.

The rights, powers and remedies given to Beneficiaries by this Guaranty are cumulative and shall be in addition to and independent of all rights, powers and remedies given to Beneficiaries by virtue of any statute or rule of law or in any of the Credit Documents or Lender Hedge Agreements or any agreement between one or more Guarantors and one or more Beneficiaries or between Borrowers and one or more Beneficiaries. Any forbearance or failure to exercise, and any delay by any Beneficiary in exercising, any right, power or remedy hereunder shall not impair any such right, power or remedy or be construed to be a waiver thereof, nor shall it preclude the further exercise of any such right, power or remedy.

In case any provision in or obligation under this Guaranty shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

THIS GUARANTY AND THE RIGHTS AND OBLIGATIONS OF GUARANTORS, GUARANTIED PARTY AND THE OTHER BENEFICIARIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

This Guaranty shall inure to the benefit of Beneficiaries and their respective successors and assigns.

ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST ANY GUARANTOR ARISING OUT OF OR RELATING TO THIS GUARANTY MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE OF NEW YORK, AND BY EXECUTION AND DELIVERY OF THIS GUARANTY EACH GUARANTOR ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE NONEXCLUSIVE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS GUARANTY. Each Guarantor agrees that service of all process in any such proceeding in any such court may be made by registered or certified mail, return receipt requested, to such Guarantor at its address set forth below its signature hereto, such service being acknowledged by such Guarantor to be sufficient for personal jurisdiction in any action against such Guarantor in any such court and to be otherwise effective and binding service in every respect. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of Guarantied Party or any Beneficiary to bring proceedings against such Guarantor in the courts of any other jurisdiction.

EACH GUARANTOR AND, BY ITS ACCEPTANCE OF THE BENEFITS HEREOF, GUARANTIED PARTY EACH AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS GUARANTY. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including without limitation contract claims, tort claims, breach of duty claims and all other common law and statutory claims. Each Guarantor and, by its acceptance of the benefits hereof, Guarantied Party each (i) acknowledges that this waiver is a material inducement for such Guarantor and Guarantied Party to enter into a business relationship, that such Guarantor and Guarantied Party have already relied on this waiver in entering into this Guaranty or accepting the benefits thereof, as the case may be, and that each will continue to rely on this waiver in their

related future dealings, and (ii) further warrants and represents that each has reviewed this waiver with its legal counsel and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS OF THIS GUARANTY. In the event of litigation, this Guaranty may be filed as a written consent to a trial by the court.

15. ADDITIONAL GUARANTORS. The initial Guarantor(s) hereunder shall be such of the Subsidiaries of Borrowers as are signatories hereto on the date hereof. From time to time subsequent to the date hereof, Subsidiaries of Borrowers may become parties hereto, as additional Guarantors (each an "Additional Guarantor"), by executing a counterpart of this Guaranty. A form of such a counterpart is attached as Exhibit A. Upon delivery of any such counterpart to Guarantied Party, notice of which is hereby waived by Guarantors, each such Additional Guarantor shall be a Guarantor and shall be as fully a party hereto as if such Additional Guarantor were an original signatory hereof. Each Guarantor expressly agrees that its obligations arising hereunder shall not be affected or diminished by the addition or release of any other Guarantor hereunder, nor by any election of the Guarantied Party not to cause any Subsidiary of Borrowers to become an Additional Guarantor hereunder. This Guaranty shall be fully effective as to any Guarantor that is or becomes a party hereto regardless of whether any other Person becomes or fails to become or ceases to be a Guarantor hereunder.

16. COUNTERPARTS; EFFECTIVENESS. This Guaranty may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original for all purposes; but all such counterparts together shall constitute but one and the same instrument. This Guaranty shall become effective as to each Guarantor upon the execution of a counterpart hereof by such Guarantor (whether or not a counterpart hereof shall have been executed by any other Guarantor) and receipt by the Guaranteed Party of written or telephonic notification of such execution and authorization of delivery thereof.

17. GUARANTIED PARTY AS AGENT.

(a) Guarantied Party has been appointed to act as Guarantied Party hereunder by Lenders. Guarantied Party shall be obligated, and shall have the right hereunder, to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking any action, solely in accordance with this Guaranty and the Credit Agreement.

(b) Guarantied Party shall at all times be the same Person that is Agent under the Credit Agreement. Written notice of resignation by Agent pursuant to subsection 10.9 of the Credit Agreement shall also constitute notice of resignation as Guarantied Party under this Guaranty and appointment of a successor Agent pursuant to subsection 10.9 of the Credit Agreement shall also constitute appointment of a successor Guarantied Party under this Guaranty. Upon the acceptance of any appointment as Agent under subsection 10.9 of the Credit Agreement by a successor Agent, that successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Guarantied Party

under this Guaranty, and the retiring Guarantied Party under this Guaranty shall promptly (i) transfer to such successor Guarantied Party all sums held hereunder, together with all records and other documents necessary or appropriate in connection with the performance of the duties of the successor Guarantied Party under this Guaranty, and (ii) take such other actions as may be necessary or appropriate in connection with the assignment to such successor Guarantied Party of the rights created hereunder, whereupon such retiring Guarantied Party shall be discharged from its duties and obligations under this Guaranty. After any retiring Guarantied Party's resignation hereunder as Guarantied Party, the provisions of this Guaranty shall inure to its benefits as to any actions taken or omitted to be taken by it under this Guaranty while it was Guarantied Party hereunder.

18. NOTICE OF LENDER HEDGE AGREEMENTS. Guarantied Party shall not be deemed to have any duty whatsoever with respect to any Lender Hedge Provider until it shall have received written notice in form and substance satisfactory to Guarantied Party from Borrowers, a Guarantor or the Lender Hedge Provider as to the existence and terms of the applicable Lender Hedge Agreement.

19. INTEREST ACT (CANADA). Each of the Guarantors acknowledge that certain of the rates of interest applicable to the Guarantied Obligations may be computed on the basis of a year of 360 days or 365 days, as the case may be and paid for the actual number of days elapsed. For purposes of the Interest Act (Canada), whenever any interest is calculated using a rate based on a year of 360 days or 365 days, as the case may be, such rate determined pursuant to such calculation, when expressed as an annual rate is equivalent to (i) the applicable rate based on a year of 360 days or 365 days, as the case may be, (ii) multiplied by the actual number of days in the calendar year in which the period for such interest is payable (or compounded) ends, and (iii) divided by 360 or 365, as the case may be.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, each Guarantor and Guarantied Party, solely for the purposes of the waiver of the right to jury trial contained in Section 14, have caused this Guaranty to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

[GUARANTOR]

By:

Title:

Address:

EXHIBIT A

[FORM OF COUNTERPART FOR ADDITIONAL GUARANTORS]

This COUNTERPART (this "COUNTERPART"), dated _____, 20__, is delivered pursuant to Section 15 of the Guaranty referred to below. The undersigned hereby agrees that this Counterpart may be attached to the Guaranty, dated as of _____, 20___ (as it may be from time to time amended, modified or supplemented, the "GUARANTY"; capitalized terms used herein not otherwise defined herein shall have the meanings ascribed therein), among the Guarantors named therein and _____, as Guarantied Party. The undersigned, by executing and delivering this Counterpart, hereby becomes an Additional Guarantor under the Guaranty in accordance with Section 15 thereof and agrees to be bound by all of the terms thereof.

IN WITNESS WHEREOF, the undersigned has caused this Counterpart to be duly executed and delivered by its officer thereunto duly authorized as of _____, 20__.

[NAME OF ADDITIONAL GUARANTOR]

By:

Title:

Address:
