FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1999-03-26** | Period of Report: **1998-12-26**
SEC Accession No. 0000025757-99-000011

(HTML Version on secdatabase.com)

FILER

CROMPTON & KNOWLES CORP

CIK:**25757**| IRS No.: **041218720** | State of Incorp.:**MA** | Fiscal Year End: **1225**
Type: **10-K** | Act: **34** | File No.: **001-04663** | Film No.: **99574508**
SIC: **2860** Industrial organic chemicals

Mailing Address
ONE STATION PLACE
METRO CENTER
STAMFORD CT 06902

Business Address
ONE STATION PL
METRO CTR
STAMFORD CT 06902
2033535400

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 26, 1998

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File No. 1-4663

Crompton & Knowles Corporation
(Exact name of registrant as specified in its charter)

Massachusetts	04-1218720
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Station Place, Metro Center Stamford, Connecticut	06902
(address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code:
(203) 353-5400

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.10 par value	New York Stock Exchange

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information

statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [x]

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed as of February 26, 1999, was $ 1,207,895,507.

The number of shares of Common Stock of the registrant outstanding as of February 26, 1999, was 67,743,203.

DOCUMENTS INCORPORATED BY REFERENCE

Annual Report to Stockholders for fiscal year ended December 26, 1998	.....	Parts I, II and IV
Proxy Statement for Annual Meeting of Stockholders on April 27, 1999	.....	Part III

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

PART I

ITEM 1. BUSINESS

General Business of Crompton & Knowles Corporation

Crompton & Knowles Corporation (together with its consolidated subsidiaries, the "Corporation"), was incorporated in Massachusetts in 1900. The Corporation has engaged in the manufacture and sale of specialty chemicals since 1954 and, since 1961, in the manufacture and sale of polymer processing equipment.

The Corporation has substantially expanded both its specialty chemical and its polymer processing equipment businesses through a number of acquisitions in both the United States and Europe, including that of Uniroyal Chemical Corporation ("UCC") in 1996. UCC was the parent of Uniroyal Chemical Company, Inc. ("Uniroyal"), a multinational manufacturer of performance chemicals, which include rubber chemicals and additives for plastics and lubricants, crop protection chemicals, and polymers, which include Royalene(R) EPDM rubber, Paracril(R) nitrile rubber and Adiprene(R)/Vibrathane(R) urethane prepolymers. In December 1998, UCC and Uniroyal were merged, with Uniroyal surviving as a subsidiary of the Corporation.

During fiscal year 1998, the Corporation acquired the polymer processing equipment business of Betol Machinery of Luton, U.K. In addition, the Corporation entered into two joint ventures. First, in November the Corporation and Bayer Corporation ("Bayer") formed joint ventures to serve the agricultural seed treatment markets in North America. The business previously operated by Gustafson, Inc. ("Gustafson"), a unit of Uniroyal, is the basis of the 50/50 joint ventures. The U.S. joint venture will be headquartered in Plano, Texas under the former Gustafson management. The crop protection businesses of the Corporation and Bayer will continue to operate independently, except for these seed treatment joint ventures. Also in November of 1998, Uniroyal entered into a joint venture with GIRSA, a subsidiary of DESC, S.A. de C.V., a Mexican corporation, to produce Paracril(R) oil-resistant nitrile rubber products in Mexico. Uniroyal is contributing its nitrile rubber technology and business, and will continue to provide sales and technical service support through its existing organization. GIRSA is contributing its process and manufacturing technology and will be primarily responsible for the construction of a new plant in Mexico. Uniroyal's production facility in Painesville, Ohio will close by mid-1999.

In January 1999, the Corporation sold its specialty ingredients business, Ingredient Technology Corporation, to Chr. Hansen, Inc.

Information as to the sales, operating profit, depreciation and

amortization, assets and capital expenditures attributable to each of the Corporation's business segments during each of its last three fiscal years is set forth in the Notes to Consolidated Financial Statements on pages 32-33 of the Corporation's 1998 Annual Report to Stockholders, and such information is incorporated herein by reference.

Reporting Segments

Effective in 1998, the Corporation adopted FASB Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information," and redefined its reporting segments. The Corporation's results are grouped into two major business categories, "Specialty Chemicals" and "Polymers and Polymer Processing Equipment." Specialty Chemicals consist of separate reporting segments for Performance Chemicals (rubber chemicals and specialty additives), Crop Protection, Colors and Other (specialty ingredients). Polymers and Polymer Processing Equipment consist of separate reporting segments for Polymers (EPDM, urethanes and nitrile rubber) and Polymer Processing Equipment (specialty process equipment and controls).

Products and Services

The Corporation's products are currently marketed in approximately 120 countries and serve a wide variety of end use markets including tires, agriculture, automobiles, textiles, plastics, lubricants, petrochemicals, leather, construction, recreation, mining, paper, packaging, home furnishings, and appliances. The principal products and services offered by the Corporation are described below.

SPECIALTY CHEMICALS

Performance Chemicals

The Performance Chemicals business consists of a number of specialty chemicals used in the plastics, petroleum and rubber industries. The Performance Chemicals business had net sales for fiscal 1998 of $441.8 million.

Rubber Chemicals

The product line of the Performance Chemicals business contains over 100 different chemicals for use in processing rubber. These products include accelerators, antioxidants, antiozonants, chemical foaming agents and waxes. Accelerators are used for curing natural and synthetic rubber, and have a wide range of activation temperatures, curing ranges and use forms. Antiozonants protect rubber compounds from flex cracking and ozone, oxygen and heat degradation. Antioxidants provide rubber compounds with protection against oxygen, light and heat. Foaming agents produce gas by thermal decomposition or via a chemical reaction with other components of a polymer system and are mixed with rubber to produce sponge rubber products. Waxes inhibit static

atmospheric ozone cracking in rubber. Tire manufacturers accounted for approximately 60% of the Corporation's rubber chemical sales in fiscal 1998, with the balance of such sales going to the industrial rubber market which includes numerous manufacturers of hoses, belting, sponge and a wide variety of other engineered rubber products. The Corporation believes it is one of the three largest suppliers of rubber chemicals in the world.

Specialty Additives

The Corporation also manufactures and markets a broad line of additives for plastics and lubricants, including antioxidants, lubricant additives, chemical foaming agents, synthetic fluids, chemical intermediates, polymerization inhibitors, curatives, dispersants and polymer modifiers. These products are used in the manufacture of numerous plastic and petroleum related products which in turn have diverse end uses, including plastic products, petrochemicals, adhesives, aerospace, athletic equipment, automotive components, construction, electronics, food packaging, vinyl flooring, wire and cable and automotive and industrial oils and lubricants. These chemicals are often specially developed for a customer's specific manufacturing requirements. Future growth is expected to result from continued penetration in existing niche markets and expansion into worldwide markets, particularly Europe and Asia, and through the further development of a new series of polymerization inhibitors, high performance antioxidants and lubricant additives. These high performance additives are a minor component of the end product but critical to its performance.

Performance chemicals are sold through a specialized sales force, including technical service professionals who address customer inquiries and problems. The technical service professionals generally have degrees in chemistry and/or chemical engineering and are knowledgeable in specific product application fields. The sales and technical service professionals identify and focus on customers' growth opportunities, working not only with the customers' headquarters staff, but also with their research and development and manufacturing personnel on a worldwide basis.

Net sales of rubber chemicals during fiscal 1998, 1997 and 1996 were 14.7%, 15.6%, and 16.8% of the Corporation's net sales, respectively.

Crop Protection

The Crop Protection business manufactures and markets a wide variety of agricultural chemicals for many major food crops, including grains, fruits, nuts and vegetables, and many non-food crops, such as tobacco, cotton, turf, flax and ornamental plants. The business focuses its efforts mainly on products used on high value cash crops, such as vegetables, nuts, citrus and tree and vine fruits as opposed to commodity crops such as soybeans and corn. The Crop Protection business had net sales for fiscal 1998 of $348.0 million.

The Crop Protection business offers four major crop protection chemical product lines: fungicides; miticides and insecticides; growth regulants; and

herbicides. Each product line is composed of numerous formulations for specific crops and geographic regions.

The Corporation has a substantial presence in its targeted segments of the agrichemicals market due to its strategy of focusing research, product development, and sales and marketing on highly profitable market niches which are less sensitive to competitive pricing pressures than commodity segments of the market. While the products of the Crop Protection business represent a relatively small percentage of the grower's overall costs, these products are often critical to the success or failure of the crops being treated. In addition, product line extensions, attention to application effectiveness and customer service are important factors in developing strong customer loyalty.

The Corporation is a leading producer and marketer of seed treatment chemicals. In November 1998, the Corporation formed joint ventures with Bayer Corporation to serve the agricultural seed treatment markets in North America based on Gustafson, Inc. ("Gustafson"), formerly a wholly owned subsidiary, which is a leading producer of seed treatment formulations and equipment. Bayer acquired a 50 percent interest in the Gustafson seed treatment business. As a result of this transaction, the operating results of Gustafson were deconsolidated in December 1998.

Gustafson has a leading share of the North American commercial seed treatment formulation market and is recognized as a technological leader in this market. Gustafson is engaged directly and through cooperative ventures in developing and formulating seed treatment systems, offering a broad line of chemical formulations which contain fungicides, insecticides and seed conditioning aids in addition to commercial seed treating equipment. Gustafson's expertise enables it to develop and produce formulations consisting of multiple components to obtain optimum efficacy against seed and soil disease pathogens and insects.

For the last several years, Gustafson has maintained a major developmental program in the field of naturally occurring biological control agents targeted for disease. Gustafson has focused its efforts on naturally occurring organisms as opposed to genetically engineered organisms. Gustafson received regulatory approval from the United States Environmental Protection Agency ("EPA") in 1992 for the first of a series of new biological formulations.

In Australia, the Corporation's subsidiary, Hannaford Seedmaster Services Pty. Ltd., provides seed treatment chemicals and treating services to the local market.

The Crop Protection business, under the Uniroyal name, promotes seed treatment chemicals in all regions of the world other than North America and Australia and enjoys a substantial position in the international seed treatment market. The Corporation anticipates continuing growth in seed treatment, which is environmentally attractive because it involves very localized use of agricultural chemicals and very low use rates compared to broad foliar or soil treatment.

The Crop Protection business markets its products in North America through a direct sales force selling to a distribution network consisting of more than one hundred distributors and direct customers. In the international market, the Crop Protection business' direct sales force services over 300 distributors, dealers and agents.

Colors

The Colors business had net sales in fiscal 1998 of $229.7 million. Textile dyes manufactured and sold by the Colors business are used on both synthetic and natural fibers for knit and woven garments, home furnishings such as carpets, draperies, and upholstery, and automotive furnishings including carpeting, seat belts, and upholstery. Industrial dyes and chemicals are marketed to the paper, leather, and ink industries for use on stationery, tissue, towels, shoes, apparel and luggage, as well as other specialty areas such as transfer printing inks.

The Corporation also markets a line of chemical auxiliaries for the textile industry, including leveling agents, dye fixatives, and preparation and finishing chemicals.

The Corporation is among the largest suppliers of dyes in the United States and is a leading domestic producer of specialty dyes for nylon, wool, polyester, acrylics, and cotton. The Corporation is recognized domestically as a leader in dyes and dyeing process technology for the broadloom carpet industry and is the only supplier of basic dyes for differential dyed nylon carpet in the United States and Europe. In addition, the Corporation supplies unique dyes for metal coating applications and ink-jet printers. In Europe, the primary dye offerings of the Corporation are acid and pre-metallized dyes for wool and nylon fibers.

Domestically, the Corporation sells dyes and chemical auxiliaries predominantly through its own dedicated sales force. The Corporation's position as a leading dyes supplier in the United States has been maintained by satisfying the market's needs with quick customer response, efficient production, quality products and strong technical service. Outside the United States, as much as one-half of the Corporation's sales of dyes are made through third party distribution channels.

Other

In January 1999, the Corporation sold its specialty ingredients business, Ingredient Technology Corporation ("ITC"), to Chr. Hansen, Inc. ITC had fiscal 1998 net sales of $89.6 million. Through ITC, the Corporation manufactured and sold reaction and compounded flavor ingredients for the food processing, bakery, beverage and pharmaceutical industries; colors certified by the Food & Drug Administration for sale to domestic producers of food and pharmaceuticals; and inactive ingredients for the pharmaceutical industry. ITC was also a leading supplier of specialty sweeteners, including edible

molasses, molasses blends, malt extracts, and syrups for the bakery, confectionery and food processing industries and a supplier of seasonings and seasoning blends for the food processing industry.

POLYMERS AND POLYMER PROCESSING EQUIPMENT

Polymers

The Polymers business, which had net sales for fiscal 1998 of $342.5 million, has three principal product lines: Adiprene(R)/Vibrathane(R) urethane prepolymers, Royalene(R) EPDM rubber and Paracril(R) nitrile rubber.

Adiprene(R)/Vibrathane(R)

The Corporation believes that it is the leading manufacturer of high performance liquid castable urethane prepolymers in the world. Among the most common products using these prepolymers are solid industrial tires, printing rollers, industrial rolls, abrasion-resistant mining products such as chutes, hoppers and slurry transport systems, mechanical goods and a variety of sports equipment and other consumer items. The Corporation effectively competes in this business by providing efficient customer service and technical assistance through a highly regarded technical service staff and a proven ability to develop new products and technologies for its customers. Over 150 grades of urethane prepolymers are commercially available from Uniroyal.

Adiprene(R)/Vibrathane(R) urethane prepolymers are sold directly by a dedicated sales force in the United States, Canada and Australia and by direct sales and through distributorships in Europe, Latin America and the Far East. Adiprene(R)/Vibrathane(R) customers are serviced worldwide by a dedicated technical staff. Technical service personnel support field sales, while a research and development staff is dedicated to support new product and process development to meet rapidly changing customer needs. Technical support is a critical component of the product offering.

Royalene(R)

The Corporation produces and markets approximately 30 different ethylene-propylene-diene rubber ("EPDM") polymer variations. EPDM is popularly known as "crackless rubber" because of its ability to withstand sunlight and ozone without cracking. EPDM's applications include automobile, single-ply roofing, hoses, electrical insulation, tire sidewalls, mechanical seals and gaskets, oil additives, and plastic modifiers.

The Corporation believes it is one of the three largest suppliers of EPDM polymers in the world, and the largest supplier of EPDM polymers in North America. The Corporation's success in this business has been due to several factors, including product performance, effective technical assistance and outstanding customer service, which have earned the Corporation a reputation for excellence and strong customer loyalty.

Paracril(R)

In November 1998, Uniroyal entered into a joint venture with GIRSA, a subsidiary of DESC, S.A. de C.V., a Mexican corporation, to produce Paracril(R) oil-resistant nitrile rubber products in Mexico. Uniroyal is contributing its nitrile rubber technology and business to the joint venture, and will continue to provide sales and technical service support through its existing organization. GIRSA is contributing its process and manufacturing technology to the joint venture and will be primarily responsible for the construction of a new plant in Mexico. Uniroyal's production facility in Painesville, Ohio will close by mid-1999.

Nitrile rubber polymers, produced and marketed by the Corporation under the Paracril(R) trademark, are resistant to most types of oils. Paracril(R) nitrile rubber is produced in 22 different variations to meet specific end use requirements in automotive hoses, seals, rings, printing rolls, insulation and many other products exposed to oil.

The sale of Royalene(R) and Paracril(R) products is supported by a highly qualified staff of technical service specialists with extensive field and operational experience. Strong customer relations and market knowledge result from this sales effort. In certain geographic areas, the Royalene(R) and Paracril(R) products are sold through distributors.

Polymer Processing Equipment

The Corporation's wholly owned subsidiary, Davis-Standard Corporation, manufactures and sells polymer processing equipment, which includes industrial blow molding equipment, electronic controls, and integrated extrusion systems, and offers specialized service and modernization programs for in-place polymer processing systems. The polymer processing equipment business had net sales in the 1998 fiscal year of $344.5 million.

Integrated polymer processing systems, which include extruders in combination with controls and other equipment, are used to process polymers into various products such as plastic sheet and profiles used in appliances, automobiles, home construction, sports equipment, and furniture; extruded shapes used as house siding, furniture trim, and substitutes for wood molding; and cast and blown film used to package many consumer products. Integrated extrusion systems are also used to compound engineered polymers, to recycle and reclaim plastics, to coat paper, cardboard and other materials used as packaging, and to apply plastic or rubber insulation to high voltage power cable for electrical utilities and to wire for the communications, construction, automotive, and appliance industries. Industrial blow molding equipment produced by the Corporation is sold to manufacturers of non-disposable plastic items such as tool cases and beverage coolers.

The Corporation is a leading producer of polymer processing equipment for the polymers industry and a leading domestic producer of industrial blow molding equipment and competes with domestic and foreign producers of such

products. The expansion of its Pawcatuck, Connecticut facility and a strong performance at its German subsidiary, ER-WE-PA Davis-Standard GmbH, have enabled shipments to keep pace with the strong demand for extruders. The Corporation is one of a number of producers of other types of polymer processing machinery.

In the United States, most of the Corporation's sales of polymer processing equipment are made by its own dedicated sales force. In other parts of the world, and for export sales from the United States, the Corporation's sales of such equipment are made largely through agents.

* * *

Sources of Raw Materials

Chemicals, steel, castings, parts, machine components and other raw materials required in the manufacture of the Corporation's products are generally available from a number of sources, some of which are foreign. The Corporation also uses large amounts of petrochemical feedstocks in its chemical manufacturing processes. Large increases in the cost of these petrochemical feedstocks could adversely affect the Corporation's operating margins. Significant sales of the colors business consist of dyes manufactured from intermediates purchased from foreign sources.

The Corporation holds a 50% interest in Rubicon Inc. ("Rubicon"), a manufacturing joint venture between Uniroyal and ICI American Holdings, Inc. ("ICI") located in Geismar, Louisiana, which supplies both ICI and Uniroyal with aniline, and Uniroyal with diphenylamine ("DPA"). The Corporation believes that its aniline and DPA needs in the foreseeable future will be met by production from Rubicon and Uniroyal's DPA facility located in Huddersfield, England.

Patents and Licenses

The Corporation has over 1,800 United States and foreign patents and pending applications and has trademark protection for approximately 500 product names. Patents, trade names, trademarks, know-how, trade secrets, formulae, and manufacturing techniques assist in maintaining the competitive position of certain of the Corporation's products. Patents, formulae, and know-how are of particular importance in the manufacture of a number of specialty chemicals manufactured and sold by the Corporation, and patents and know-how are also significant in the manufacture of certain wire insulating and polymer processing machinery product lines. The Corporation is licensed to use certain patents and technology owned by other companies, including some foreign companies, to manufacture products complementary to its own products, for which it pays royalties in amounts not considered material to the consolidated results of the enterprise. Products to which the Corporation has such rights include certain crop protection chemicals, dyes, and polymer processing machinery.

While the existence of a patent is prima facie evidence of its validity,

the Corporation cannot assure that any of its patents will not be challenged nor can it predict the outcome of any such challenge. The Corporation believes that no single patent, trademark, or other individual right is of such importance, however, that expiration or termination thereof would materially affect its business.

Seasonal Business

With the exception of the Crop Protection business which has approximately 15% of its annual sales occurring in the fourth calendar quarter, no material portion of any segment of the business of the Corporation is seasonal.

Customers

The Corporation does not consider any segment of its business dependent on a single customer or a few customers, the loss of any one or more of whom would have a material adverse effect on the segment. No one customer's business accounts for more than ten percent of the Corporation's gross revenues nor more than ten percent of its earnings before taxes.

Backlog

Because machinery production schedules range from about 60 days to 10 months, backlog is important to the Corporation's polymer processing equipment business. Firm backlog of customers' orders for this business at the end of 1998 totalled approximately $118 million compared with $106 million at the end of 1997. It is expected that most of the 1998 backlog will be shipped during 1999. Orders for specialty chemicals and polymers are generally filled from inventory stocks and thus are excluded from backlog.

Competitive Conditions

The Corporation is a major manufacturer of specialty chemicals, polymers and polymer processing equipment. Competition varies by product and by geographic region, except that in rubber chemicals the market is fairly concentrated. In that market, Uniroyal and its two principal competitors together account for approximately 50% of total worldwide sales. In addition, the EPDM market is fairly concentrated. Uniroyal and its two principal competitors together account for approximately 70% of sales within the United States and approximately 50% worldwide.

Two new EPDM technologies are being developed and commercialized by competitors. The first technology, which is based on a new metallocene catalyst system and which may expand the application areas of EPDM, is also being developed by the Corporation. The second technology is a gas phase process that has not been fully commercialized by any company and cannot be fully assessed at this time.

Product performance, service, and prices are all important factors in competing in the specialty chemicals, polymers and polymer processing

equipment businesses.

Research and Development

The Corporation conducts research and development on a worldwide basis at a number of facilities, including field stations that are used for crop protection research and development activities. Research and development expenditures by the Corporation totalled $52.8 million for the year 1998, $53.6 million for the year 1997 and $52.4 million for the year 1996.

Environmental Matters

Chemical companies are subject to extensive environmental laws and regulations concerning, among other things, emissions to the air, discharges to land, surface, subsurface strata and water and the generation, handling, storage, transportation, treatment and disposal of waste and other materials and are also subject to other federal, state and local laws and regulations regarding health and safety matters.

Environmental Regulation. The Corporation believes that its business, operations and facilities have been and are being operated in substantial compliance in all material respects with applicable environmental and health and safety laws and regulations, many of which provide for substantial fines and criminal sanctions for violations. The ongoing operations of chemical manufacturing plants, however, entail risks in these areas and there can be no assurance that material costs or liabilities will not be incurred. In addition, future developments, such as increasingly strict requirements of environmental and health and safety laws and regulations and enforcement policies thereunder, could bring into question the handling, manufacture, use, emission or disposal of substances or pollutants at facilities owned, used or controlled by the Corporation or the manufacture, use or disposal of certain products or wastes by the Corporation and could involve potentially significant expenditures. To meet changing permitting and regulatory standards, the Corporation may be required to make significant site or operational modifications, potentially involving substantial expenditures and reduction or suspension of certain operations. The Corporation incurred $10.8 million of costs for capital projects and $31.8 million for operating and maintenance costs related to environmental compliance at its facilities during fiscal 1998. In fiscal 1999, the Corporation expects to incur approximately $14.3 million of costs for capital projects and $31.7 million for operating and maintenance costs related to environmental compliance at its facilities. During fiscal 1998, the Corporation spent $8.4 million to clean up previously utilized waste disposal sites and to remediate current and past facilities. The Corporation expects to spend approximately $18.4 million during fiscal 1999 to clean up such waste disposal sites.

Pesticide Regulation. The Corporation's Crop Protection business is subject to regulation under various federal, state, and foreign laws and regulations relating to the manufacture, sales and use of pesticide products.

In August, 1996, Congress enacted significant changes to the Federal

Insecticide, Fungicide, and Rodenticide Act ("FIFRA"), governing U.S. sale and use of pesticide products, and the Federal Food, Drug, and Cosmetic Act ("FFDCA"), which limits pesticide residues on food with the Food Quality Protection Act of 1996 ("FQPA"). Under FIFRA, the new law will facilitate registrations and reregistrations of pesticides for special (so called "minor") uses and authorize collection of maintenance fees to support pesticide reregistrations. Coordination of regulations implementing FIFRA and FFDCA will be required. Food safety provisions will establish a single standard of safety for pesticide residue on raw and processed foods; provide information through large food retail stores to consumers about the health risks of pesticide residues and how to avoid them; preempt state and local food safety laws if they are based on concentrations of pesticide residues below recently established federal residue limits (called "tolerances"); and ensure that tolerances protect the health of infants and children.

FFDCA, as amended by FQPA, authorizes EPA to set a tolerance for a pesticide in or on food at a level which poses "a reasonable certainty of no harm" to consumers. The EPA is required to review all tolerances for all pesticide products within 10 years. It is not known when and to what extent the Corporation's products will be reviewed and/or restricted under this standard.

In April, 1996, UCC announced that it had voluntarily canceled registered uses of its propargite miticide on certain crops in the United States. The action was taken to reduce dietary exposure as requested by the EPA, using the EPA's current risk assessment model. Tests to confirm that propargite does not pose a dietary risk are continuing under EPA approved protocols. Propargite will be reviewed under the new FQPA standard discussed above.

The European Commission ("EC") has established procedures whereby all existing active ingredient pesticides will be reviewed. This EC regulation became effective in 1993 and will result in a review of all commercial products during the next few years. The initial round of reviews covered ninety products, four of which are the Corporation's products. It is anticipated that other of the Corporation's products will be reviewed in subsequent years. The process may lead to full reregistration in member states of the EC or may lead to some restrictions, if adverse data is discovered.

Employees

The Corporation had approximately 5,364 employees on December 26, 1998.

Geographic Information

The information with respect to sales and property, plant and equipment attributable to each of the major geographic areas served by the Corporation for each of the Corporation's last three fiscal years, set forth in the Notes to Consolidated Financial Statements on page 33 of the Corporation's 1998 Annual Report to Stockholders, is incorporated herein by reference.

The Corporation considers that the risks relating to operations of its foreign subsidiaries are comparable to those of other U.S. companies which operate subsidiaries in developed countries. All of the Corporation's international operations are subject to fluctuations in the relative values of the currencies in the various countries in which its activities are conducted.

ITEM 2. PROPERTIES

The following table sets forth information as to the principal operating properties of the Corporation and its subsidiaries:

Location	Facility	Products/Businesses
UNITED STATES		
Alabama		
Bay Minette	Plant*	Performance Chemicals
Connecticut		
Bethany	Research Center*	Crop Protection
Middlebury	Corporate Offices and Research Center**	Crop Protection, Performance Chemicals, and Polymers
Naugatuck	Plant, Research Center*	Crop Protection, Performance Chemicals, and Polymers
Pawcatuck	Office and Machine Shop*	Polymer Processing Equipment
Stamford	Office**	Corporate Headquarters
Louisiana		
Geismar	Plant*	Crop Protection, Performance Chemicals, and Polymers
New Jersey		
Cedar Grove	Office and Machine Shop**	Polymer Processing Equipment
Edison	Office and Machine Shop**	Polymer Processing Equipment
Newark	Plant*	Colors
Nutley	Office, Laboratory and Plant*	Colors
Somerville	Office and Machine Shop*	Polymer Processing Equipment

North Carolina		
Charlotte	Office and Laboratory*	Colors
Gastonia	Plant*	Crop Protection, Performance Chemicals, and Polymers
Lowell	Plant*	Colors
Pennsylvania		
Gibraltar	Office, Laboratory and Plant*	Colors
Reading	Plant*	Colors
South Carolina		
Greenville	Plant, Laboratory and Warehouse*	Colors
INTERNATIONAL		
Australia		
South Australia		
Regency Park, S.A.	Office and Machine Shop**	Crop Protection
New South Wales		
Seven Hills	Office and Laboratory**	Polymers
Bahamas		
Freeport	Plant*	Performance Chemicals
Belgium		
Brussels	Office**	Colors, Crop Protection, Performance Chemicals and Polymers
Tertre	Office, Laboratory and Plant*	Colors
Brazil		
Rio Claro	Plant*	Crop Protection, Performance Chemicals, and Polymers
Canada		
Ontario		
Elmira	Plant*	Crop Protection, Performance Chemicals, and Polymers
Guelph	Research Center*	Crop Protection, Performance Chemicals, and Polymers
France		

Dannemarie	Office and Machine Shop*	Polymer Processing Equipment
Oissel	Office, Laboratory and Plant*	Colors
Germany		
Erkrath	Office and Machine Shop*	Polymer Processing Equipment
Italy		
Latina	Plant*	Crop Protection, Performance Chemicals, and Polymers
Korea		
Kyungki-do	Plant*	Performance Chemicals
Mexico		
Tampico	Plant*	Performance Chemicals
The Netherlands		
Amsterdam	Plant*	Crop Protection
Republic of China (Taiwan)		
Kaohsiung	Plant***	Performance Chemicals
Thailand		
Bangkok	Plant*	Performance Chemicals
United Kingdom		
Evesham	Research Center*	Crop Protection
Huddersfield	Plant#	Performance Chemicals
Langley	Office**	Colors, Crop Protection, Performance Chemicals, and Polymers

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* Facility Owned by the Corporation
** Facility Leased by the Corporation
*** Facility Owned by Uniroyal Chemical Taiwan Ltd., which is 80% owned by Uniroyal
\# Land Leased by and Facility owned by Uniroyal

All facilities are considered to be in good operating condition, well maintained, and suitable for the Corporation's requirements.

ITEM 3. LEGAL PROCEEDINGS

The Corporation is involved in claims, litigation, administrative proceedings and investigations of various types in several jurisdictions. A number of such matters involve claims for a material amount of damages and

relate to or allege environmental liabilities, including clean-up costs associated with hazardous waste disposal sites, natural resource damages, property damage and personal injury.

Environmental Liabilities. Each quarter, the Corporation evaluates and reviews estimates for future remediation and other costs to determine appropriate environmental reserve amounts. For each site, a determination is made of the specific measures that are believed to be required to remediate the site, the estimated total cost to carry out the remediation plan, the portion of the total remediation costs to be borne by the Corporation and the anticipated time frame over which payments toward the remediation plan will occur. The total amount accrued for such environmental liabilities at December 26, 1998, was $94 million. The Corporation estimates the potential liabilities to range from $70 million to $129 million at December 26, 1998. It is reasonably possible that the Corporation's estimates for environmental remediation liabilities may change in the future should additional sites be identified, further remediation measures be required or undertaken, the interpretation of current laws and regulations be modified or additional environmental laws and regulations be enacted.

The Corporation generally assesses the possibility for toxic tort claims. Such liabilities are dependent upon complex factors. Five facilities have been identified where the possibility for toxic tort claims may be significant, i.e. as situations where chemicals are believed to have migrated off-site, thus posing risk of exposure. There are no lawsuits pending involving any of these five facilities. Virtually all, if not all, of the off-site disposal sites to which the Corporation may have sent toxic materials pose a possibility for toxic tort claims. There are currently pending five toxic tort claims against Uniroyal and others arising from these off-site disposal sites.

The Corporation and some of its subsidiaries have been identified by federal, state or local governmental agencies, and by other potentially responsible parties (a "PRP") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or comparable state statutes, as a PRP with respect to costs associated with waste disposal sites at various locations in the United States. Because these regulations have been construed to authorize joint and several liability, the EPA could seek to recover all costs involving a waste disposal site from any one of the PRP's for such site, including the Corporation, despite the involvement of other PRPs. In many cases, the Corporation is one of several hundred PRPs so identified. In a few instances, the Corporation is one of only a handful of PRPs. In certain instances, a number of other financially responsible PRPs are also involved, and the Corporation expects that any ultimate liability resulting from such matters will be apportioned between the Corporation and such other parties. In addition, the Corporation is involved with environmental remediation and compliance activities at some of its current and former sites in the United States and abroad. The more significant of these matters are described below.

. Beacon Heights and Laurel Park - Uniroyal is a member of the Beacon

Heights Coalition, a group of entities engaged in remedial work at the Beacon Heights site in the State of Connecticut pursuant to a Consent Decree entered in 1987. The actions required by this Consent Decree have been essentially completed. There is a continuing requirement for operation and maintenance at the site.

Over many years, Uniroyal has entered into and performed activities pursuant to a series of Administrative Orders with respect to the Laurel Park site located in the State of Connecticut. The EPA, the State of Connecticut, and the Laurel Park Coalition (consisting of Uniroyal and a number of other parties) have entered into a Consent Decree governing the design and implementation of the selected remedy. Remedial construction began at the Laurel Park site in July 1996, and was completed in 1998. Operation and maintenance activities at the site are ongoing.

Consolidated litigation brought by the Beacon Heights and Laurel Park Coalitions seeking contribution to the costs from the owner/operators of the site and later from other identified generator parties has resulted in substantial recoveries from a number of parties. Hearings on the remaining claims have been completed before a Special Master appointed by the Court. The Special Master has issued a Report and Recommendations to the Court denying recovery to the Coalitions. The Coalitions intend to file objections to the Report prior to the Courts ruling in this matter.

. Cleve Reber - Uniroyal and three other corporations named in an Administrative Order issued by the EPA have complied with such Order which governs remediation of the site located in the State of Louisiana. The cooperating parties have negotiated a consent agreement with the EPA which resolves all outstanding claims, leaving only ongoing operation and maintenance activities at the site.

. Petro Processors - This matter relating to a site in the State of Louisiana was initiated in 1981. Litigation was instituted by the EPA against a number of parties, including Uniroyal, Inc. (which Uniroyal has agreed to indemnify), seeking cleanup of the Petro Processors site. A Consent Decree was entered to settle the case in February 1984, which required the defendants to clean up the site to the satisfaction of the EPA under supervision of the court. A settlement among the ten defendants, dated December 16, 1983, defines the percentage to be borne by each defendant of the currently estimated future cost of $89.0 million to complete remediation of the site. Although the allocations are subject to a confidentiality order, Uniroyal believes that the amount it will pay will not be material to its financial condition or results of operations.

. Vertac - Uniroyal and its Canadian subsidiary, Uniroyal Chemical Co./Cie. (formerly known as Uniroyal Chemical Ltd./Ltee) were joined with others as defendants in consolidated civil actions brought in the United States District Court, Eastern District of Arkansas, Western Division by the United States of America, the State of Arkansas and Hercules Incorporated ("Hercules") relating to a Vertac Chemical Corporation site in Jacksonville, Arkansas. Uniroyal has been dismissed from the litigation. On May 21, 1997,

the Court entered an order finding that Uniroyal Chemical Co./Cie. is jointly and severally liable to the United States, and finding that Hercules and Uniroyal Chemical Co./Cie. are liable to each other in contribution. On October 23, 1998, the Court entered an order granting the United States's motion for summary judgment against Uniroyal Chemical Co,/Cie. and Hercules as to the amount of its claimed removal and remediation costs of $102.9 million at the Vertac site. Trial on the allocation of these costs as between Uniroyal Chemical Co./Cie. and Hercules was concluded on November 6, 1998, and post-trial briefing was completed during February 1999, with a decision expected during the second quarter of 1999. How much, if any, of the costs will ultimately be imposed on Uniroyal Chemical Co./Cie. cannot be determined at this time although Uniroyal Chemical Co./Cie. continues to believe that its share of liability will be small in comparison to that of Hercules.

The natural resource damage case filed by several individuals in state court which named Uniroyal Chemical Co./Cie. has been withdrawn without prejudice. These individuals have refiled their case in Federal court against some of the parties but have not named Uniroyal Chemical Co./Cie. as a defendant. Uniroyal Chemical Co./Cie. received a notice from the United States Department of the Interior of its intent to perform a Natural Resource Damage Assessment at the site. In addition, the State of Arkansas has commenced an action for natural resource damages which is currently pending in the State court, but Uniroyal Chemical Co./Cie. has not been named a party in that action.

. Naugatuck - On February 24, 1999, the Connecticut Department of Environmental Protection initiated an action in Connecticut State court against Uniroyal alleging that the Company's Naugatuck, CT, plant had on several occasions improperly discharged hazardous wastes to the Naugatuck sewage treatment plant and had failed to comply with other applicable state and Federal requirements regarding its discharges to the sewage treatment plant.

The Corporation intends to assert all meritorious legal defenses and all other equitable factors which are available to it with respect to the above matters. The Corporation believes that the resolution of these environmental matters will not have a material adverse effect on its consolidated financial position. While the Corporation believes it is unlikely, the resolution of these environmental matters could have a material adverse effect on its consolidated results of operations in any given year if a significant number of these matters are resolved unfavorably.

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

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II

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

The information concerning the range of market prices for the Corporation's Common Stock on the New York Stock Exchange and the amount of dividends paid thereon during the past two years, set forth in the Notes to Consolidated Financial Statements on page 33 of the Corporation's 1998 Annual Report to Stockholders, is incorporated herein by reference.

The number of registered holders of Common Stock of the Corporation on December 26, 1998, was 4,555.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data for the Corporation for each of its last seven fiscal years, set forth under the heading "Seven Year Selected Financial Data" on page 35 of the Corporation's 1998 Annual Report to Stockholders, is incorporated herein by reference.

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

Management's discussion and analysis of the Corporation's financial condition and results of operations, set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 18 through 21 of the Corporation's 1998 Annual Report to Stockholders, is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is summarized in Management's Discussion and Analysis of Financial Conditions and Results of Operations on pages 19 and 20 of the Corporation's 1998 Annual Report to Stockholders. Significant interest rate risk-sensitive instruments as of December 26, 1998, are detailed below and should be read in conjunction with the Long-term Debt and Financial Instruments Notes to the Corporation's 1998 Annual Report to Stockholders:

Interest Rate Sensitivity
(In thousands of dollars)

Year of Maturity	1999	2000	2001	2002	2003	Total	Fair Value
Long-Term Debt:							
Fixed Rate (US$)		$182,261		$173,128		$355,389	$394,447
Average							

Interest Rate	9.00%		10.50%		9.73%	
Variable Rate (US$)				$283,700	$283,700	$283,700
Average Interest Rate				6.13%	6.13%	
Variable Rate (primarily Canadian Dollars)	$ 3,366	$500	$ 462	$ 3,440	$ 7,768	$ 7,768
Average Interest Rate	5.73%	4.25%	4.25%	5.38%	5.39%	
Short-Term Debt:						
Variable Rate (primarily Belgian Francs)	$17,305				$ 17,305	$ 7,305
Average Interest Rate	3.85%				3.85%	
Anticipated Transaction Interest Rate Protection Agreement:						
Protection Agreement (US$)	$230,000				$230,000	$ 17,098
	6.04%				6.04%	

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements of the Corporation, notes thereto, and supplementary data, appearing on pages 22 through 35 of the Corporation's 1998 Annual Report to Stockholders, are incorporated herein by reference.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information called for by this item concerning directors of the Corporation is included in the definitive proxy statement for the Corporation's Annual Meeting of Stockholders to be held on April 27, 1999, which is to be filed with the Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934, and such information is incorporated herein by reference.

The executive officers of the Corporation are as follows:

Vincent A. Calarco, age 56, has served as President and Chief Executive Officer of the Registrant since 1985 and Chairman of the Board since 1986. Mr. Calarco has been a member of the Board of Directors of the Registrant since 1985.

Robert W. Ackley, age 57, has served as a Vice President, Polymer Processing Equipment, of the Registrant since 1998 and as President of Davis-Standard Corporation (prior to 1995, Davis-Standard Division) since 1983. Mr. Ackley has served as a Vice President of the Registrant since 1986.

Peter Barna, age 55, has served as Vice President-Finance of the Registrant since 1996 and Principal Accounting Officer of the Registrant since 1986. Mr. Barna served as Treasurer of the Registrant from 1980 to 1996.

James J. Conway, age 55, has served as Vice President, Colors, of the Registrant since 1998 and President of Crompton & Knowles Colors Incorporated since 1997. Prior to joining the Registrant, Mr. Conway was Senior Vice President and General Manager of International Specialty Products, Inc. from 1992 to 1997.

Joseph B. Eisenberg, Ph.D., age 56, has served as Vice President, Rubber Chemicals, EPDM and Nitrile Rubber, of the Registrant since 1998 and as Executive Vice President, Chemicals & Polymers, of Uniroyal since 1994. Dr. Eisenberg served as Vice President and General Manager of the Chemicals & Polymers Division of Uniroyal from 1991 to1994.

John T. Ferguson II, age 52, has served as Vice President of the Registrant since 1996, and General Counsel and Secretary of the Registrant since 1989.

Marvin H. Happel, age 59, has served as Vice President-Organization and Administration of the Registrant since 1996 and Vice President-Organization from 1986 to 1996.

Alfred F. Ingulli, age 57, has served as Vice President, Crop Protection, of the Registrant since 1998 and as Executive Vice President, Crop Protection of Uniroyal since 1994. Mr. Ingulli served as Vice President and General Manager, Crop Protection Division of Uniroyal from 1989 to 1994.

John R. Jepsen, age 43, has served as Treasurer of the Registrant since 1998. Mr. Jepsen served with the International Paper Company as Assistant Treasurer, International from 1996 to 1998 and, prior to that, as Director of Corporate Finance from 1986 to 1996.

Charles J. Marsden, age 58, has served as Senior Vice President and Chief Financial Officer of the Registrant since 1996, and served as Vice President-Finance and Chief Financial Officer of the Registrant from 1985 to 1996. Mr. Marsden has served as a member of the Board of Directors of the Registrant since 1985.

William A. Stephenson, age 51,has served as Vice President, Specialty

Additives and Urethanes, of the Registrant since 1998 and as Executive Vice President, Specialties of Uniroyal since 1994. Mr. Stephenson served as Vice President and General Manager, Specialties Division, of Uniroyal from 1990 to 1994.

The term of office of each of the above-named executive officers is until the first meeting of the Board of Directors following the next annual meeting of stockholders and until the election and qualification of his successor.

There is no family relationship between any of such officers, and there is no arrangement or understanding between any of them and any other person pursuant to which any such officer was selected as an officer.

ITEM 11. EXECUTIVE COMPENSATION

Information called for by this item is included in the definitive proxy statement for the Corporation's Annual Meeting of Stockholders to be held on April 27, 1999, which is to be filed with the Commission pursuant to Regulation 14A, and such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information called for by this item is included in the definitive proxy statement for the Corporation's Annual Meeting of Stockholders to be held on April 27, 1999, which is to be filed with the Commission pursuant to Regulation 14A, and such information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information called for by this item is included in the definitive proxy statement for the Corporation's Annual Meeting of Stockholders to be held on April 27, 1999, and such information is incorporated herein by reference.

PART IV

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

(a) The following documents are filed as part of this report:

1. Financial statements and Independent Auditors' Report, as required by Item 8 of this form, which appear on pages 22 through 34 of the Corporation's 1998 Annual Report to Stockholders and are incorporated herein by reference:

   (i) Consolidated Statements of Operations for the fiscal years ended 1998, 1997, and 1996;
   (ii) Consolidated Balance Sheets for the fiscal years ended 1998

and 1997;

(iii) Consolidated Statements of Cash Flows for the fiscal years ended 1998, 1997, and 1996;

(iv) Consolidated Statements of Stockholders' Equity [Deficit] for the fiscal years ended 1998, 1997 and 1996;

(v) Notes to Consolidated Financial Statements; and

(vi) Independent Auditors' Report of KPMG LLP.

2. Independent Auditors' Report and Consent, and Financial Statement Schedule II, Valuation and Qualifying Accounts, required by Regulation S-X. Pages S-1 and S-2 hereof.

3. The following exhibits are either filed herewith or incorporated herein by reference to the respective reports and registration statements identified in the parenthetical clause following the description of the exhibit:

Exhibit No.	Description
2.0	Agreement and Plan of Merger dated April 30, 1996, by and among the Registrant, Tiger Merger Corp. and UCC (incorporated by reference to Exhibit 2 to Form 10-Q for the period ended March 31, 1996).
2.1	Limited Liability Company Agreement by and between Gustafson, Inc. and Trace Chemicals, Inc., effective as of September 23, 1998, (incorporated by reference to Exhibit 2.1 to Form 8-K/A dated January 21, 1999).
2.2	First Amendment to Limited Liability Company Agreement by and among GT Seed Treatment Inc. (f/k/a Gustafson, Inc.), Ecart Inc. (f/k/a Trace Chemicals, Inc.) and Bayer Corporation, dated as of November 20, 1998, (incorporated by reference to Exhibit 2.2 to Form 8-K/A dated January 21, 1999).
2.3	Purchase Agreement by and among the Registrant, Uniroyal, Trace Chemicals, Inc. and Gustafson, Inc. as Sellers, and Bayer Corporation, as Purchaser, and Gustafson LLC, as the Company, dated as of November 20, 1998, (incorporated by reference to Exhibit 2.3 to Form 8-K/A dated January 21, 1999).
2.4	Purchase Agreement by and between Uniroyal Chemical Co./Cie and Bayer Inc., effective as of November 20, 1998, (incorporated by reference to Exhibit 2.4 to Form 8-K/A dated January 21, 1999).
2.5	Partnership Agreement of Gustafson Partnership by and between Uniroyal Chemical Co./Cie and Bayer Inc., effective as of November 20, 1998, (incorporated by reference to Exhibit 2.5 to Form 8-K/A dated January 21, 1999).
2.6	Joint Venture Agreement and Shareholders Agreement dated September 18, 1998, by and between Uniroyal and GIRSA S.A. de C.V. (filed

herewith*)

2.7 Stock Purchase Agreement dated as of December 8, 1998, by and among the Registrant and Ingredient Technology Corporation, as Sellers, and Chr. Hansen Inc., as Purchaser (filed herewith*).

3(i) Restated Articles of Organization of the Registrant filed with the Commonwealth of Massachusetts on October 27, 1988, as amended on April 10, 1990, and on April 14, 1992 (incorporated by reference to Exhibit 3(a) to Form 10-K for the fiscal year ended December 26, 1992).

3(ii) By-laws of the Registrant (incorporated by reference to Exhibit 3(ii) to Form 10-K for the fiscal year ended December 27, 1997).

4.1 Rights Agreement dated as of July 20, 1988, between the Registrant and The Chase Manhattan Bank, N.A., as Rights Agent (incorporated by reference to Exhibit 1 to Form 8-K dated July 29, 1988).

4.2 Agreement dated as of March 28, 1991, amending Rights Agreement dated as of July 20, 1988, between the Registrant and The Chase Manhattan Bank, N.A., as Rights Agent (incorporated by reference to Exhibit 4(i)(i) to Form 10-K for the fiscal year ended December 29, 1990).

4.3 Form of Indenture, dated as of February 8, 1993, among Uniroyal and State Street Bank and Trust Company, as Trustee, relating to the 10 1/2% Notes, including form of securities (incorporated by reference to Exhibit 4.1 to the Registration Statement on UCC Form S-1, Registration No. 33-45296 and 33-45295 ["UCC Form S-1, Registration No. 33-45296/45295"]).

4.4 Form of First Supplemental Indenture, dated as of December 9, 1998, among UCC, as Issuer, Uniroyal, as successor to the Issuer, and State Street Bank and Trust Company, as Trustee, relating to the 10 1/2% Notes (filed herewith*).

4.5 Form of Indenture, dated as of February 8, 1993, among UCC and United States Trust Company of New York, as Trustee, relating to the 11% Notes, including form of securities (incorporated by reference to Exhibit 4.1(a) to UCC Form S-1, Registration No. 33-45296/45295).

4.6 Form of Indenture, dated as of February 8, 1993, among UCC and The Shawmut Bank Connecticut, N.A. as Trustee, relating to the 12% Notes, including form of securities (incorporated by reference to Exhibit 4.1(b) to UCC Form S-1, Registration No. 33-45296/45295).

4.7 Form of Indenture, dated as of September 1, 1993, among Uniroyal and State Street Bank and Trust Company, as Trustee, relating to $270 million of 9% Notes, including the form of securities (incorporated by reference to Exhibit 4.2 to UCC Form S-1, Registration No. 33-66740).

4.8 Form of US $600 Million Second Amended and Restated Credit Agreement dated as of July 25, 1997, by and among the Registrant and certain of its subsidiaries, as Borrowers, and various lenders, and Citicorp Securities, Inc., as Arranger, and Citicorp USA, Inc., as Agent and the Chase Manhattan Bank, as Managing Agent (incorporated by reference to Exhibit 4 to UCC Form 10-Q for the quarter ended June 28, 1997).

4.9 Form of US $600 Million Third Amended and Restated Credit Agreement dated as of March 31, 1998, by and among the Registrant and certain of its subsidiaries, as Borrowers, and various lenders, and Citicorp USA, Inc., as Agent and The Chase Manhattan Bank, Corestates Bank, N.A. and First Union National Bank, as Managing Agents (incorporated by reference to Exhibit 4 to Form 10-Q for the quarter ended June 27, 1998).

10.1+ 1983 Stock Option Plan of the Registrant, as amended through April 14, 1987 (incorporated by reference to Exhibit 10(c) to Form 10-Q for the quarter ended March 28, 1987).

10.2+ Amendments to the Registrant's Stock Option Plans adopted February 22, 1988 (incorporated by reference to Exhibit 10(d) to Form 10-K for the fiscal year ended December 26, 1987).

10.3+ Summary of Management Incentive Bonus Plan for selected key management personnel (incorporated by reference to Exhibit 10(m) to Form 10-K for the fiscal year ended December 27, 1980).

10.4+ Supplemental Medical Reimbursement Plan (incorporated by reference to Exhibit 10(n) to Form 10-K for the fiscal year ended December 27, 1980).

10.5+ Supplemental Dental Reimbursement Plan (incorporated by reference to Exhibit 10(o) to Form 10-K for the fiscal year ended December 27, 1980).

10.6+ Employment Agreement dated February 22, 1988, between the Registrant and Vincent A. Calarco (incorporated by reference to Exhibit 10(j) to the Form 10-K for the fiscal year ended December 26, 1987).

10.7+ Form of Employment Agreement entered into in 1988, 1989, 1992, 1994, 1996 and 1998 between the Registrant or one of its subsidiaries and ten of the executive officers of the Registrant (incorporated by reference to Exhibit 10(k) to Form 10-K for the fiscal year ended December 26, 1987).

10.8+ Form of Employment Agreement dated as of August 21, 1996, between a subsidiary of the Registrant and three executive officers of the Registrant (incorporated by reference to Exhibit 10.28 to the UCC/Uniroyal Form 10-K for the fiscal year ended September 28, 1996).

10.9+ Amended Supplemental Retirement Agreement dated October 18, 1995, between the Registrant and Vincent A. Calarco (incorporated by reference to Exhibit 10(i) to Form 10-K for the fiscal year ended December 30, 1995).

10.10+ Form of Amended Supplemental Retirement Agreement dated October 18, 1995, between the Registrant and three of its executive officers (incorporated by reference to Exhibit 10(j) to Form 10-K for the fiscal year ended December 30, 1995).

10.11+ Form of Supplemental Retirement Agreement dated October 18, 1995, between the Registrant and five of its executive officers (incorporated by reference to Exhibit 10(k) to Form 10-K for the fiscal year ended December 30, 1995).

10.12+ Form of Supplemental Retirement Agreement dated as of August 21, 1996, between a subsidiary of the Registrant and two executive officers of the Registrant (incorporated by reference to Exhibit 10.29 to the UCC/Uniroyal Form 10-K for the fiscal year ended September 28, 1996).

10.13+ Form of Supplemental Retirement Agreement dated as of August 21, 1996, between a subsidiary of the Registrant and two executive officers of the Registrant (incorporated by reference to Exhibit 10.30 to the UCC/Uniroyal Form 10-K for the fiscal year ended September 28, 1996).

10.14+ Supplemental Retirement Agreement Trust Agreement dated October 20, 1993, between the Registrant and Shawmut Bank, N.A. (incorporated by reference to Exhibit 10(l) to Form 10-K for the fiscal year ended December 25, 1993).

10.15+ Amended Benefit Equalization Plan dated October 20, 1993 (incorporated by reference to Exhibit 10(m) to Form 10-K for the fiscal year ended December 25, 1993).

10.16+ Amended Benefit Equalization Plan Trust Agreement dated October 20, 1993, between the Registrant and Shawmut Bank, N.A. (incorporated by reference to Exhibit 10(n) to Form 10-K for the fiscal year ended December 25, 1993).

10.17+ Amended 1988 Long Term Incentive Plan (incorporated by reference to Exhibit 10(o) to Form 10-K for the fiscal year ended December 25, 1993).

10.171+ Amendment No. 4 to 1988 Long Term Incentive Plan (incorporated by reference to Exhibit 10.171 to Form 10-K for the fiscal year ended December 28, 1996).

10.18 Trust Agreement dated as of May 15, 1989, between the Registrant and Shawmut Worcester County Bank, N.A. and First Amendment thereto dated as of February 8, 1990 (incorporated by reference to Exhibit 10(w) to Form 10-K for the fiscal year ended December 30, 1989).

10.19+ Form of 1992 - 1994 Long Term Performance Award Agreement (incorporated by reference to Exhibit 10(y) to Form 10-K for the fiscal year ended December 28, 1991).

10.20+ Restricted Stock Plan for Directors of the Registrants approved by the stockholders on April 9, 1991 (incorporated by reference to Exhibit 10(z) to Form 10-K for the fiscal year ended December 28, 1991).

10.21+ Amended 1993 Stock Option Plan for Non-Employee Directors (filed herewith*).

10.22 Form of Assignment and Assumption of Raw Materials Agreement, dated as of October 30, 1989, between UCC and Avery (incorporated by reference to Exhibit 10.1 to UCC Form S-1, Registration No. 33-32770).

10.23+ UCC Purchase Right Plan, as amended and restated as of March 16, 1995 (incorporated by reference to Exhibit 10.1 to the UCC Form 10-Q for the period ended April 2, 1995 ["UCC April 1995 Form 10-Q"]).

10.24+ UCC 1993 Stock Option Plan (incorporated by reference to Exhibit 28.1 to UCC's Registration Statement No. 33-62030 on Form S-8, filed on May 4, 1993).

10.25+ Form of Amendment No. 2 to the UCC 1993 Stock Option Plan (incorporated by reference to Exhibit 10.2 to the UCC April 1995 Form 10-Q).

10.26+ Form of Executive Stock Option Agreement, dated as of November 15, 1993 (incorporated by reference to Exhibit 10.22 to the UCC 1994 Form 10-K).

10.27+ Form of Amended and Restated 1996 - 1998 Long Term Performance Award Agreement entered into in 1996 between the Registrant or one of its subsidiaries and thirteen of the executive officers of the Registrant (incorporated by reference to Exhibit 10.27 to the Form 10-K for the fiscal year ended December 27, 1997).

10.28 Second Amended and Restated Lease Agreement between the Middlebury Partnership, as Lessor, and the Uniroyal, as Lessee, dated as of August 28, 1997 (incorporated by reference to Exhibit 10 to the UCC/Uniroyal 10-Q for the quarter ended September 27, 1997).

10.291 Form of Receivables Sale Agreement, dated as of December 11, 1998, by and among the Registrant, as Initial Collection Agent, Crompton & Knowles Receivables Corporation, ABN AMRO Bank N.V., as the Agent, the Enhancer, and the Liquidity Provider, and Windmill Funding Corporation (filed herewith*).

10.292 Form of Receivables Purchase Agreement, dated as of December 11, 1998, by and among the Registrant, as Initial Collection Agent, and certain

of its subsidiaries, as Sellers, and Crompton & Knowles Receivables Corporation, as Buyer (filed herewith*).

13 1998 Annual Report to Stockholders of the Registrant. (Not to be deemed filed with the Securities and Exchange Commission except those portions expressly incorporated by reference into this report on Form 10-K.) (filed herewith*).

21 Subsidiaries of the Registrant (filed herewith*).

23 Consent of independent auditors. (See Item 14(a)2 herein.) (filed herewith*).

24 Power of attorney from directors and executive officers of the Registrant authorizing signature of this report. (Original on file at principal executive offices of Registrant.) (filed herewith*).

27 Financial data schedule for the fiscal year ended December 26, 1998 (filed herewith*).

* Copies of these Exhibits are annexed to this report on Form 10-K provided to the Securities and Exchange Commission and the New York Stock Exchange.

\+ This Exhibit is a compensatory plan, contract or arrangement in which one or more directors or executive officers of the Registrant participate.

(b) Reports on Form 8-K filed in fourth quarter 1998

A Current Report on Form 8-K was filed by the Registrant on December 7, 1998, ("Form 8-K"), reporting on Item 2 (Acquisition or Disposition of Assets). The Registrant amended its Form 8-K by filing a Current Report on Form 8-K/A on January 21, 1999, reporting on Item 2.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CROMPTON & KNOWLES CORPORATION
(Registrant)

Date: March 26, 1999

By:/s/Charles J. Marsden
Charles J. Marsden
Senior Vice President &
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this

report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Name	Title
Vincent A. Calarco*	Chairman of the Board, President, and Director (Principal Executive Officer)
Charles J. Marsden*	Senior Vice President and Director (Chief Financial Officer)
Peter Barna*	Vice President - Finance (Principal Accounting Officer)
James A. Bitonti*	Director
Robert A. Fox*	Director
Roger L. Headrick*	Director
Leo I. Higdon, Jr.*	Director
C. A. Piccolo*	Director
Patricia K. Woolf*	Director

Date: March 26, 1999

*By:/s/Charles J. Marsden
Charles J. Marsden
as attorney-in-fact

Independent Auditors' Report and Consent

The Board of Directors and Stockholders
Crompton & Knowles Corporation

Under date of January 27, 1999, we reported on the consolidated balance sheets of Crompton & Knowles Corporation and subsidiaries (the Company) as of December 26, 1998 and December 27, 1997, and the related consolidated

statements of operations, stockholders' equity (deficit) and cash flows for each of the years in the three-year period ended December 26, 1998, which are incorporated by reference in this Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule included in this Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audit.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We consent to the incorporation by reference in the registration statements (Nos. 33-21246, 33-42280, 33-67600 and 333-62429) on Form S-8 of Crompton & Knowles Corporation of our report, dated January 27, 1999, relating to the consolidated balance sheets of Crompton & Knowles Corporation and subsidiaries as of December 26, 1998 and December 27, 1997, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the years in the three-year period ended December 26, 1998, which report is incorporated by reference in the December 26, 1998 Annual Report on Form 10-K of Crompton & Knowles Corporation.

/S/KPMG LLP
KPMG LLP

Stamford, Connecticut
March 26, 1999

Schedule II

CROMPTON & KNOWLES CORPORATION AND SUBSIDIARIES
Valuation and Qualifying Accounts
(In thousands of dollars)

Balance at beginning of year	Additions charged to costs and expenses	Adjustments Recurring	Adjustments Other	Balance at end of year

Fiscal Year ended December 26, 1998:					
Allowance for doubtful accounts	$ 8,708	$ 5,209	$ (3,742)(1)	$ (407)(3)	$ 9,768
Accumulated amortization of cost in excess of acquired net assets	42,243	7,222	(572)(2)	(4,046)(3)	44,647
Accumulated amortization of other intangible assets	123,262	14,122	743 (2)	(17,267)(3)	120,860
Fiscal Year ended December 27, 1997:					
Allowance for doubtful accounts	$ 7,299	$ 2,230	$ (821)(1)	$ 0	$ 8,708
Accumulated amortization of cost in excess of acquired net assets	36,616	5,751	(67 (2)	(57)(4)	42,243
Accumulated amortization of other intangible assets	108,163	15,413	(314)(2)	0	123,262
Fiscal Year ended December 28, 1996:					
Allowance for doubtful accounts	$ 6,142	$ 2,333	$ (1,525)(1)	$ 349 (5)	$ 7,299
Accumulated amortization of cost in excess of acquired net assets	29,562	5,835	140 (2)	1,079 (5)	36,616
Accumulated amortization of other intangible assets	89,036	15,700	(296)(2)	3,723 (5)	108,163

(1) Represents accounts written off as uncollectible (net of recoveries), and the translation effect of accounts denominated in foreign currencies.
(2) Represents the translation effect of intangible assets denominated in foreign currencies.
(3) Represents primarily disposition of the Gustafson seed treatment business.
(4) Represents intangible asset retirements.
(5) Represents adjustment to conform fiscal year of Uniroyal.

EXHIBIT 2.6

JOINT VENTURE AND SHAREHOLDERS AGREEMENT

AGREEMENT dated September 18, 1998 by and between Uniroyal Chemical Company, Inc., a New Jersey corporation with its principal offices at World Headquarters, Middlebury, Connecticut 06749 ("Uniroyal"), and GIRSA S.A. de C.V., a company organized and existing under the laws of Mexico with its principal offices at Paseo de los Tamarindos No. 400 B, Piso 31 Bosque de las Lomas, Mexico, D.F. ("GIRSA"), with the participation of Novaquim Holdings, S.A. de C.V., a company organized and existing under the laws of Mexico with its principal offices at Insurgentes Sur 1685, Piso 11, Col. Guadalupe Inn, Mexico, D.F. ("Novaquim"). As used in this Agreement, references to "Uniroyal Chemical" shall mean Uniroyal and/or Novaquim, as required by the context of this Agreement, and references to a "party" or the "parties" shall mean GIRSA, on the one hand, and Uniroyal Chemical, on the other hand.

WITNESSETH:

WHEREAS, Uniroyal is engaged in the business of manufacturing acrylonitrile-butadiene rubber ("NBR") and NBR-PVC alloys (NBR and NBR-PVC alloys being collectively referred to herein as "NBR Products") in the United States and marketing NBR Products throughout the world and Uniroyal is the owner of certain proprietary technology with respect to the manufacture of NBR Products including patents and trademarks and certain proprietary information with respect to the marketing of NBR Products (collectively, "Technology and Know-how");

WHEREAS, Novaquim is a wholly owned subsidiary of Uniroyal and carries on, directly or indirectly, the NBR Products business of Uniroyal in Mexico;

WHEREAS, GIRSA is engaged, through its wholly owned subsidiary, Industrias Negromex S.A. de C.V. ("INSA") in the business of producing NBR Products, styrene butadiene rubber and other products and owns manufacturing facilities for the production of NBR Products, styrene butadiene rubber and other products, which facilities are located at Altamira, Tams., Mexico (the "Facilities"), and INSA is currently manufacturing NBR Products exclusively for Uniroyal at the Facilities;

WHEREAS, GIRSA and Uniroyal have determined that it would be advantageous to both if the Facilities and the manufacturing skills of INSA, the sales and marketing skills and customer base of Uniroyal and the Technology and Know-how were combined into operations of a joint venture (the "Joint Venture"), consisting of a jointly owned, directly or indirectly, manufacturing company formed in Mexico, and a jointly owned marketing company formed in the United States, it being the expectation of GIRSA and Uniroyal that the Joint Venture

would operate, commencing on or about July 1, 1999 (the "Start-up Date"), as a world class, high quality producer of NBR Products, and would be a successful competitor in the worldwide market for NBR Products.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged , the parties hereto agree as follows:

1. JOINT VENTURE COMPANIES

1.01 Manufacturing Company. (a) GIRSA has heretofore caused to be organized, under the laws of Mexico, an S.A. de C.V. company under the name Nitrilo, S.A. de C.V. (the "Manufacturing Company"), that shall have an authorized capital of $100,000.00 pesos consisting of 51 shares of Class A stock of the par value of $1,000.00 pesos each (the "Manufacturing Class A Shares") and 49 shares of Class B stock of the par value of $1,000.00 pesos each (the "Manufacturing Class B Shares"). As promptly as reasonably possible, GIRSA shall amend the By-laws of the Manufacturing Company, so they shall be substantially as the ones attached as Exhibit A hereto.

(b) The Manufacturing Company shall engage in the manufacture of NBR Products, using the Technology and Know-How contributed by Uniroyal to the Joint Venture required for the manufacture of the NBR Products and the technical information to be provided by INSA for supporting the continuous process for NBR and the equipment to be sold, granted in use or contributed or otherwise funded by GIRSA (indirectly through INSA) and Uniroyal (indirectly through Novaquim) for the Joint Venture as provided hereunder.

1.02 Marketing Company. (a) As promptly as reasonably possible, Uniroyal shall cause to be organized, under the laws of the State of Delaware, United States of America, a limited liability company (the "Marketing Company"), consisting of 510 Class A units (the "Marketing Class A Shares") and 490 Class B units (the "Marketing Class B Shares"). The Certificate of Formation and Limited Liability Agreement for the Marketing Company shall be substantially as the ones attached as Exhibit B hereto.

(b) The Marketing Company shall engage in the marketing of NBR Products worldwide on behalf of the Joint Venture except for Mexico, using the sales and marketing skills and customer base contributed by Uniroyal to the Joint Venture.

The Manufacturing Company, and the Marketing Company are sometimes referred to in this Agreement each as a "Joint Venture Company" and collectively as the "Joint Venture Companies". In the event that GIRSA and Uniroyal shall jointly organize additional corporations in order to carry on the activities of the Joint Venture, such additional corporations shall also be deemed Joint Venture Companies, and shall be subject for their organization and governance to the applicable provisions of this Agreement.

1.03 Manufacturing Company Capitalization. Capital Contributions of the

parties to the Manufacturing Company shall be as follows:

(a) GIRSA shall contribute or cause to be contributed:

(i) the advances heretofore made by it to the Manufacturing Company to fund engineering and capital projects to benefit the Joint Venture (as referred to and provided for in that certain Agreement dated May 12, 1998 by and between GIRSA and Uniroyal (the "Capital Risk Sharing Agreement"));

(ii) the use for the duration of the Joint Venture of (1) all batch processing manufacturing machinery and equipment for the production of NBR Products currently located at the Facilities as more specifically described in Exhibit "C-1" of this Agreement and (2) the use of new production equipment worth US$18,620,000.00 as more specifically described in Exhibit "C-2".

GIRSA shall cause INSA transfer to Manufacturing Company the machinery and equipment detailed in Exhibit "C-2" no later than eleven years from the Start up Date.

(iii) cash in an amount equal to the difference between US$7,656,500 and the amount of the advances referred to in paragraph 1.03 (a) (i) above in accordance with the cash flow needs to fund capital projects, new production equipment and improvement of existing equipment at the Facilities.

In return for the aforesaid contributions to the capital of Manufacturing Company, GIRSA shall receive 51% of the total amount of shares of Manufacturing Company, which 51% interest shall be represented by Class A Shares..

(b) Uniroyal shall contribute, through Novaquim:

(i) the advances heretofore made by Uniroyal through Novaquim to the Manufacturing Company to fund engineering and capital projects to benefit the Joint Venture (as referred to and provided for in the Capital Risk Sharing Agreement) credit for such advances having been contributed by Uniroyal to Novaquim;

(ii) timely before the Start-up Date, the batch polymerization reactors, French press, P&S dryer and related machinery and equipment for the production and testing of NBR Products located at Uniroyal's NBR Products manufacturing facilities at Painesville, Ohio, U.S.A. and certain research and development equipment located in Connecticut, as more specifically described in Exhibit "D" attached to this Agreement;

(iii) cash in an amount equal to the difference between US$7,356,500 and the amount of the advances referred to in paragraph 1.03 (b) (i) above in accordance with cash flow needs to fund capital projects, new production equipment , and improvement of existing equipment at the Facilities.

In return for the aforesaid contributions to the capital of Manufacturing Company, Novaquim shall receive 49% of the total amount of shares of Manufacturing Company which 49% interest shall be represented by Class B Shares.

Once the contributions of the parties have been capitalized through a capital stock increase , GIRSA shall be holder and owner of 51% of the total shares of Manufacturing Company, and Novaquim shall be holder and owner of 49% of the total shares of Manufacturing Company.

1.04 Marketing Company Capitalization. Capital Contributions of GIRSA and Uniroyal to the Marketing Company shall be as follows:

(a) GIRSA shall contribute or cause to be contributed, cash in the amount of US$122,500

In return for the aforesaid contribution to the capital of Marketing Company, GIRSA shall receive 49% of the total amount of ownership interests of Marketing Company, which interests shall be represented by Class B Shares.

(b) Uniroyal shall contribute or cause to be contributed cash in the amount of US$127,500

In return for the aforesaid contribution to the capital of Marketing Company, Uniroyal shall receive 51% of the total amount of ownership interests of Marketing Company which interests shall be represented by Class A Shares . In view of the above, once the contributions of the parties have been made, GIRSA shall be the holder and owner of 49% of the total ownership interests of Marketing Company, and Uniroyal shall be the holder and owner of 51% of the total ownership interests of the Marketing Company.

(c) Following such capitalization of the Marketing Company, Uniroyal shall sell and irrevocably transfer to the Marketing Company, and Uniroyal and GIRSA shall cause the Marketing Company to purchase from Uniroyal (and/or Uniroyal shall otherwise provide for the perpetual, free and exclusive use by the Marketing Company on a worldwide basis of) the following property for the sum of US$250,000:

All intangible property owned by Uniroyal, or by any Uniroyal's affiliate, applicable to the production by batch polymerization and marketing of NBR Products including, but not limited to, all patents, technology, trade secrets, recipes, technical facts, technical information, formulas or data owned by Uniroyal, including techniques, processes and research and development applicable to the production of NBR Products and all logistics knowledge, procedures, data, trademarks, technical service know-how, applications and customer lists, applicable to the marketing of NBR Products (as more specifically described in Exhibit "E" to this Agreement).

Such purchase and sale (and/or other provision for free and exclusive use) shall be effected by proper instruments of irrevocable assignment or

other appropriate irrevocable documents, substantially in the forms attached hereto as Exhibit "F", and shall be effective as of the Start-up Date, but prior to the Start-up Date, Marketing Company and Manufacturing Company, as licensee of the Marketing Company, shall be granted the right to use the above mentioned technology and Know-how, in preparation for the start-up of the Joint Venture including, without limitation, the acquisition and installation of machinery and equipment for the operations of the Joint Venture.

Uniroyal shall provide reasonable assistance and training in the use of the above mentioned technology and Know-how to the Marketing Company and to the Manufacturing Company, as licensee of the Marketing Company, at no cost.

1.05 Ongoing Funding. GIRSA and Uniroyal shall be equally responsible for funds (other than those provided for in Sections 1.03 and 1.04 of this Agreement) required by the Joint Venture Companies from time to time. GIRSA and Uniroyal shall discuss and, agree upon the method by which additional funds required by the Joint Venture Companies shall be raised. Such funds may be provided in the form of loans directly from GIRSA and Uniroyal, from related or unrelated third parties or other funding methods as GIRSA and Uniroyal may agree. If GIRSA and Uniroyal are unable to agree on the adoption of some other method for raising funds required by a Joint Venture Company or Companies, GIRSA and Uniroyal shall lend or shall cause an affiliated party to lend to the entity requiring such funds one behalf of the amount so required at a rate of interest to be agreed upon by the parties at that time.

1.06 Allocation of Joint Venture Profits and Liabilities. (a) Unless otherwise agreed by the parties, the parties shall cause all of the free cash flow (excluding cash required for ongoing operations, approved capital expenses and repayment of indebtedness) of each Joint Venture Company to be distributed as dividends, provided that such distribution does not impair the capital of such company and is otherwise permitted by applicable law. It is the expectation of the parties that the contributions to the Joint Venture by the Manufacturing Company and the Marketing Company will be equal between GIRSA and Uniroyal Chemical and it is therefore the intention of the parties that the aggregate profits of the Joint Venture net of any taxes paid by the Joint Venture Companies, on a combined basis and without giving effect to their respective equity ownership interests in the Joint Venture Companies, will be shared equally by the parties, GIRSA on the one hand and Uniroyal Chemical, on the other hand. Accordingly, the parties shall take all the necessary steps and/or make all necessary adjustments in the operations of the Joint Venture Companies in order to so assure that GIRSA and Uniroyal Chemical will enjoy an equal share of the aggregate profits of the Joint Venture Companies, as contemplated by this Section 1.06.

(b) It is the intention of the parties that potential liabilities of the Joint Venture Companies accruing from and after the Start-up Date, including, but not limited to, product liabilities, environmental liabilities and health liabilities (but excluding liabilities for which GIRSA, Uniroyal or another party is obligated to indemnify GIRSA, Uniroyal or any Joint Venture Company under this Agreement or any of the Related Agreements, as defined in Section 10.01 hereof), will also be shared by GIRSA and Uniroyal on an equal basis,

whether or not the equity of such Joint Venture Company is owned equally by GIRSA and Uniroyal. Accordingly if, and to the extent that a Joint Venture Company and/or GIRSA and Uniroyal including any of their subsidiaries party to the Related Agreements incurs any such liability, GIRSA and Uniroyal shall cause such liability to be equalized between them, whether by an adjustment of distributions to the parties, an equalizing payment from one party to the other or some other appropriate mechanism.

The provisions of this subsection (b) shall apply only to the equalization of liabilities of the Joint Venture Companies as between Uniroyal and GIRSA and nothing set forth in this subsection (b) shall be deemed to create any obligation by GIRSA or Uniroyal to third parties for the liabilities of the Joint Venture Companies.

(c) It is the intention of the parties that the benefits and burdens of carrying accounts receivable, inventory and accounts payable related to the NBR Operations of the Joint Venture will be shared by GIRSA and Uniroyal Chemical on an equal basis. Accordingly, the parties shall cause such benefits and burdens to be equalized between them.

1.07 Corporate Governance of the Joint Venture Companies. (a) The By-laws and other formation documents of each Joint Venture Company shall provide that such company shall be governed by a board of directors consisting of six directors or managers, as the case may be, three of whom shall be nominated and elected by the holders of the Class A Shares and three of whom shall be nominated and elected by the holders of the Class B Shares. The formation documents of the Marketing Company shall include the Limited Liability Company Agreement governing the Marketing Company entered into by GIRSA and Uniroyal.

(b) Directors or Managers, as the case may be, of a Joint Venture Company nominated and elected by holders of the Class A shares of such company are referred to in this Agreement as "Class A Directors" of such company and directors of a Joint Venture Company nominated and elected by holders of the Class B shares of such company are referred to in this Agreement as "Class B Directors" of such company.

2. CAPITAL PROJECTS OF THE MANUFACTURING COMPANY

2.01 Transfer of Existing Equipment. The parties shall cause the Manufacturing Company to pay the costs of dismantling, moving and reinstalling at the Facilities the machinery and equipment referred to in Section 1.03(b)(ii) hereof and the parties shall cooperate with the Manufacturing Company in arranging for the dismantling and moving of such machinery and equipment. Such cooperation shall consist of technical and logistical assistance as appropriate. In any event, dismantling, moving and reinstalling of such machinery and equipment at the Facilities shall be carried out in accordance with an expense budget to be approved by the parties and must comply with the procedures established in the "Project Manual" attached hereto as Exhibit "G".

2.02 New Capital Projects. (a) Decisions on whether or not to commit funds for new production assets to be installed at the Facilities by or on behalf of the Manufacturing Company (including funds for engineering services related thereto) shall be made jointly by the parties (each such proposed installation being referred to herein as a "Capital Project"). Once the parties have reached agreement on a decision to commit funds for any Capital Project (each an "Approved Capital Project"), the implementation of such Approved Capital Project shall be effected by the Managing Director of the Manufacturing Company and a steering committee (the "Steering Committee") consisting of an equal number of members appointed by GIRSA and Uniroyal Chemical, not to exceed 6 members. GIRSA shall make available or cause INSA to make available all such information about the Facilities and the processes at the Facilities, and GIRSA shall provide or shall cause INSA to provide such access to the Facilities, as the Managing Director of the Manufacturing Company and the Steering Committee may reasonably require to enable them to evaluate proposals for any Capital Project, to develop or obtain estimates of the costs for the design, procurement and construction of any Approved Capital Project or to otherwise effectuate the purposes of this Section 2.02. The Capital Projects initially expected to be implemented by or on behalf of the Manufacturing Company in pursuit of the goals of the Joint Venture (the "Initial Capital Projects"), and the costs of such Initial Capital Projects as presently anticipated by the parties, are set forth in Exhibit "H" attached hereto. The parties shall not unreasonably fail to approve the implementation of any Initial Capital Project set forth in such Exhibit "H" provided that the estimated costs for the design, procurement and construction of such Initial Capital Project are within the limits for such Initial Capital Project as set forth in such Exhibit "H"; provided that neither party shall be obligated to approve any such Initial Capital Project if it believes, in good faith, that such Initial Capital Project can be better implemented in a manner different than that proposed or at a cost more favorable to the Joint Venture than that estimated and if it provides to the other party information reasonably substantiating such belief. The parties may decide, as part of the initial capital program phase for the Manufacturing Company, to implement Capital Projects different from or in addition to those set forth on Exhibit "H" attached hereto, in the manner contemplated by this Section 2.02.

(b) After the completion of the initial capital program phase for the Manufacturing Company as referred to in subsection (a) of this Section 2.02, ongoing Capital Projects for the Manufacturing Company shall be overseen by the Managing Director of the Manufacturing Company and the Steering Committee, who shall recommend investments in Capital Projects and shall develop operating policies and procedures for the Manufacturing Company.

(c) The Managing Director of the Manufacturing Company shall also be the President of the Marketing Company shall have the authority to make commitments on behalf of the Manufacturing Company with engineers, vendors, contractors and other persons or entities for expenditures for Approved Capital Projects up to the amount approved by the parties for such Approved Capital Project, including the authority to expend funds on behalf of the Manufacturing Company for Approved Capital Projects. Promptly after the work contracted for in respect of an Approved Capital Project shall have been

completed, the Steering Committee shall submit a report thereon to GIRSA and Uniroyal.

3. OPERATING AGREEMENT

3.01 INSA and the Manufacturing Company shall enter no later than November 15, 1998, into an operating agreement dated as of the date of this Joint Venture Agreement ("the Operating Agreement") whereby INSA will provide or cause to be provided to the Manufacturing Company (a) the use of the Facilities, (b) labor, (c) the use of the machinery and equipment described in Exhibits "C-1" and "C-2", (d) technology for continuos emulsion polymerization process recognized as trade secret of INSA and (e) other services including utilities necessary for the production of NBR Products at the Facilities and invoicing services. The Operating Agreement shall be substantially in the form attached hereto as Exhibit "I". GIRSA shall cause INSA to enter into the Operating Agreement and GIRSA and Uniroyal Chemical shall cause the Manufacturing Company to enter into the Operating Agreement. Simultaneously with the execution and delivery of the Operating Agreement and the NBR Products Supply Agreement referred to in Section 6.01 hereof, Uniroyal shall, and GIRSA shall cause INSA to, terminate the Manufacturing Agreement dated January 5, 1996 by and between INSA and Uniroyal, effective on the Start-up Date.

4. SALES SERVICES AGREEMENTS

4.01 Uniroyal, GIRSA and the Marketing Company shall enter no later than November 15, 1998, into a sales services agreement dated as of the date of this Joint Venture Agreement (the "Uniroyal Sales Services Agreement"), whereby Uniroyal will provide sales services, technical support services and other services including warehousing, invoicing and logistical support for the NBR Products sales efforts of the Marketing Company. The Uniroyal Sales Services Agreement shall be substantially in the form attached hereto as Exhibit "J-1". GIRSA and Uniroyal shall cause the Marketing Company to enter into the Uniroyal Sales Services Agreement.

4.02 The Manufacturing Company and Novaquim, S.A. de C.V., a subsidiary of Novaquim, shall enter no later than November 15, 1998 into a sales services agreement dated as of the date of this Joint Venture Agreement (the "Novaquim Sales Services Agreement"), whereby Novaquim, S.A de C.V. will provide sales services to the Manufacturing Company in regards to the sale of the NBR Products in Mexico. The Novaquim Sales Services Agreement shall be substantially in the form attached hereto as Exhibit "J-2". GIRSA and Uniroyal Chemical shall cause the Manufacturing Company to enter into the Novaquim Sales Services Agreement, and Uniroyal Chemical shall cause Novaquim, S.A. de C.V. to enter into the Novaquim Sales Services Agreement.

5. TECHNOLOGY LICENSE

5.01 The Marketing Company and the Manufacturing Company shall enter, no later than November 15, 1998 into an exclusive license agreement (the "License Agreement"), whereby, except as provided in Section 1.04 (b), paragraph

three, above, the Marketing Company shall grant an exclusive and irrevocable license on a worldwide basis, to the Manufacturing Company for a 99 year term on all intangible property owned by the Marketing Company applicable to the production of NBR Products including, but not limited to, all patents, technology, recipes and research and development results. The License Agreement shall be substantially in the form attached hereto as Exhibit "K". GIRSA and Uniroyal Chemical shall cause the Marketing Company and the Manufacturing Company to enter into the License Agreement.

6. NBR PRODUCTS SUPPLY AGREEMENT

6.01 The Marketing Company and the Manufacturing Company shall enter no later than November 15, 1998, into an NBR Products supply agreement dated as of the date of this Joint Venture Agreement (the "NBR Products Supply Agreement"), whereby, except as may be otherwise agreed by the Marketing Company and the Manufacturing Company, the Marketing Company will purchase all of its requirements for NBR Products solely from the Manufacturing Company and the Manufacturing Company will produce NBR Products exclusively for the Marketing Company except that the Manufacturing Company will produce NBR Products for its own account for sales to customers in Mexico. The NBR Products Supply Agreement shall be substantially in the form attached hereto as Exhibit "L". GIRSA and Uniroyal Chemical shall cause the Marketing Company and the Manufacturing Company to enter into the NBR Products Supply Agreement.

7. CORPORATE SERVICES AGREEMENTS

7.01 GIRSA Corporativo, S.A. de C.V., a Mexican corporation that is a wholly owned subsidiary of GIRSA ("GIRSA Corporativo"), and Manufacturing Company shall enter no later than November 15, 1998, into a corporate services agreement dated as of the date of this Joint Venture Agreement ("GIRSA Corporate Services Agreement"), whereby GIRSA Corporativo will provide corporate services to Manufacturing Company. The GIRSA Corporate Services Agreement shall be substantially in the form attached hereto as Exhibit "M-1". GIRSA and Uniroyal shall cause Manufacturing Company to enter into the GIRSA Corporate Services Agreement, and GIRSA shall cause GIRSA Corporativo to enter into the GIRSA Corporate Services Agreement.

7.02 Uniroyal and Marketing Company shall enter no later than November 15, 1998, into a corporate services agreement dated as of the date of this Joint Venture Agreement ("Uniroyal Corporate Services Agreement"), whereby Uniroyal will provide corporate services to Marketing Company. The Uniroyal Corporate Services Agreement shall be substantially in the form attached hereto as Exhibit "M-2". GIRSA and Uniroyal shall cause the Marketing Company to enter into the Uniroyal Corporate Services Agreement.

8. FORCE MAJEURE

8.01 Neither party shall be liable for its delay or failure to perform hereunder if due to any contingency beyond the reasonable control of the party affected, including but not limited to acts of God, war, sabotage, labor disturbance, civil disturbance, or governmental regulation or order. Such

performance shall be excused during the continuation of the inability of the party to so perform ("Delayed Party") and the cause of such non-performance shall be remedied insofar as possible with all due dispatch of the Delayed Party. Delay or failure to perform hereunder due to the closing by Uniroyal of the Painesville Plant shall not be considered Force Majeure.

9. SHAREHOLDER AND MANAGEMENT ISSUES

9.01 Management of the Joint Venture. The powers, responsibilities and procedures of the shareholders, boards of directors and officers of the Joint Venture shall be as specified in this Agreement and in the formation documents for each of the Joint Venture Companies, respectively.

9.02 General Procedures. Written agendas of the topics to be discussed at any meeting of the shareholders or board of directors of any Joint Venture Company shall be distributed to all directors in advance of any such meetings; written descriptions of such topics shall also be distributed at such meetings and shall form the basis of any discussions. The results and minutes of such meetings shall be recorded and supplied for approval to the participants at such meetings in accordance with applicable law.

9.03 Meetings of Shareholders. Annual and special meetings of the shareholders of each of the Joint Venture Companies shall be conducted in accordance with the provisions of applicable law. The shareholders of each of the Joint Venture Companies shall make all reasonable efforts to alternate the location of meetings of shareholders between Mexico City, Mexico, and Middlebury, Connecticut, or any other location agreed upon by the shareholders, subject to requirements of applicable law. If permitted by applicable law and if acceptable to the shareholders of such companies, the shareholders of such companies may act by written consent in lieu of any meeting. Reference in this Agreement to "shareholder" shall be deemed with respect to the Marketing Company, to refer to "member", whether such term is capitalized or lower case.

9.04 Boards of Directors. (a) The management of each of the Joint Venture Companies shall be the responsibility of the board of directors thereof, which shall be elected and governed in its actions according to the provisions of this Agreement and the provisions of applicable law. Each director shall serve as such without compensation.

Reference in this Agreement to "director" and "board of directors" shall be deemed, with respect to the Marketing Company, to refer to "manager" and "board of managers" whether such terms are capitalized or lower case.

(b) The powers and duties, indemnification, and other terms and conditions of directors of each of the Joint Venture Companies shall be determined from time to time by the shareholders thereof in accordance with the applicable formation documents and applicable law.

(c) The boards of directors of each of the Joint Venture Companies shall make all reasonable efforts to alternate the location of meetings of directors

between Mexico City, Mexico and Middlebury, Connecticut, or any other location agreed upon by the directors. To the extent reasonably possible, board of directors meetings of the Joint Venture Companies shall be coordinated so that they can be held successively on the same date and in the same location. If permitted by applicable law and if acceptable to the directors of such companies, the directors of such companies may act by written consent in lieu of any meeting.

(d) Holders of the class of shares entitled to nominate and elect a director of any company may fill any vacancy resulting from such director's death, resignation or removal, in each case without the consent of holders of another class of shares.

(e) There shall be a Chairman of the Board of Directors of the Marketing Company and of the Manufacturing Company, serving for a term of two years. The first Chairman of the Board of Directors of the Marketing Company shall be designated by the holder of the Class B Shares of the Marketing Company and the first Chairman of the Board of Directors of the Manufacturing Company shall be designated by the holder of the Class A shares of the Manufacturing Company. At the end of such first two-year terms, the successor Chairman of the Board of Directors of the Marketing Company shall be designated by the holder of the Class A Shares of the Marketing Company and the successor Chairman of the Board of Directors of the Manufacturing Company shall be designated by the holder of the Class B shares of the Manufacturing Company. The designation of the holder of such office in each Joint Venture Company for each successive term shall alternate in the foregoing manner. The class of shares at the time having the right to designate the holder of such office shall also have the right, at any time or times during the two year term for its designee, to designate a replacement for such designee or for any person designated by such class of shares as such a replacement.

(f) Each board of directors of a Joint Venture Company shall have the power to delegate responsibilities and authority to committees of such board of directors or to appropriate officers of such company from time to time if such delegation has been approved by both Class A Directors and Class B Directors of such company.

(g) The taking of any of the following actions by any Joint Venture Company shall require the approval of both a majority of Class A Directors and a majority of Class B Directors of such company, if the matter is being submitted for a vote of directors, or the favorable vote of 75% of the total outstanding voting shares of stock of such Company, if the matter is being submitted for a vote of shareholders:

(i) Review, approval and modification of the operating budget for such company for each financial year and of business and strategic plans for such Company;

(ii) Creation or dissolution of any subsidiaries of such Company;

(iii) Establishment or modification of such Company's capital

expenditures budget;

(iv) Appointment, removal and compensation of such Company's officers;

(v) Establishment, modification or termination of such Company's compensation and benefits programs and policies;

(vi) Any change in dividend distribution policies as set forth in Section 1.06 hereof;

(vii) Approval of capital projects estimated to exceed US $50,000.00;

(viii) Execution, modification or termination in any form whatsoever of (a) any contract, agreement or arrangement with Uniroyal or GIRSA, (b) any contract, agreement or arrangement with any other Joint Venture Company including the Related Agreements; or (c) any contract, agreement or arrangement with any affiliate of Uniroyal, Novaquim or GIRSA including all Related Agreements;

(ix) Acquisition or disposition of any business of such Company, and approval of any financing associated with such acquisition or disposition;

(x) Entering into, modifying or terminating any agreement having a term in excess of one year (except for confidentiality or non-disclosure agreements) and/or involving expenditures or receipts by such Company of more than US $50,000.00 other than in the ordinary course of business;

(xi) Making any loan or advance or giving any credit other than NBR Products trade credit in the ordinary course of business by such Company or making any modification of any of the terms of any such loan, advance or credit except for intercompany loans between Joint Venture Companies;

(xii) Borrowing of any funds (but not draw-downs under lines of credit or other credit facilities previously approved);

(xiii) Granting of any mortgage, lien, security interest or other encumbrance over any assets of such Company;

(xiv) Appointment of outside counsel and/or independent auditors;

(xv) Change of accounting principles of such Company;

(xvi) Modification of the formation documents (certificate of incorporation and by-laws in the case of the Manufacturing Company or certificate of formation and Limited Liability Company Agreement in the case of the Marketing Company, or any other constituent documents) of

such company or any subsidiary of such Company;

(xvii) Acquisition or disposition by purchase, lease or otherwise of any real property;

(xviii) Acquisition or disposition of any assets in any single transaction or series of related transactions, other than in the ordinary course of business;

(xix) Discontinuance of such Company's business;

(xx) Authorization of any merger, consolidation, reorganization or recapitalization involving such Company;

(xxi) Settlement of any lawsuit or claim, or confession of judgment in any legal proceeding, in an amount in excess of $50,000.00;

(xxii) Termination, dissolution or winding up of such Company;

(xxiii) The granting of powers of attorney.

(xxiv) The issuance of additional securities, whether debt or equity.

9.05 Officers. The officers of the Joint Venture Companies shall be a President, in the case of the Marketing Company and a Managing Director in the case of the Manufacturing Company, a Treasurer and a Secretary and such other officers, if any, as shall be determined by the Board of Directors. The Joint Venture Companies shall also have a Chief Financial Officer (who may be the Treasurer). The holders of the Class A Shares and the Class B Shares shall consult with one another in the selection of the holders of offices in each of the Joint Venture Companies and shall jointly select such officers. Subject to the provisions of applicable law, an individual may hold more than one office of any Joint Venture Company, except that the offices of President or Managing Director, as the case may be, and Treasurer of any of the Joint Venture Companies may not be held by the same person.

9.06 Obligations of Confidentiality. Every director, officer and employee of each of the parties to this agreement and each of the Joint Venture Companies involved with the operations of the Joint Venture Companies, shall be required to keep strictly secret and confidential all confidential, proprietary or non-public information of such company, and the shareholders of each such company shall keep strictly secret and confidential all confidential, proprietary or non-public information of each such company, except as otherwise authorized by the board of directors of such company and except that the President or Managing Director of the Joint Venture Companies may disclose confidential, proprietary or non-public information of the Joint Venture Companies in pursuing the business interests of such companies, provided that the President or Managing Director of the Joint Venture Companies has first obtained appropriate confidentiality agreements from any parties to whom or to which such confidential, proprietary or non-public

information is being disclosed.

9.07 Required Insurance The parties shall cause each of the Manufacturing Company and the Marketing Company, to maintain in effect insurance in amounts and covering the risks customary in the industry in which such company operates. In particular, the insurance coverage for the Manufacturing Company shall be substantially similar to the insurance coverage maintained by GIRSA for its subsidiaries generally. GIRSA shall notify the Manufacturing Company within reasonable time about any change in its insurance coverages.

9.08 Environmental, Health and Safety Standards. It is the intention of the parties that the operations of the Manufacturing Company shall be conducted in compliance with all applicable Mexican environmental, health and safety laws and regulations.

10. REPRESENTATIONS, WARRANTIES AND COVENANTS

Each of the parties hereto represents and warrants to and covenants with the others as follows:

10.01 Organization. It is a corporation duly organized, validly existing and in good standing (a) under the laws of Mexico, in the case of GIRSA, or (b) under the laws of the State of New Jersey, United States, in the case of Uniroyal, and under the laws of Mexico, in the case of Novaquim, in each case with full corporate power and authority to own its properties and assets and to conduct its business in the manner in which it is operated, and to enter into this Agreement and, as the case may be, to enter into each of the agreements referred to in Articles 3 through 7 of this Agreement (each a "Related Agreement") to which it is to be a party and to perform its obligations hereunder and thereunder.

10.02 Authority. It has all requisite corporate power and authority to enter into and perform this Agreement and, as the case may be, to enter into each Related Agreement to which it is to be a party, and to consummate the transactions contemplated hereby and thereby. All corporate acts and other proceedings required to be taken by or on the part of it to carry out this Agreement and such Related Agreements, and to execute and deliver the instruments and consummate the transactions contemplated hereby and thereby have been duly and properly taken. This Agreement and such Related Agreements have been or will be duly executed and delivered by it and constitute, or when executed will constitute, its legal, valid and enforceable obligation of in accordance with the respective terms of this Agreement and such Related Agreements, except as such enforceability may be limited by applicable bankruptcy, insolvency or similar laws from time to time in effect which affect creditors' rights generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

10.03 No Conflict. Neither the execution and delivery by it of this

Agreement or the Related Agreements, as the case may be, to which it is to be a party, nor the consummation by it of the transactions contemplated hereby and thereby will:

(a) conflict with, result in a breach of or constitute a default (or an event which with notice or lapse of time or both could become a default) under, or result in the imposition of a lien or encumbrance on any of its assets, properties or rights pursuant to, (i) its By-Laws, in the case of GIRSA and Novaquim, or its Amended Certificate of Incorporation or By-laws, in the case of Uniroyal, or (ii) any agreement, indenture, mortgage, lease, contract, commitment or other instrument or obligation to which it is a party or by which it or its business and assets is bound or affected;

(b) violate any law or regulation or court or administrative judgment, order or process, or

(c) require it to obtain any authorization, consent, approval or waiver from, or to make any filing with, any public body or authority or any other person or entity, except as disclosed in Exhibit "N".

10.04 Corporate Existence. It will not liquidate, merge or consolidate with or into any person, firm or corporation unless (a) the surviving or resulting person, firm or corporation, concurrently with such transaction, irrevocably and unconditionally assumes its obligations hereunder and under the Related Agreements to which it is a party, such assumption to be in an instrument to be delivered and to be satisfactory in form and substance to the other party hereto, and (b) immediately after and as a result of such liquidation merger or consolidation no Event of Default (as defined in Section 11.01 of this Agreement), and no event that with notice or the passage of time or both would constitute an Event of Default, shall exist.

10.05 Conduct of NBR Products Business. From and after the Start-up Date, (a) the business of manufacturing and marketing NBR Products shall be conducted by it exclusively through the Joint Venture, and (b) it will not engage, directly or indirectly, in the business of manufacturing or producing, or selling, marketing or distributing NBR Products except through the Joint Venture Companies as contemplated by this Agreement and the Related Agreements; except that (i) Uniroyal may continue to sell NBR Products for its own account (and not for the account of the Joint Venture or the Marketing Company), directly and/or indirectly through its subsidiaries, until the on-hand inventories of NBR Products manufactured and/or purchased by Uniroyal and its subsidiaries in the ordinary course of business up to the Start-up Date have been exhausted and (ii) during an interim period after the Start-up Date, while accounting, computer and other such systems are being developed for the Joint Venture and for Uniroyal's sales services under the Uniroyal Sales Services Agreement and Novaquim, S.A. de C.V.'s sale services under the Novaquim Sales Services Agreement, Uniroyal and Novaquim, S.A. de C.V. may, in providing such services, purchase from the Marketing Company and/or Manufacturing Company as the case may be, on a consignment basis or otherwise, NBR Products for resale to customers provided that the Joint Venture shall

receive the total economic benefit of any such sales.

10.06 Warranties. It has the right to sell, transfer, contribute or otherwise convey all tangible and intangible property to be transferred sold, contributed and/or conveyed by it under this Agreement. Therefore, GIRSA shall be responsible and Uniroyal shall be responsible for itself and for Novaquim, for any consequential, compensatory, actual, liquidated, punitive or any other damages or loses suffered by the other party and/or Marketing Company and/or the Manufacturing Company out of the proper use of said tangible or intangible property and/or loss or damages caused by any defect in the tangible or intangible property or instructions supplied by it, including any default or negligence or infringement. As a result, it shall defend, indemnify and hold the other party, the Marketing Company and/or the Manufacturing Company harmless against any and all claims, demands, suits or any claims of any nature other arising out of the proper use of the tangible or intangible property.

10.07 Payments /contributions. It will contribute and/or pay, as the case may be, any amounts under this Agreement when due to the other party or to any of the Joint Venture Companies. In case of failure to pay any of said amounts when due, it shall pay to the other party or to the appropriate Joint Venture Company financial costs at rate of interest 3% above the London Interbank Offered Rate (LIBOR) for six months as published in the Wall Street Journal on the date payment was supposed to be made. In addition, the remedies provided in Section 11.01 may be invoked .

11. DEFAULTS AND TERMINATION.

11.01 Defaults. In the event that either party shall default in the performance of or in the compliance with any material term, condition or obligation contained in this Agreement, or in the performance of or in the compliance with any material term, condition or obligation contained in any Related Agreement, or shall breach, in any material respect, any representation, warranty or covenant contained in this Agreement or any Related Agreement, the non-defaulting party may give the defaulting party notice, specifying the nature of such default or breach in reasonable detail. If the defaulting party does not cure such default or breach within 90 (ninety) days of the date of such notice (or if such default or breach cannot reasonably be cured within said 90 (ninety) day term, if the defaulting party shall not have commenced such cure and shall not actively and diligently pursue such cure to its conclusion), GIRSA or Uniroyal, exclusively, may seek resolution of such default or breach by invoking arbitration in accordance with Section 15 of this Agreement.

11.02 Termination by Consent. GIRSA or Uniroyal may terminate this Agreement at any time by mutual agreement in writing.

In the event of termination of this Agreement, GIRSA agrees to cause INSA to transfer the machinery and equipment detailed in Exhibit "C-1" to Manufacturing Company at no cost, unless INSA has already transferred this machinery and equipment in accordance with the terms of Section 1.03 (a)

(ii). In the event of termination of this Agreement, GIRSA shall cause INSA to transfer the equipment detailed in Exhibit "C-2" to Manufacturing Company at no cost, unless the Operating Agreement and the terms of Section 1.03 (a) (ii) continue in full force and effect, in which case INSA shall continue to own the machinery and equipment detailed in Exhibit "C-2", subject to the provisions of the Operating Agreement.

12. JOINT VENTURE COMPANIES SHARE TRANSFER RESTRICTIONS AND RIGHT TO PURCHASE.

12.01 Share Transfer Restrictions.

(a) No Transfers Except Pursuant to this Agreement. Each party agrees that it will not transfer, assign, pledge, hypothecate, convey or in any way alienate any of its shares or any right or interest in the Joint Venture Companies or any of them, whether voluntarily or by operation of law, or by gift or otherwise, except in accordance with the provisions of this Agreement as set forth in Sections 12.01 (b) and (c) below or except as set forth in Section 12.01 (d). Any purported transfer in violation of any provision of this Agreement shall be void and of no force or effect, shall not operate to transfer any interest in or title to such shares to the purported transferee and such purported transferee shall have only a claim against the purported transferor for rescission and damages, if any.

(b) Transfer to Certain Affiliated Entities. Each party hereby consents to the transfer at any time by the other party ("Transferring Party") of any of the Transferring Party's shares in the Joint Venture Companies or any of them to any company controlled by the Transferring Party (each a "Controlled Company"), and to the further transfer at any time of such shares in the Joint Venture Companies or any of them by such Controlled Company back to the Transferring Party or to another Controlled Company of the Transferring Party. No party shall, without the prior written consent of the other party, sell or otherwise dispose of any shares of the capital stock of any Controlled Company that then holds any shares of any of the Joint Venture Companies or permit any such Controlled Company to:

(i) Pledge or hypothecate any shares of any of the Joint Venture Companies;

(ii) transfer, assign, convey or in any way alienate or otherwise dispose of any shares of any of the Joint Venture Companies to any person or entity other than the Transferring Party or another Controlled Company of the Transferring Party;

(iii) issue any shares of capital stock of the Controlled Company to any person other than the Transferring Party or another Controlled Company of the Transferring Party; or

(iv) merge or consolidate with any person or entity other than the Transferring Party or another Controlled Company of the Transferring Party.

For purposes of this Section 12.01 (b), a company shall be deemed a Controlled Company of a Transferring Party if the Transferring Company owns, directly or indirectly, all of the capital stock of such Controlled Company.

(c) Offer to Sell. Any sale or other disposition of shares of any of the Joint Venture Companies, other than a transfer permitted by Section 12.01 (b) hereof shall be subject to the following limitations:

A party may not sell less than all of its shares in any Joint Venture Company, and may not sell its shares in less than all of the Joint Venture Companies. If a party wishes to sell its Shares in the Joint Venture Companies (or if a party wishes to sell its shares in the Joint Venture Companies pursuant to a bona fide third-party offer), such party (referred to in this Section 12.01 (c) as the "Selling Shareholder") shall give written notice of such desire to the other party (referred to in this Section 12.01 (c) as the "Non-selling Shareholder"), which notice shall contain an offer ("Offer") by the Selling Shareholder to sell all of its shares in the Joint Venture Companies at a specified cash price (which shall not exceed the price contained in any such third-party offer). The Offer shall also specify, in reasonable detail, any other terms and conditions applicable to the proposed sale of such shares. The Non-selling Shareholder shall have an absolute and irrevocable right, during a period of sixty days following receipt of such notice, to make or not to make written acceptance of such Offer. If the Non-selling Shareholder accepts such Offer, in writing, within such sixty day period, all the Selling Party's shares in the Joint Venture Companies shall be sold to the Non-selling Shareholder in accordance with the provisions of Section 12.01 (d). If the Non-selling Shareholder does not accept such Offer, in writing, within such sixty day period the Selling Shareholder shall be free, subject to the requirements set forth in Section 12.01 (e), to sell all of its shares in the Joint Venture Companies at any time during the next succeeding period of one hundred eighty days following the expiration of such sixty day period, but not again thereafter without again complying with the procedure set forth in this Section 12.01 (c).

(d) Purchase of Shares by Non-selling Shareholder. If an Offer by the Selling Shareholder shall be accepted by the Non-selling Shareholder in accordance with Section 12.01 (c) hereof, the parties shall enter into good faith negotiations of a definitive purchase and sale agreement, and a closing of the purchase and sale of the securities subject to the Offer shall be held on the 90th business day (business days shall not include Saturdays, Sundays or legal holidays in the United States or Mexico) following the date of the Non-selling Shareholder's acceptance of the Offer or such other date as the parties shall agree upon in writing. Such closing shall occur at the offices of the Selling Shareholder or at any other location that the parties shall agree to in writing. At such closing, the Selling Shareholder shall:

(i) transfer all of its shares in the Joint Venture Companies to the Non-selling Shareholder, duly endorsed; and

(ii) pay to the appropriate government authorities, or to the Non-selling Shareholder (for payment over to such government authorities), any taxes or other fees or charges, payable on such transfer.

At such closing, the Non-selling Shareholder shall:

(iii) pay to the Selling Shareholder, by delivery of a certified or bank check or by wire transfer to an account designated by the Selling Shareholder, the contract price (as set forth in the accepted Offer) for all of the Selling Shareholder's shares in the Joint Venture Companies;

(iv) arrange to have the Selling Shareholder relieved of its obligations, if any, as a guarantor of any outstanding loans to the Companies, or undertake, in writing, to indemnify the Selling Shareholder against any and all losses and damages that the Selling Shareholder may thereafter incur by reason of its having acted as such a guarantor; and

(v) receive the shares duly endorsed from the Selling Shareholder.

(e) Transfer of Shares to a Third Party. In order for a valid transfer of the Selling Shareholder's shares in the Joint Venture Companies to be made to a purchaser other than the Non-selling Shareholder ("Third Party Purchaser"), the following provisions of this Section 12.01 (e) must be observed, except as otherwise provided in Section 13.04 hereof:

(i) All of the Selling Shareholder's shares in all Joint Venture Companies must be sold to a single Third Party Purchaser.

(ii) The purchase price paid by the Third Party Purchaser must be a cash purchase price not less than the price at which the Selling Shareholder's Shares were offered to the Non-selling Shareholder in the Offer, payable in U.S. Dollars, and the sale to such Third Party Purchaser must be on terms and subject to conditions of sale not more favorable to the Third Party Purchaser than those offered to the Non-selling Shareholder in the Offer; and

(iii) The Selling Shareholder must, at the option of the Non-selling Shareholder and as a condition of the closing of the sale of the shares of the Joint Venture Companies to the Third Party Purchaser, require the Third Party Purchaser to enter into a written agreement with the Non-selling Shareholder embodying the same provisions as those set forth in this Agreement.

Any purported sale of the Selling Shareholder's shares in the Joint Venture Companies to any Third Party Purchaser without compliance with the provisions of this Section 12 shall be null and void.

12.02 Right to Purchase.

(a) Triggering Events. In the event that:

(i) all or any portion of a party's shares in the Joint Venture Companies should be voluntarily or involuntarily assigned to a third party without compliance with the requirements of Section 12.01 (e) hereof; or

(ii) a party shall (1) file, or consent by answer or otherwise to the filing against it of, a petition for relief or reorganization or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, (2)make an assignment for the benefit of its creditors, (3)consent to the appointment of, or be subject to an order of any governmental authority of any jurisdiction appointing, a custodian, receiver, trustee or other officer with similar powers of such party or of any substantial part of its assets, (4)be adjudicated insolvent or bankrupt or be subject to any order of any governmental authority ordering the liquidation, reorganization, dissolution or winding up of such party, be the subject of any petition seeking the liquidation, reorganization, dissolution or winding up of such party which is not dismissed within thirty days, or (5) take any corporate action for any of the foregoing; or

(iii) a party shall be dissolved, all or a material portion of the equity securities of a party shall be voluntarily or involuntarily assigned or otherwise transferred to a third party or all or a material portion of the assets of a party shall be assigned or otherwise transferred to a third party;

all, but not less than all, of the shares of the Joint Venture Companies theretofore held by such party (the "Offering Shareholder") may be purchased by the other party (the "Non-offering Shareholder"). The right of purchase granted in the immediately preceding sentence shall be exercised, if at all, by written notice from the Non-offering Shareholder to the Offering Shareholder or to the Offering Shareholder's assignee or transferee, as the case may be, within thirty days of notice of the event giving rise to the right to purchase (the "Offering Date"). For purposes of this Section 12.02, the term "Offering Shareholder" shall include any assignee or transferee of such Offering Shareholder. The price to be paid and the terms of payment for any shares to be purchased pursuant to this Section 12.02 (a) shall be as provided in Sections 12.02 (b) and (c) hereof.

(b) Purchase Price. When any option to purchase shares arises under this Section 12.02 (b), the purchase price for such shares shall be the Fair Market Value of the shares, determined as follows:

(i) By Agreement. Upon the Joint Venture Company's receipt of notice of the Triggering Event, the Offering Shareholder and the Non-offering Shareholder shall forthwith attempt to agree upon the Fair Market Value of Shares.

(ii) Appraisal if no Agreement. If the Non-offering Shareholder and the

Offering Shareholder are unable to agree upon the Fair Market Value of the shares within thirty calendar days following the exercise of any right to purchase as provided in Section 12.02 (a), they shall within the next thirty (30) calendar days jointly appoint one appraiser to determine the Fair Market Value of the shares, and such appraiser shall conduct and complete an appraisal of the Fair Market Value of the shares within thirty (30) calendar days after his appointment. The appraiser or appraisers shall be investment banking firms of international reputation. If the Non-offering Shareholder and the Offering Shareholder are unable to agree upon the identity of the appraiser to be so jointly appointed, the Non-offering Shareholder shall promptly chose one appraiser through a notice to the Offering Shareholder, and the Offering Shareholder shall promptly choose one appraiser by notice to the Non-offering Shareholder. The two appraisers so selected shall then promptly appoint a third appraiser, and the three appraiser so selected shall conduct and complete an appraisal of the Fair Market Value of the shares within thirty (30) calendar days after the selection of the third appraiser. If the two appraisers so appointed are unable to agree upon a third appraiser, either the Non-offering Shareholder or the Offering Shareholder upon 30 days prior written notice to the other may submit the matter of designating a third appraiser for valuing the Shares to arbitration in accordance with Section 15 of this Agreement. The appraisers shall attempt to reach an agreement as to the Fair Market Value of the shares, and the agreed decision of two out of the three appraisers shall govern. If two of the appraisers are unable to agree as to the Fair Market Value of the shares, the values determined by each of the three appraisers shall be added together, their total shall be divided by three, and the resulting quotient shall be the Fair Market Value of the shares. If however, the low appraisal and/or the high appraisal are/is more than 5% lower and/or higher than the middle appraisal, the low appraisal and/or the high appraisal, shall be disregarded, if only one appraisal is so disregarded the remaining two appraisals shall be added together, their total shall be divided by two, and the resulting quotient shall be the Fair Market Value of the Shares. If both the low appraisal and the high appraisal are so disregarded, the middle appraisal shall be the Fair Market Value of the shares. The determination of the Fair Market Value of the shares in such manner shall be conclusive for all purposes and upon all parties.

If either the Non-offering Shareholder and the Offering Shareholder shall fail to appoint an appraiser within thirty (30) calendar days after the lapse of the initial thirty (30) calendar day period referred to above, then, the appraiser appointed by the party who does appoint an appraiser shall alone determine the Fair Market Value of the shares, and such appraisal shall be binding.

Each party shall compensate the appraiser appointed by such party, and the compensation of the third appraiser and the expenses of the appraiser shall be borne equally by the Non-offering Shareholder and the Offering Shareholder.

Neither the Offering Shareholder nor the Non-offering Shareholder shall choose, as an appraiser pursuant to this Section 12.02, any investment banking firm that it has retained during the preceding two-year period and neither the Offering Shareholder nor the Non-offering Shareholder shall, at any time during the two-year period following completion of such appraisal procedure, retain any investment banking firm that it has chosen as an appraiser pursuant to this Section 12.02.

(c) Terms of Payment. Payment for the shares shall be made in full in cash at the closing of the purchase and sale thereof, by delivery of a bank or certified check to the Offering Shareholder or by wire of good funds to a bank account designated by the Offering Shareholder, at the option of the Offering Shareholder. Payment shall be made in US Dollars.

(d) Closing. The closing of the purchase and sale of shares pursuant to this Section 12 shall take place as promptly as practicable after the determination of the purchase price for such Shares in accordance with Section 12.02 (b). Such closing shall take place at the offices of the Offering Shareholder or any other location as agreed in writing by the parties located as provided in Section 12.01 (d) above.

13. DEADLOCK BETWEEN THE PARTIES.

13.01 For purposes of this Article 13, Deadlock shall mean the inability of both a majority of the Class A Directors and Class B Directors of any Joint Venture Company and/or an inability of the shareholders of any Joint Venture Company, to reach an agreement on any matter coming before such board of directors and/or such shareholders meeting, as the case may be, for a vote.

13.02 If a Deadlock shall occur, GIRSA or Uniroyal may submit a memorandum to the other party, in accordance with the notice provisions of Section 14.01 hereof, stating its position. Such memorandum shall be considered by the Chairman of the Board of GIRSA's parent company and the Chairman of the Board of Uniroyal's parent company (each a "Senior Officer"). Within twenty business days of receipt of such memorandum by the recipient, such Senior Officers shall meet to negotiate in good faith a mutually satisfactory resolution of the Deadlock.

13.03 If such Senior Officers are not able to reach a satisfactory resolution of the Deadlock within thirty business days of such meeting, then the parties shall seek, in good faith, to mediate a resolution of the Deadlock with a mediator that is mutually agreeable to the parties or, if the parties shall be unable to agree upon a mediator, a mediator appointed by the International Chamber of Commerce.

13.04 In the event that the Deadlock shall continue for more than six months after the commencement of the mediation, then (a) GIRSA and Uniroyal may seek to agree upon a price at which GIRSA or Uniroyal may purchase the other party's stock in the Joint Venture Companies directly or through any of their affiliates or (b) GIRSA or Uniroyal may, with the previous written agreement of the other, which shall not be unreasonably withheld, retain a

preeminent investment banking firm of international reputation to solicit bids from any responsible prospective purchaser for all of the issued and outstanding stock of all of the Joint Venture Companies. GIRSA and Uniroyal shall be equally responsible for the fees and expenses of the investment banking firm and for any other costs of the sale of such stock. GIRSA and Uniroyal or any of their affiliates may bid for such stock. Both parties shall be obligated to sell their stock in all of the Joint Venture Companies to the highest responsible bidder and the net proceeds of such sale shall be divided equally between GIRSA and Uniroyal Chemical; except that in the event GIRSA or any related party of GIRSA, or Uniroyal or any related party of Uniroyal is the successful bidder for the stock of the Joint Venture Companies, such party shall retain its own stock in the Joint Venture Companies and shall purchase the other party's stock in the Joint Venture Companies for a price equal to fifty percent (50%) of the bidding party's bid for all of the issued and outstanding stock of the Joint Venture Companies.

In the event of a sale of the stock of the Joint Venture Companies, in accordance with this Section 13.04, this Agreement shall terminate; provided, however, that the Related Agreements referred to in Sections, 3, 4, 5 and 6 hereunder, shall remain in full force and effect, and each party shall be obligated to honor its contractual obligations under said Related Agreements to which it is a party, in accordance with the terms of such agreements.

13.05 The provisions set forth in this Article 13 shall be the exclusive method of resolving a Deadlock as to the Joint Venture. The parties agree not to invoke any judicial or other procedure for resolution of Deadlock between or among shareholders or directors that may be available under any corporation law applicable to any Joint Venture Company and the parties agree and consent that if either party shall invoke any such procedure in violation of this Section 13.05, GIRSA or Uniroyal shall be entitled to enforce this Section 13.05 by an action for specific performance, injunctive relief or other similar legal or equitable relief.

14. NOTICES

14.01 All notices, requests, demands, directions and other communications required or permitted to be given hereunder shall be in writing and mailed, postage-prepaid, first class certified mail, or delivered by hand or by overnight courier service to the applicable party at the address indicated below:

If to Uniroyal Chemical:
Uniroyal Chemical Company, Inc.
World Headquarters
Benson Road
Middlebury, Connecticut 06749
Attention: Executive Vice President, Chemicals and Polymers

with a copy to:

Uniroyal Chemical Company, Inc.

World Headquarters
Benson Road
Middlebury, Connecticut 06749
Attention: General Counsel

If to GIRSA:
GIRSA S.A. de C.V.
Paseo de los Tamarindos No. 400 B, Piso 31
Bosque de las Lomas
Mexico, D.F.
Attention: Managing Director

with a copy to:

GIRSA S.A. de C.V.
Paseo de los Tamarindos No. 400 B, Piso 31
Bosque de las Lomas
Mexico, D.F.
Attention: General Counsel

Either party may change the address to which notice is to be directed to it by giving written notice to the other party in accordance with the terms of this Section 14.01.

15. ARBITRATION.

15.01 Disputes. Any controversy, dispute, difference or claim ("Dispute") other than any Deadlock and other than the enforcement of any right under Section 13.05, arising out of or relating to this Agreement which cannot be resolved by mutual agreement between the parties within a period of thirty (30) days from the commencement of the Dispute and the resolution of any default or breach provided for in Section 11.01, shall be settled finally by arbitration in accordance with the Rules of Conciliation and Arbitration (the "Rules") of the International Chamber of Commerce ("ICC").

In making their decision, the arbitrators shall not assess damages against the parties, except in the case of (a) the provisions of Section 10.06; or (b) such party's gross negligence or willful misconduct in which event, arbitrators shall not assess indirect or consequential damages.

15.02 Arbitration Panel. The arbitration shall be conducted by three arbitrators appointed in accordance with the Rules. Exclusively GIRSA or Uniroyal may commence arbitration by filing a demand for arbitration ("Demand") with the Secretariat of the Court of Arbitration (the "Court of Arbitration") of the ICC, and sending a copy of such demand to the other party in accordance with Section 14 of this Agreement. The Demand shall designate the arbitrator selected by the party filing the Demand. Within fifteen (15) days thereafter, the other party shall designate a second arbitrator by written notice to the first party in accordance with Section 14 of this Agreement. The two arbitrators thus designated shall, within fifteen (15) days thereafter, select a neutral third arbitrator. In the event that the

second or third arbitrator is not designated or selected within the period specified, such arbitrator shall be appointed by the Court of Arbitration.

15.03 Rules and Governing Law. The arbitrators shall determine what rules shall be applicable to those aspects of the proceedings as to which the Rules may be silent and shall conduct the arbitration proceedings in accordance with such procedural rules as they may establish. In deciding the merits of the Dispute the arbitrators shall first apply the provisions of this Agreement and then, if necessary, the laws of Mexico D.F., Mexico (if the arbitration takes place in Mexico City, Mexico as provided for in Section 15.05) or the laws of the State of Connecticut, U.S.A. (if the arbitration takes place in Waterbury, Connecticut, U.S.A. as provided for in Section 15.05).

15.04 Substitution of Arbitrator. If, for any reason, an arbitrator, after having accepted appointment as such, is unwilling or unable to enter upon and complete the determination of the Dispute, then, within fifteen (15) days of the receipt of notice of the arbitrator's withdrawal, a substitute shall be appointed in accordance with the procedures established herein and in the Rules.

15.05 Place and time of Arbitration. The place of arbitration shall be determined as follows:

(a) If the party filing the Demand is Uniroyal, the place of arbitration shall be Mexico City, Mexico.

(b) If the party filing the Demand is GIRSA, the place of arbitration shall be Waterbury, Connecticut, U.S.A.

The arbitrators shall fix the date, time and location of the hearing, which shall commence within thirty (30) days after the date the parties receive notice of the appointment of the third arbitrator.

15.06 Language. The arbitration hearing shall be conducted in the official language of the country in which the arbitration is taking place, and if a translator or interpreter is required, the party needing such translator or interpreter shall provide one at its own expense.

15.07 Absence of a Party. In the event that GIRSA or Uniroyal fails to submit to arbitration or fails to appear at the date, time or location designated for the arbitration the arbitrators will, providing that such party has received notice of the arbitration and the opportunity to present its case, proceed with the arbitration in the absence of such party and will render their decision on the basis of the documents and evidence presented to them.

15.08 Decisions. The decision of the arbitrators shall be determined by the majority, and the parties shall be bound by the decision of the arbitrators, who shall communicate such decision to the parties within thirty (30) days of the closing of the hearing and shall, within thirty days thereafter, provide the parties with a written opinion stating the reasons for

their decision.

15.09 Finality. The arbitration award shall be final and not subject to appeal. Judgment upon such award may be entered for execution in any court of competent jurisdiction, or application may be made to such a court for judicial acceptance of such award and an order of enforcement.

15.10 Actions Pending Arbitration. During the period commencing the day the Demand is filed with the ICC until the award is made by the arbitrators, the party filing the Demand shall not, and during the period commencing the day the party not filing the Demand receives the copy thereof as hereinabove provided until the award is made by the arbitrators, such party not filing the Demand shall not, take any action that would fundamentally change the situation with respect to the subject matter of the Demand in a way that would prejudice the other party. Notwithstanding any other rights that either party may have, pending the resolution of any Dispute, this Agreement shall remain in full force and effect in accordance with its terms and the parties shall continue to fulfill their obligations hereunder.

15.11 Fees and Expenses. The fees and expenses of the arbitrators shall be shared equally by GIRSA and Uniroyal, each of which shall, if the ICC so demands, submit an advance deposit, in U.S. Dollars, to the ICC in such amount as the ICC shall determine. If such deposit shall, in the aggregate, exceed the fees and expenses of the arbitrators, the excess shall be equally divided and half shall be returned to each of the parties.

15.12 Attorney's Fees. The arbitrators shall have the authority, in their discretion, to award attorney's fees to the party determined by them to be free from fault.

16. GENERAL

16.01 Entire Agreement. This Agreement and the Related Agreements set forth the entire agreement and understanding of the parties in respect of the transactions contemplated hereby and thereby, and supersede all prior agreements, arrangements and understandings relating to the subject matter hereof and thereof. No representation, promise, inducement or statement of intention has been made by either party with respect to the subject matter hereof and thereof that is not set forth in this Agreement or the Related Agreements. No Party shall be bound by or liable for any alleged representation, promise, inducement or statement of intention not so set forth.

16.02 Partial Invalidity. The determination by any judicial authority of competent jurisdiction that any term or provision of this Agreement is void or unenforceable shall not affect the validity or enforceability of the remaining provisions of this Agreement.

16.03 Amendments. This Agreement may be amended, modified, superseded or canceled, and any of the provisions hereof may be waived, only by a written instrument executed by the parties, or in the case of a waiver, by the party

waiving compliance. The failure of either party at any time or times to require performance of any provision hereof shall in no manner affect its right at a later time to enforce the same. No waiver by either party of any provision, or of the breach of any provision contained in this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such provision or breach or a waiver of any other provision or of the breach of any other provision of this Agreement.

16.04 Assignment. Without the unanimous written consent of both parties, none of the parties shall sell assign or otherwise transfer any of his rights in this Agreement. Any purported assignment in violation of this provision shall be void and of no force or effect.

16.05 Execution in Counterparts. This Agreement may be executed in one or more counterparts, each of which may be executed by one or more of the parties hereto, with the same force as though all persons who executed such counterparts had executed but one instrument, but all such counterparts shall comprise one and the same agreement.

16.06 Headings. Section headings in this Agreement are included herein for convenient reference only and shall not in any way affect the meaning of this Agreement.

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

"UNIROYAL CHEMICAL"

"UNIROYAL"	"NOVAQUIM"
UNIROYAL CHEMICAL COMPANY, INC.	NOVAQUIM HOLDINGS, S.A. DE C.V.
/s/Joseph B. Eisenberg	/s/Joseph B. Eisenberg
By: Joseph B. Eisenberg	By: Joseph B. Eisenberg
Title: Executive Vice President	Title: President
Dated: September 18, 1998	Dated: September 18, 1998

"GIRSA"
GIRSA S.A. de C.V.

/s/Enrique Ochoa
By: Enrique R. Ochoa Vega
Title: Managing Director
Dated: September 18, 1998

EXHIBIT "A"

The By-laws of the Manufacturing Company

EXHIBIT "B"

The Certificate of Incorporation and By-laws of the Marketing Company

EXHIBIT "C-1"

Batch processing manufacturing machinery and equipment for the production of NBR Products located at GIRSA's Facilities.

EXHIBIT "C-2"

Additional machinery and equipment for the production of NBR Products to be acquired by INSA.

EXHIBIT "D"

The batch polymerization reactors, French press, P&S dryer and related machinery and equipment for the production [and testing] of NBR Products located at Uniroyal's NBR Products manufacturing facilities at Painesville, Ohio, U.S.A. [and certain Research and Development equipment in Connecticut].

EXHIBIT "E"

Intangible property owned by Uniroyal applicable to the production and marketing of NBR Products.

EXHIBIT "F"

Instruments of irrevocable assignment, for the free and exclusive use on a worldwide basis, of assets to be contributed by Uniroyal to the capital of Marketing Company.

EXHIBIT "G"

Project Manual

EXHIBIT "H"

Initial Capital Projects.

EXHIBIT "I"

Operating Services Agreement

EXHIBIT "J"

The Sales Services Agreement

EXHIBIT "K"

License Agreement

EXHIBIT "L"

The NBR Products Supply Agreement

EXHIBIT "M-1"

The GIRSA Corporate Services Agreement

EXHIBIT "M-2"

The Uniroyal Corporate Services Agreement

EXHIBIT "N"

Authorization, consent, approval or waiver from, or to make any filing with, any public body or authority or any other person or entity required to be carried out by the parties.

1. Registration of Manufacturing Company before the Mexican Foreign Investment Registry.

2. Registration of Marketing Company and/or GIRSA before the U.S. authorities on Foreign Investment.

3. Registration of Technology License Agreement before the IMPI and US authorities.

4. Filing and/or registration of intangible property assignments and licenses before the corresponding authorities in countries required.

EXHIBIT 2.7

STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT, dated as of December 8, 1998, by and among Chr. Hansen, Inc., a Wisconsin corporation ("Buyer"), Ingredient Technology Corporation, a Delaware corporation (the "Company"), and Crompton & Knowles Corporation, a Massachusetts corporation ("Seller").

WHEREAS, pursuant to the terms and subject to the conditions of this Agreement, Buyer wishes to acquire all of the capital stock of the Company;

WHEREAS, Seller, being the holder, directly or indirectly, of all of the Shares of the Company, wishes to sell the Shares to Buyer;

WHEREAS, the purchase and sale of the Shares of the Company (the "Acquisition") has been approved by the Board of Directors of Buyer as being in the best interests of Buyer and its equityholders;

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein and subject to the conditions and other terms herein set forth, the parties hereto hereby agree as follows:

ARTICLE 1A

For all purposes of this Agreement, the following terms shall have the respective meanings set forth in this Article 1.A (such definitions to be equally applicable to both the singular and plural forms of the terms herein defined):

"Acquisition Proposal" shall have the meaning set forth in Section 5.11.

"Act" shall have the meaning set forth in Section 3.10.

"Additional Indemnity Taxes" shall have the meaning set forth in Section 9.7(a)

"Affiliate" shall mean any individual, partnership, corporation, entity or other person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the Person specified. The term "control" shall mean the power, directly or indirectly, to: (i) vote 10% or more of the securities which have ordinary voting power in the election of Directors (or individuals filling any analogous position) of any Person; or (ii) direct or cause the direction of the management and policies of any Person, whether by contract or otherwise.

"Affiliated Group" shall have the meaning set forth in Section 8.2(a).

"Aging Schedule" shall have the meaning set forth in Section 3.9.

"Agreement" shall mean this Stock Purchase Agreement among Seller, the Company and Buyer as such may hereafter be amended.

"Annual Financial Statements" shall have the meaning set forth in Section 3.6.

"Applicable Law" or "Law" shall mean any domestic or foreign federal, state or local statute, law, ordinance, rule, administrative interpretation, regulation, order, writ, injunction, directive, judgment, decree, policy, guideline or other requirement (including those of any self-regulatory organization), each as amended through the date hereof, applicable to Seller, the Company, Buyer or any of their respective Affiliates, properties, assets, officers, directors, employees or agents, as the case may be.

"Authorizations" shall have the meeting set forth in Section 3.2.

"Book Value Adjustment" shall mean the amount (positive or negative) equal to (x) the Net Book Value of the Company as of the close of business on the last Business Day of the month last preceding the month in which the Closing Date occurs minus (y) an amount equal to $52,052,000.

"Business Day" shall mean any day that the NYSE is normally open for trading and that is not a Saturday, a Sunday or a day on which banks in the State of New Jersey are generally closed for regular banking business.

"Buyer" has the meaning set forth on the first page hereof and includes any direct or indirect successor or assign.

"Buyer Disclosure Schedule" shall have the meaning set forth in Section 4.A.

"Buyer Material Adverse Effect" shall mean, with respect to any matter or matters (individually or in the aggregate) affecting Buyer or any of its Affiliates, a material adverse effect on (x) the business, assets, financial condition or results of operations of Buyer and its Subsidiaries taken as a whole or (y) the ability of Buyer to complete the Closing, in each case, other than any change, effect, event or occurrence relating to (i) the United States economy in general, (ii) this Agreement or the transactions contemplated hereby or the announcement thereof, (iii) changes in legal or regulatory conditions that affect in general the businesses in which Buyer and its Subsidiaries are engaged or (iv) the industry or industries in which Buyer and its Subsidiaries operate in general, and not specifically relating to Buyer or its Subsidiaries.

"Canadian Subsidiary" shall have the meaning set forth in Section 5.12.

"Closing" shall have the meaning set forth in Section 1.2.

"Closing Date" shall have the meaning set forth in Section 1.2.

"Closing Price Documents" shall have the meaning set forth in Section 2.2(a).

"Closing Inventory Count" shall have the meaning set forth in Section 2.1.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Company" shall have the meaning set forth on the first page hereof.

"Company Disclosure Schedule" shall have the meaning set forth in Section 3.A.

"Company Financial Statements" shall have the meaning set forth in Section 3.6.

"Company Material Adverse Effect" shall mean, with respect to any matter or matters (individually or in the aggregate) affecting the Company or any of its Affiliates, a material adverse effect (the parties hereby agreeing that aggregate Losses incurred or reasonably likely to be incurred in excess of $5 million shall be deemed a material adverse effect for purposes of this definition) on (x) the business, assets, financial condition or results of operations of the Company and its Subsidiaries taken as a whole or (y) the ability of Seller or the Company to complete the Closing, in each case, other than any change, effect, event or occurrence relating to (i) the United States economy in general, (ii) this Agreement or the transactions contemplated hereby or the announcement thereof, (iii) changes in legal or regulatory conditions that affect in general the businesses in which the Company and its Subsidiaries are engaged or (iv) the industry or industries in which the Company and its Subsidiaries operate in general, and not specifically relating to the Company or its Subsidiaries.

"Company Subsidiary" shall mean, each corporation, limited liability company, partnership, joint venture or other Person in which the Company, directly or indirectly, owns any capital stock, equity interest or other ownership or investment interest.

"Confidentiality Agreement" shall mean that certain letter agreement relating to confidential information provided by Seller and the Company to Buyer and its Affiliates.

"Contracts" has the meaning set forth in Section 3.14.

"Covered Lease" shall mean that certain lease relating to the Real Estate located in Mohwah, New Jersey.

"Covered Litigation" shall mean any Proceeding pending against the Company and/or any Company Subsidiary as of the date hereof, including, without limitation, those Proceedings listed in Section 3.22(a) of the Company Disclosure Schedule.

"Disagreement" shall have the meaning set forth in Section 2.2(b).

"Encumbrance" shall have the meaning set forth in Section 3.2.

"Environmental Authorizations" shall have the meaning set forth in Section 3.18(c).

"Environmental Laws" shall have the meaning set forth in Section 3.18(a).

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, and the rules, regulations and class exemptions of the Department of Labor thereunder.

"Estimated Purchase Consideration" shall mean a bona fide estimate of the Purchase Consideration, which estimate shall be computed in accordance with the definitions contained in this Article 1.A, provided that in computing the Estimated Purchase Consideration, the Book Value Adjustment shall be reasonably estimated by Seller and the Company, subject to the reasonable approval of Buyer.

"French Subsidiary" shall have the meaning set forth in Section 5.12.

"GAAP" shall mean generally accepted accounting principles as used in the United States of America as in effect at the time any applicable financial statements were prepared or any act requiring the application of GAAP was performed; provided, however, that with respect to the preparation of any financial statement or other application of GAAP on or after December 31, 1997 (including for purposes of determining the Estimated Purchase Consideration and Purchase Consideration hereunder) such principles shall be applied on a basis consistent with the preparation of the Company's Annual Financial Statements for the 1997 fiscal year referred to in Section 3.6 hereof.

"Governmental Authority" shall mean any nation or government, any state or other political subdivision thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including the SEC or any other government authority, agency, department, board, commission or instrumentality of the United States, any State of the United States or any political subdivision thereof, and any court, tribunal or arbitrator(s) of competent jurisdiction, and any governmental or non-governmental self-regulatory organization, agency or authority.

"HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"Indemnified Party" shall have the meaning set forth in Section 9.4(a).

"Indemnifying Party" shall have the meaning set forth in Section 9.4(a).

"Independent Accounting Firm" shall mean such reputable national accounting firm mutually agreed to by Buyer and Seller (which agreement shall not be unreasonably withheld by either party), other than any accounting firm that

has performed services for Buyer, Seller or the Company or any of their Affiliates during the past five years.

"Intellectual Property" shall have the meaning set forth in Section 3.13(a).

"Interim Balance Sheet" shall have the meaning set forth in Section 3.6.

"Interim Statements" shall have the meaning set forth in Section 3.6.

"IRS" shall mean the Internal Revenue Service, and any successor thereto.

"Loss" shall mean any and all claims, losses, liabilities, costs, penalties, fines and expenses (including reasonable expenses for attorneys, accountants, consultants and experts), damages, obligations to third parties, expenditures, proceedings, judgments, awards, settlements or demands that are imposed upon or otherwise incurred, suffered or sustained by the relevant party. For purposes of the indemnifications set forth in Sections 9.1(e) and 9.1(h) hereof, Losses shall include, without limitation, fines and penalties imposed as a result of violations of Environmental Laws, costs of obtaining permits and approvals required by Environmental Laws, costs of preparing such permit and approval applications, costs of preparing contingency, emergency response, containment and other plans required by Environmental Laws, costs of investigation, clean-up and/or remediation required by Environmental Laws, and costs and expenses, including capital expenditures, required to comply with Environmental Laws and any permits, approvals or plans required to be prepared or approved under Environmental Laws.

"Material Contract" shall mean any Contract involving aggregate consideration in excess of $100,000 payable by or to any party to such Contract and/or performance over a period in excess of six months.

"Net Book Value" shall mean consolidated stockholders' equity of the Company as determined in accordance with GAAP consistently applied, except to the extent otherwise provided on Schedule I attached hereto.

"Notice of Disagreement" shall have the meaning set forth in Section 2.2(b).

"Notified Party" shall have the meaning set forth in Section 7.1.

"Notifying Party" shall have the meaning set forth in Section 7.1.

"NYSE" shall mean the New York Stock Exchange, Inc., and any successor thereto.

"Order" shall have the meaning set forth in Section 3.18(b).

"Person" shall mean any individual, corporation, company, partnership (limited or general), joint venture, association, trust, limited liability company, Governmental Authority or other organization or entity.

"Plan" has the meaning set forth in Section 3.17(a).

"Post-Closing Tax Period" shall have the meaning set forth in Section 8.2(b).

"Pre-Closing Tax Period" has the meaning set forth in Section 8.2(a).

"Premium Increase" shall have the meaning set forth in Section 9.7(b).

"Prime Rate" shall mean the prime rate (currently the base rate on corporate loans posted by at least 75% of the 30 largest U.S. banks) as reported from time to time in The Wall Street Journal (or if not then reported therein, such other reputable comparable source).

"Proceeding" shall have the meaning set forth in Section 3.15(d).

"Purchase Consideration" shall mean an amount in cash equal to (x) $103,000,000, plus (y) the Book Value Adjustment.

"Real Estate" shall have the meaning set forth in Section 3.12(a), except that for purposes of Sections 3.18, 9.1(e) and 9.1(h), "Real Estate" shall also include each parcel of real property that was previously, but is no longer, owned or used by the Company and/or any Company Subsidiary or in which the Company or any Company Subsidiary previously had, but no longer has, a leasehold or other interest.

"Records" shall mean all records and original documents (and copies thereof) in the possession of the Company or its Affiliates as of the Closing Date (a) which pertain to or are utilized by the Company to administer, reflect, monitor, evidence or record information respecting the business or conduct of the Company, or (b) necessary or appropriate to comply with any Applicable Law, and shall include in the case of (a) and (b) above all such records maintained on electronic or magnetic media, or in the electronic data base system of the Company.

"Related Party" shall have the meaning set forth in Section 3.29

"Release" shall have the meaning set forth in Section 3.18(d).

"Regulatory Documents" shall mean, with respect to a Person, all forms, reports, registration statements, schedules and other documents filed, or required to be filed, with any Governmental Authority by such Person pursuant to Applicable Law.

"Right" shall mean any option, warrant, convertible or exchangeable security, right, subscription, call, legally binding commitment, unsatisfied preemptive right or other agreement or right of any kind to purchase or otherwise acquire from the specified Person any capital stock thereof, whether issued and outstanding, authorized but unissued or treasury shares.

"SEC" shall mean the Securities and Exchange Commission, and any successor thereto.

"Securities" shall mean any security as defined in the Securities Act.

"Seller" has the meaning set forth on the first page hereof and includes any direct or indirect successor or assign.

"Shares" shall have the meaning set forth in Section 3.4.

"Subsidiary" of a Person shall mean any Person 50% or more of the voting stock (or of any other form of general partnership or other voting or controlling equity interest in the case of a Person that is not a corporation) of which is beneficially owned by the Person directly or indirectly through one or more other Persons.

"Supplemental Closing" shall have the meaning set forth in Section 2.2(d).

"Supplemental Closing Date" shall have the meaning set forth in Section 2.2(d).

"Tax Benefit" shall mean a Tax deduction, Tax credit or other Tax benefit.

"Tax Return" shall mean any return, report, information statement, schedule or other document (including any related or supporting information and including any Form 1099 or other document or report required to be provided by the Company to third parties) with respect to Taxes, including any document required to be retained or provided to any Governmental Authority pursuant to 31 U.S.C. Sections 5311-5328 and regulations promulgated thereunder, relating to the Company or any consolidated group of which any such entity was a member at the applicable time, and any amended Tax Returns.

"Tax" or "Taxes" shall have the meaning set forth in Section 3.15(a).

"Tax Liens" shall have the meaning set forth in Section 3.8.

"Third Party Claim" shall have the meaning set forth in Section 9.4(a).

"Title or Authority Warranty" shall have the meaning set forth in Section 9.3(d).

"Treasury Regulations" shall mean regulations promulgated under the Code.

"Wire Transfer" shall mean a payment in immediately available funds by wire transfer in lawful money of the United States of America to such account or to a number of accounts as shall have been designated to the paying party in writing by the party to receive payment.

ARTICLE I
THE ACQUISITION

1.1. General. Upon the terms and subject to the conditions hereof, Seller

agrees to sell, transfer, assign, convey and deliver to Buyer (or at Buyer's election, an Affiliate of Buyer), and Buyer (or at Buyer's election, an Affiliate of Buyer) agrees to purchase, redeem and accept from Seller, the Shares for the Purchase Consideration.

1.2. Closing. The consummation of the Acquisition as contemplated by this Agreement (the "Closing") shall take place at the offices of Wachtell, Lipton, Rosen & Katz, 51 West 52nd Street, New York, New York 10019, at 10:00 a.m., local time, on the later of January 15, 1999 or the fifth Business Day after all of the conditions set forth in Article VI hereof (other than conditions which relate to actions to be taken at the Closing) have been satisfied or waived, or at such other date, time and place as Buyer and Seller shall agree (the date on which the Closing takes place being referred to herein as the "Closing Date").

1.3. Instruments of Transfer; Payment of Purchase Consideration.

(a) Not less than two Business Days prior to the Closing Date, Seller shall deliver to Buyer Wire Transfer instructions designating the account(s) to which the Estimated Purchase Consideration shall be paid by Buyer at the Closing.

(b) At the Closing, Seller shall deliver, or shall cause to be delivered, to Buyer the following:

(1) one or more certificates representing all of the Shares duly executed in blank or accompanied by stock powers duly executed in blank, in proper form for transfer, with all appropriate stock transfer tax stamps affixed;

(2) a certificate of the Secretary of State of the State of Delaware as to the good standing of the Company dated as of a date not earlier than 10 days prior to the Closing Date, together with a copy of the Certificate of Incorporation, as amended, of the Company certified by the Secretary of State of the State of Delaware;

(3) the documents required to be delivered pursuant to Section 6.2;

(4) resignations of the officers and directors of the Company and the Company Subsidiaries and each person who is a trustee, custodian or authorized signatory under any Plan which covers employees of the Company and/or the Company Subsidiaries exclusively, effective as of the Closing Date, except as Buyer shall direct in writing to the contrary;

(5) resignations of the signatories of the bank and other depository accounts and safe deposit boxes of the Company and the Company Subsidiaries;

(6) a general release in the form of Exhibit 1.3(b)(6);

(7) possession of all Records and all pass books, keys, articles, passwords or codes required for access to the Company, the Company Subsidiaries, their business, properties and assets and/or the Real Estate,

and the combinations for all safes, vaults and other places of safe keeping or storage of the Company and the Company Subsidiaries, in each case, in the possession of Seller or any of its Affiliates as of the Closing Date;

(8) one or more Supply Agreements, executed by Seller, in the form(s) negotiated pursuant to Section 5.14 and with the terms set forth in Exhibit 5.14 hereto; and

(9) A supplement to the Company Disclosure Schedule updating same as of the Closing Date.

(c) At the Closing, Buyer shall deliver, or shall cause to be delivered, to Seller the following:

(1) an amount cash equal to the Estimated Purchase Consideration by Wire Transfer to the designated account(s); and

(2) the documents required to be delivered pursuant to Section 6.3.

ARTICLE II
POST-CLOSING ADJUSTMENT

2.1. Closing Inventory. As soon as practicable after the Closing Date and, in any event, within 30 days thereafter, Buyer and Seller shall take a physical count of the inventory of the Company and its Subsidiaries to determine the inventory of the Company and its Subsidiaries as of the close of business on the last Business Day of the month last preceding the month in which the Closing Date occurs (the "Closing Inventory Count"). As soon as practicable after the date hereof, Buyer and Seller shall agree on the procedures to be used in taking the Closing Inventory Count. The parties anticipate that Buyer and Seller may begin taking the Closing Inventory Count before the Closing. Except as the parties may otherwise agree, the Closing Inventory Count shall be made jointly by representatives of each party unless the Buyer declines to send a representative to any location, in which event the count at such location shall be made by Seller and the Seller's count shall be final and binding on the Buyer. The Company's inventory, as reflected in the Closing Price Documents, shall be based on the Closing Inventory Count.

2.2. Supplemental Closing.

(a) As soon as reasonably practicable following the Closing Date, and in no event more than thirty Business Days thereafter, Buyer and the Company shall prepare and deliver to Seller schedules calculating the amount of the Book Value Adjustment and setting forth such calculations (including calculation of the Net Book Value) in reasonable detail (collectively, the "Closing Price Documents"). The parties shall consult with one another and cooperate in the preparation and review of the Closing Price Documents in accordance with this Section 2.2, including, without limitation, providing access to such working papers and information relating to the preparation

thereof as reasonably requested by the other party.

(b) Within twenty Business Days after delivery of the Closing Price Documents to Seller, Seller may dispute all or any portion of the Closing Price Documents by giving written notice (a "Notice of Disagreement") to Buyer setting forth in reasonable detail the basis for any such dispute (any such dispute being hereinafter called a "Disagreement"). The parties shall promptly commence good faith negotiations with a view to resolving all such Disagreements. If Seller does not give such a Notice of a Disagreement within the twenty-Business-Day period set forth in this paragraph (b), Seller shall be deemed to have accepted such Closing Price Documents in the form delivered to Seller by Buyer.

(c) If Seller shall deliver a Notice of Disagreement and Buyer shall not dispute all or any portion of such Notice of Disagreement by giving written notice to Seller setting forth in reasonable detail the basis for such dispute within twenty Business Days following the delivery of such Notice of Disagreement, Buyer shall be deemed to have irrevocably accepted the Closing Price Documents as modified in the manner described in the Notice of Disagreement. If Buyer disputes all or any portion of the Notice of Disagreement within the twenty-Business-Day period described in the previous sentence, and within twenty Business Days following the delivery to Seller of the notice of such dispute Seller and Buyer do not resolve the Disagreement (as evidenced by a written agreement among the Buyer, the Company and Seller), such Disagreement shall thereafter be referred by either Buyer or Seller to an Independent Accounting Firm for a resolution of such Disagreement in accordance with the terms of this Agreement. The determinations of such firm with respect to any Disagreement shall be rendered within twenty Business Days after referral of the Disagreement to such firm or as soon thereafter as reasonably possible, shall be final and binding upon the parties, the amount so determined shall be used to complete the final Closing Price Documents and the parties agree that the procedures set forth in this Section 2.2 shall be the sole and exclusive remedy with respect to the determination of the Book Value Adjustment. Buyer and Seller shall use their reasonable best efforts to cause the Independent Accounting Firm to render its determination within the twenty-Business-Day period described in the previous sentence, and each shall cooperate with such firm and provide such firm with access to the books, records, personnel and representatives of it and such other information as such firm may require in order to render its determination. All of the fees and expenses of any Independent Accounting Firm retained pursuant to this paragraph (c) shall be shared equally by Buyer and Seller. Seller and Buyer shall execute such engagement letters and other agreements in connection with the engagement of the Independent Accounting Firm as such firm may reasonably request.

(d) Promptly after the Closing Price Documents have been finally determined in accordance with paragraphs (a), (b) and (c) of this Section 2.2 (including by means of a deemed acceptance of such documents by Seller or by Buyer as provided in paragraphs (b) and (c), respectively), but in no event later than five Business Days following such final determination (the "Supplemental Closing Date"), the parties hereto shall hold a supplemental

closing (the "Supplemental Closing"), either by telephone or in person at a mutually convenient location. If the Purchase Consideration is greater than the Estimated Purchase Consideration, Buyer shall deliver, or shall cause to be delivered, to Seller on the Supplemental Closing Date an amount in cash equal to the difference in the manner (by check or Wire Transfer) set forth in written payment instructions delivered by Seller to Buyer at least one Business Day prior to the Supplemental Closing Date. If the Purchase Consideration is less than the Estimated Purchase Consideration, Seller shall deliver to Buyer on the Supplemental Closing Date an amount in cash equal to the difference in the manner (by check or Wire Transfer) set forth in written payment instructions delivered by Buyer to Seller at least one Business Day prior to the Supplemental Closing Date. In any case, the amount payable at the Supplemental Closing shall be accompanied by interest thereon calculated at the Prime Rate for the period from the Closing Date up to but not including the Supplemental Closing Date.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLER AND THE COMPANY

3.A. Disclosure Schedule. On or prior to the date hereof, Seller and the Company have delivered to Buyer a schedule (the "Company Disclosure Schedule") setting forth, among other things, items the disclosure of which is necessary or appropriate either in response to an express disclosure requirement contained in a provision hereof or as an exception to one or more representations or warranties contained in this Article III or to one or more of the covenants contained in Article V or in Article X. The mere inclusion of an item in the Company Disclosure Schedule as an exception to a representation or warranty shall not be deemed an admission by Seller or the Company that such item represents a material exception or fact, event or circumstance or that such item is reasonably likely to result in a Company Material Adverse Effect. The Company Disclosure Schedule is arranged in sections and paragraphs corresponding to the sections and paragraphs contained herein. A fact or matter disclosed in the Company Disclosure Schedule with respect to one section or paragraph shall be deemed to be disclosed with respect to each other section and paragraph of this Agreement where such disclosure is appropriate if, but only if, the relevance of the disclosure to such other section or paragraph is readily apparent. Notwithstanding the foregoing, a fact or matter shall be deemed to be disclosed as an exception to the representations and warranties in Section 3.4 only if it is disclosed in Section 3.4 of the Company Disclosure Schedule. Seller shall be permitted to supplement in writing the Company Disclosure Schedule from time to time following the date hereof by delivery of such supplements to Buyer in the manner provided under Section 11.5, provided that such supplements shall not be considered in determining the satisfaction of the conditions set forth in Sections 6.2(a), 6.2(b) and 6.2(c) hereof. Subject to the provisions of Section 9.3(d) hereof, the representations and warranties set forth in this Article III and the covenants set forth in Article V shall survive the Closing notwithstanding any investigation made by or information furnished to Buyer in connection herewith.

3.B. Representations and Warranties of Seller and the Company. Subject to the foregoing and except as set forth in the Company Disclosure Schedule, each of Seller and the Company hereby represents and warrants to Buyer as of the date of this Agreement as follows:

3.1. Authority of Seller. Seller has full corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby by Seller have been duly and validly authorized by all necessary corporate action on the part of Seller. This Agreement has been, and each other agreement and document to be executed and delivered pursuant hereto by Seller will be, duly and validly executed and delivered by Seller, and this Agreement constitutes (assuming due authorization, execution and delivery by Buyer), and, when executed and delivered, such ancillary documents will constitute (assuming due authorization, execution and delivery by the other parties thereto), the legal, valid and binding obligations of Seller enforceable against Seller in accordance with their respective terms, except as the enforceability thereof may be subject to or limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws relating to or affecting the rights of creditors generally and general principles of equity, regardless of whether applied in proceedings at law or in equity.

3.2. No Violation. Neither the execution, delivery and performance hereof, nor the consummation of the transactions contemplated hereby, nor compliance with any of the provisions hereof, by Seller, will: (i) conflict with, breach or violate, or result in a conflict with, or breach or violation of, or a default under, or give rise to any right of termination, cancellation or acceleration with respect to (A) Seller's, the Company's and/or any Company Subsidiary's Certificate of Incorporation or By-Laws; (B) any approval, consent, license, franchise, permit, order, waiver, certificate, registration or authorization of any kind whatsoever (collectively, "Authorizations"), agreement, instrument, other document or obligation to which Seller, the Company and/or any Company Subsidiary is a party or by which Seller, the Company, any Company Subsidiary, the Shares and/or any of Seller's, the Company's and/or any Company Subsidiaries' properties or assets are bound; (C) any Law applicable to Seller, the Company, any Company Subsidiary, the Shares and/or any of Seller's, the Company's and/or any Company Subsidiary's properties or assets; or (ii) result in the creation or imposition of any lien, security interest, claim, charge, condition, equitable interest, pledge, option, right of first refusal or encumbrance of any kind whatsoever, including any restriction on use, voting, transfer or other disposition, receipt of income or exercise of any other attribute of ownership (collectively, "Encumbrances") upon the Shares or any of the properties or assets of the Company and/or any Company Subsidiary. Except for the approvals set forth in Section 3.2 of the Company Disclosure Schedule, no Authorization or other action of, or registration, declaration, recording or filing with, any Governmental Authority or other Person is required in connection with the execution and delivery of this Agreement and/or any other agreement or document to be executed and delivered pursuant hereto by Seller and/or the

consummation by Seller of the transactions contemplated hereby and/or thereby.

3.3. Organization and Standing of the Company. The Company is a corporation duly organized and validly existing and in good standing under the laws of the State of Delaware. The Company has the full power and authority to own or lease its properties and assets and to carry on all business activities now conducted by it. The Company is duly qualified and in good standing in each jurisdiction in which the nature of its business or the ownership, leasing or holding of its properties or assets makes such qualification necessary. Section 3.3 of the Company Disclosure Schedule lists each jurisdiction in which the Company is qualified to do business as a foreign corporation as of the date hereof. The Company's Certificate of Incorporation and By-Laws (true, correct and complete copies of which have been made available to Buyer) are in full force and effect without amendment or modification. The stock transfer and minute books of the Company (true, correct and complete copies of which have been made available for inspection by Buyer and its representatives) are correct and complete. Since December 31, 1993, except as set forth in Section 3.3 of the Company Disclosure Schedule, the Company has not merged or consolidated with any other person or acquired any business or line of business, whether by means of a stock or asset purchase, merger, consolidation or otherwise.

3.4. Capitalization. The entire authorized capital stock of the Company consists of 1000 shares of Common Stock, $1.00 par value, of which 10 shares (the "Shares") are duly authorized and validly issued and outstanding. The Shares constitute all of the issued and outstanding shares of capital stock of the Company of whatever class, series or designation. All of the Shares are fully paid and nonassessable. None of the Shares have been issued in violation of, or are subject to, any preemptive or subscription rights. All of the Shares have been issued in full compliance with all applicable federal and state securities laws or in accordance with exemptions therefrom. There are no outstanding warrants, options, subscriptions, convertible or exchangeable securities or other agreements, instruments, documents or commitments pursuant to which the Company is or may become obligated to issue, sell, purchase, retire or redeem any shares of capital stock or other securities of the Company. The Seller owns, directly or indirectly through one or more Subsidiaries, the Shares and will transfer them, or cause them to be transferred, to the Buyer at Closing free and clear of all Encumbrances.

3.5. Company Subsidiaries. Section 3.5 of the Company Disclosure Schedule lists each Company Subsidiary (other than the Canadian Subsidiary and the French Subsidiary). Each of the Company Subsidiaries is duly organized and validly existing and in good standing under the Laws of the jurisdiction of its organization. Each of the Company Subsidiaries has the full power and authority to own or lease its properties and assets and to carry on all business activities now conducted by it. Each of the Company Subsidiaries is duly qualified and in good standing in each jurisdiction in which the nature of its business or the ownership, leasing or holding of its properties or assets makes such qualification necessary. In the case of each of the Company Subsidiaries (other than the Canadian Subsidiary and the French Subsidiary), Section 3.5 of the Company Disclosure Schedule lists each jurisdiction in

which such Company Subsidiary (other than the Canadian Subsidiary and the French Subsidiary) is qualified to do business as a foreign corporation as of the date hereof. The Certificate of Incorporation and By-Laws (true, correct and complete copies of which have been made available to Buyer) of each Company Subsidiary are in full force and effect without amendment or modification. The stock transfer and minute books of each Company Subsidiary (true, correct and complete copies of which have been made available for inspection by Buyer and its representatives) are correct and complete. Since December 31, 1993, except as set forth in Section 3.5 of the Company Disclosure Schedule, none of the Company Subsidiaries has merged or consolidated with any other person or acquired any business or line of business, whether by means of a stock or asset purchase, merger, consolidation or otherwise. In the case of each Company Subsidiary (other than the Canadian Subsidiary and the French Subsidiary), Section 3.5 of the Company Disclosure Schedule sets forth a true, correct and complete summary of the capitalization of such Company Subsidiary. The outstanding capital stock, equity interest or other ownership or investment interests of each Company Subsidiary are fully paid and nonassessible, have not been issued in violation of, and are not subject to, any preemptive or subscription rights, and have been issued in full compliance with all applicable federal and state securities laws or in accordance with exemptions therefrom. There are no outstanding warrants, options, subscriptions, convertible or exchangeable securities or other agreements, instruments, documents or commitments pursuant to which any Company Subsidiary is or may become obligated to issue, sell, purchase, retire or redeem any capital stock, equity interest or other ownership or investment interest except as set forth in Section 3.5 of the Company Disclosure Schedule.

3.6. Financial Statements. Section 3.6 of the Company Disclosure Schedule sets forth the following consolidated financial statements of the Company (the "Company Financial Statements"): (i) consolidated balance sheets of the Company as of fiscal year end 1994, 1995, 1996 and 1997 and statements of results of operations for the years then ended (the "Annual Financial Statements"); and (ii) unaudited consolidated balance sheets of the Company as of October 25, 1997 and October 24, 1998 (such October 24, 1998 consolidated balance sheet being referred to herein as the "Interim Balance Sheet") and statements of results of operations for the ten (10) months then ended (such statements of results of operations for the ten (10) months ended October 24, 1998 being referred to herein as the "Interim Statements"). The Company Financial Statements are true and correct in all material respects, have been prepared in accordance with the books and records of the Company and the Company Subsidiaries, fairly present the financial condition and results of operations of the Company and the Company Subsidiaries as of the dates and for the periods indicated, and, subject to customary year-end adjustments and the absence of footnotes, have been prepared in accordance with GAAP applied on a basis consistent throughout the periods reflected therein.

3.7. Use of Assets. The Company and the Company Subsidiaries own, have valid leasehold interests in, or hold under valid licenses or right of use to, all of the property and assets, personal and real, tangible or intangible, used by the Company and/or the Company Subsidiaries in connection with the

conduct of their business as presently conducted. The properties and assets of the Company and the Company Subsidiaries are sufficient for the operation of their current business in the ordinary course and are suitable for the respective purposes for which they are currently being used. Except for inventory in transit to or from customers or suppliers, inventory maintained in third party warehouses or other facilities, and vehicles in the possession of employees, all of the tangible personal property owned or leased by the Company and the Company Subsidiaries is currently in their possession.

3.8. Ownership of Assets. The Company and the Company Subsidiaries have good title to all of their owned properties and assets, including the assets reflected on the Interim Balance Sheet and assets acquired after the periods reflected in the Interim Balance Sheet (except for assets sold in the ordinary course of business consistent with past practice). None of such property is subject to any Encumbrances, except for: (i) Encumbrances listed in Section 3.8 of the Disclosure Statement; (ii) statutory liens for real and personal property Taxes not yet delinquent or due and payable ("Tax Liens"); and (iii) Encumbrances which do not detract from the value or interfere with the use or marketability of the property affected thereby (it being understood that any Encumbrance securing any obligation to pay monies shall be deemed to affect marketability) (collectively, the Encumbrances excepted pursuant to clauses (i), (ii) and (iii) above being referred to herein as "Permitted Encumbrances").

3.9. Accounts Receivable. All accounts, notes and claims receivable of the Company and the Company Subsidiaries, as reflected on the Interim Balance Sheet, represent, and all accounts, notes and claims receivable of the Company and the Company Subsidiaries as reflected in the Closing Price Documents will represent, valid claims against the obligors thereof which arose in the ordinary course of business. A correct and complete aging schedule of the trade account receivables of the Company and the Company Subsidiaries dated as of the date of the Interim Balance Sheet has been made available to the Buyer (the "Aging Schedule").

3.10. Inventory. The inventory maintained by the Company and the Company Subsidiaries complies in all material respects with the Federal Food, Drug and Cosmetics Act (the "Act") and acts amending or supplementing the Act and the pure food and drug laws of all states in the United States and the laws of all countries into which products of the Company and the Company Subsidiaries would normally be shipped by the Company or the Company Subsidiaries, in each case, to the extent applicable. No inventory maintained by the Company or any Company Subsidiary is: (i) adulterated or misbranded within the meaning of the Act or such laws; (ii) prohibited from introduction into interstate commerce under the provisions of Section 404 or 505 of the Act; or (iii) contains a misbranded hazardous substance or banned hazardous substance. Section 3.10 of the Company Disclosure Schedule lists each warehouse or other facility where the Company or any Company Subsidiary maintains inventory. The current inventories of the Company and the Company Subsidiaries are useable and, in the case of finished goods inventories, salable in the ordinary course of business and stored in compliance with applicable Law, in each case other than as reserved against on the Interim Balance Sheet.

3.11. Equipment. Section 3.11 of the Company Disclosure Schedule lists each item of machinery, equipment, material furniture, material fixtures, vehicles and/or other material tangible personal property owned by the Company or any Company Subsidiary, including items held under capitalized leases. Section 3.11 of the Company Disclosure Schedule also lists each lease under which the Company or any Company Subsidiaries has rights in tangible personal property. All machinery and equipment (including office equipment) owned or leased by the Company and/or the Company Subsidiaries: (i) has been maintained in accordance with reasonably sound maintenance practices; and (ii) is in good operating condition and repair, ordinary wear and tear excepted, and, in the case of such property leased by the Company and/or any Company Subsidiary, is in the condition required for such property by the terms of the lease applicable thereto during the term of the lease and upon the expiration thereof.

3.12. Real Property.

(a) Section 3.12(a) of the Company Disclosure Schedule lists each parcel of real property currently owned or used by the Company and/or any Company Subsidiary or in which the Company and/or any Company Subsidiary currently has a leasehold or other similar interest (collectively, the "Real Estate"), and sets forth, as to each such parcel, whether it is owned or leased. The Company and the Company Subsidiaries do not have any interest in or use of any other real property other than as set forth in Section 3.12(a) of the Company Disclosure Schedule, including, for example, any interest of the Company or any Company Subsidiary under an easement or wharf use agreement.

(b) The Real Estate and the use thereof by the Company and the Company Subsidiaries are in compliance with all applicable Laws affecting the use and occupancy of the Real Estate and are in compliance with the provisions of all covenants and restrictions affecting the use and occupancy of the industrial parks, subdivisions, or other planned use developments, if any, in which the Real Estate is located.

(c) Except for the leases under which the Company or any Company Subsidiary is a tenant with respect to any Real Estate, none of the Real Estate is subject to any lease, option to purchase, right of first refusal or other agreement or restriction granting any rights in the Real Estate to any other person, other than Permitted Encumbrances.

(d) There are no: (i) actual or, to Seller's knowledge, proposed special assessments, or any commenced or, to Seller's knowledge, planned improvements, which may result in an assessment or otherwise affect the Real Estate; (ii) pending or, to Seller's knowledge, threatened condemnation proceedings involving the Real Estate; (iii) pending or, to Seller's knowledge, threatened litigation or administrative actions involving the Real Estate; (iv) repairs, alterations or corrections of any existing condition with respect to the Real Estate required under applicable Law; (v) pending or, to Seller's knowledge, threatened changes in any zoning Laws which may affect the Real Estate; or (vi) other pending or, to Seller's knowledge, threatened matters which may

adversely affect the Real Estate or the interest of the Company and/or the Company Subsidiaries therein or use thereof.

(e) With respect to each parcel of the Real Estate: (i) the buildings and improvements on such parcel are located within the boundary lines of such parcel, are not in violation of applicable setback requirements or Laws, and do not encroach on any easements which may affect such parcel; (ii) such parcel does not serve any adjoining property for any purpose inconsistent with the use of such parcel by the Company and/or the Company Subsidiaries; (iii) such parcel is not located within any flood plain or any area containing wetlands and is not subject to any similar type of restriction for which all applicable Authorizations necessary for the use thereof have not been obtained; and (iv) such parcel is suitable for the purposes for which it is currently being used.

(f) The buildings, fixtures and other improvements located on the Real Estate have received all necessary Authorizations from all Governmental Authorities, have been maintained in accordance with reasonably sound maintenance practices, and are in good condition, working order and repair, ordinary wear and tear excepted. None of the buildings, fixtures or other improvements located on the Real Estate is in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost. The buildings, fixtures and other improvements located on the Real Estate are suitable for the purposes for which they are currently being used and are adequate for the continued conduct of the business of the Company and the Company Subsidiaries as currently conducted.

3.13. Intellectual Property.

(a) As used herein, "Intellectual Property" means: (i) patents, patent applications, unpatented inventions and discoveries; (ii) registered and unregistered business names, trade names, trade dress, domain names, trademarks and service marks; (iii) copyrights on both published works and unpublished works; and (iv) product formulations, know-how, trade secrets, confidential information, customer lists, software, technical information, data, process technology, plans, drawings, and blueprints.

(b) Section 3.13(b) of the Company Disclosure Schedule lists: (i) all patents and patent applications owned by the Company and/or the Company Subsidiaries and the jurisdictions by which each such patent has been issued or in which each such application has been filed (including registration or application numbers); (ii) all trade names, trademarks, domain names and service marks owned and used by the Company and/or the Company Subsidiaries and all registrations owned and registration applications filed by the Company and/or the Company Subsidiaries for trade names, trademarks and service marks and the jurisdictions by which each such registration has been issued or under which each such application has been filed (including registration and application numbers); (iii) all registrations owned and registration applications filed by the Company and/or the Company Subsidiaries for copyrights owned and/or used by the Company and/or the Company Subsidiaries and the jurisdictions by which each such registration has been issued or in

which each such application has been filed (including registration and application numbers). The Intellectual Property owned by the Company and/or the Company Subsidiaries, including the Intellectual Property listed in Section 3.13(b) of the Company Disclosure Schedule, is referred to herein as the "Company's Intellectual Property."

(c) Section 3.13(c) of the Company Disclosure Schedule lists all licenses, agreements or other arrangements under which any Person is licensed or otherwise authorized to use any of the Company's Intellectual Property.

(d) Section 3.13(d) of the Company Disclosure Schedule lists all licenses, agreements or other arrangements under which the Company or any Company Subsidiary is licensed or otherwise authorized to use any Intellectual Property owned by any Person other than the Company and/or any Company Subsidiary. The Intellectual Property which the Company and/or any Company Subsidiary has the authority to use under such licenses, agreements or other arrangements is referred to herein as the "Third Party Intellectual Property."

(e) Except for the rights existing under the licenses, agreements and other arrangements listed in Section 3.13(c) of the Company Disclosure Schedule, the Company and/or the Company Subsidiaries have the exclusive right to the use of all of the Company's Intellectual Property. To Seller's knowledge, all patents and all registered trademarks, service marks and copyrights included in the Company's Intellectual Property are valid and subsistent, and no patents or registered trademarks, service marks or copyrights included in the Company's Intellectual Property have been, in whole or in part, abandoned, dedicated, disclaimed or allowed to lapse for nonpayment of fees or taxes or for any other reason. The present activities of the Company and the Company Subsidiaries and their use of Intellectual Property do not infringe on or violate any intellectual property rights of any other Person and, to the Seller's knowledge, no Person is infringing or violating any of the Company's Intellectual Property or the rights of the Company and/or the Company Subsidiaries in any Third Party Intellectual Property.

(f) Except as set forth in Section 3.13(f) of the Company Disclosure Schedule, all current employees of the Company and the Company Subsidiaries have: (i) executed written agreements not to misuse or disclose confidential information of the Company and the Company Subsidiaries; and (ii) executed written agreements that assign to the Company all Intellectual Property developed by such employees while employed by the Company and/or the Company Subsidiaries. To Seller's knowledge, no present employee of the Company and/or any Company Subsidiary has entered into any agreement (other than with the Company or any of its Subsidiaries) that restricts or limits in any way the scope or type of work in which such employee may be engaged or requires such employee to transfer, assign or disclose to any Person any Intellectual Property which he develops or with which he becomes familiar during his employment by the Company and/or any Company Subsidiary.

(g) The Company has adopted and implemented a commercially reasonable plan to investigate and correct any "year 2000 problems" associated with the

operation of the Company's business.

3.14. Contracts and Commitments. Section 3.14 of the Company Disclosure Schedule identifies the following leases, contracts, agreements and other arrangements (collectively, "Contracts"), written or unwritten, to which the Company and/or any Company Subsidiary is a party, by which the Company and/or any Company Subsidiary is bound and/or under which the Company and/or any Company Subsidiary has any rights and/or obligations which are continuing or require future performance:

(a) Material Contracts relating to the purchase of products from the Company and/or any Company Subsidiary, including open purchase orders and any requirements or other agreements pursuant to which the Company and/or any Company Subsidiary is obligated to supply products to any person or any person is obligated or has the right to purchase products from the Company and/or any Company Subsidiary;

(b) Material Contracts relating to the purchase of raw materials, packaging or other inventories and/or any other Material Contracts for the purchase of tangible personal property or services, including open purchase orders and any requirements or other agreements, pursuant to which any person is obligated to supply products or services to the Company and/or any Company Subsidiary and/or the Company and/or any Company Subsidiary has the right to purchase any such products or services;

(c) Material Contracts providing for any promotional allowance, volume discount, incentive payment, rebate, advertising allowance or other similar payment, refund or accommodation to any customer of the Company and/or any Company Subsidiary;

(d) Material Contracts providing for any promotional allowance, volume discount, incentive payment, rebate, advertising allowance or other similar payment, refund or accommodation to the Company and/or any Company Subsidiary;

(e) Indentures, mortgages, notes, loans or credit agreements or Contracts relating to the borrowing of money or to the direct or indirect guarantee or assumption of obligations of others;

(f) Contracts with stockholders, directors, officers or employees, including Contracts involving employees that contain any severance or termination pay liabilities or obligations or any bonus, or deferred compensation agreements with employees, but excluding Plans.

(g) Contracts with any sales representative, dealer, distributor, wholesaler, manufacturer's representative, sales agent or other sales contract;

(h) Contracts under which the Company and/or any Company Subsidiary serves as a sales representative, dealer, distributor, wholesaler, manufacturer's representative, or sales agent for any other person;

(i) Material manufacturing or tolling agreements or other Material Contracts pursuant to which any person provides processing, finishing, packaging or other goods or services to the Company and/or any Company Subsidiary;

(j) Contracts pursuant to which any person provides warehouse or storage facilities for the Company and/or any Company Subsidiary;

(k) Contracts restraining, limiting or prohibiting disclosure of information or competition limiting or benefiting the Company and/or any Company Subsidiary; and

(l) Material Contracts not otherwise disclosed above.

Seller has made available to Buyer a correct and complete copy of each written Contract identified in Sections 3.11, 3.12, 3.13 and 3.14 of the Company Disclosure Schedule. Except as disclosed in Section 3.14 of the Company Disclosure Schedule, neither the Company nor any Company Subsidiary is required under the terms of any of such Contracts to give notice to or obtain consent from any party thereto to consummate the transactions contemplated hereby. Except as disclosed in Section 3.14 of the Company Disclosure Schedule, all oral contracts are terminable by the Company or the Company Subsidiary party thereto upon notice to the other party thereto without premium, penalty or other liability or obligation of the Company or any Company Subsidiary after such termination. With respect to each Contract identified in Sections 3.11, 3.12, 3.13 and 3.14 of the Company Disclosure Schedule, except as disclosed in such sections: (i) such Contract is legal, valid and binding, and is enforceable (except as the enforceability thereof may be subject to or limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws relating to or affecting the rights of creditors generally and general principles of equity, regardless of whether applied in proceedings at law or in equity) and in full force and effect; (ii) neither the Company nor any Company Subsidiary is in breach of default thereunder and no event has occurred which with notice or lapse of time would constitute a breach or default by the Company or any Company Subsidiary or permit any third party to terminate, modify or accelerate such Contract; (iii) neither the Company nor any Company Subsidiary has repudiated any provision of such Contract; (iv) to the Seller's knowledge, no third party is in breach or default, and no event has occurred which with notice or lapse of time, would constitute a breach or default by a third party or permit the Company or any Company Subsidiary to terminate, modify or accelerate such Contract; (v) neither the Company nor any Company Subsidiary has any present expectation or intention of not fully performing any obligation on its part to be performed pursuant to such Contract; (vi) the Seller does not have any knowledge of any breach or anticipated breach by any other party to such Contract; and (vii) neither the Company nor any Company Subsidiary is obligated to sell any property or services at prices lower than, or to purchase any property or services at prices higher than, prevailing market prices.

3.15. Taxes.

(a) For the purposes hereof "Tax" or "Taxes" means all federal, state, county, local, foreign and other taxes, assessments or charges, including income, estimated income, business, occupation, franchise, property (real and personal), sales, employment, gross receipts, use, transfer, ad valorem, profits, license, capital, payroll, employee or other withholding, unemployment, excise, goods and services, severance, stamp, and including interest, penalties and additions which are or may be payable in connection therewith.

(b) All material returns, reports, forms and other documents and all amendments relating to Taxes (collectively, "Tax Returns") required to be filed by the Company and/or any Company Subsidiary prior to the date hereof have been timely and properly filed (taking into account any extension of time within which to file) and properly reflect the Tax liability of the Company and/or such Company Subsidiary. All such Tax Returns are correct and complete in all material respects.

(c) All Taxes shown as due on such Tax Returns will have been timely paid in full prior to the Closing, except as set forth in Section 3.15(c) of the Company Disclosure Schedule as to any such Taxes which are being contested in good faith in appropriate proceedings and for which the Company has made adequate provision in the Company Financial Statements.

(d) Except as set forth in Section 3.15(d) of the Company Disclosure Schedule, there is no action, suit, proceeding, audit, investigation, assessment, adjustment, or claim (collectively, "Proceedings") now pending or, to the Seller's knowledge, proposed in writing against or with respect to the Company and/or any Company Subsidiary in respect of any Tax. Except as set forth in Section 3.15(d) of the Company Disclosure Schedule, there are no outstanding waivers or other agreements extending any statutory periods of limitation for the assessment of Taxes of the Company and/or any Company Subsidiary. Except as set forth in Section 3.15(d) of the Company Disclosure Schedule, all Tax Returns of the Company and the Company Subsidiaries with respect to federal income Taxes and all state income Taxes through the year ended December 31, 1993 have been examined and the examination concluded or are Tax Returns with respect to which the applicable periods for assessment, giving effect to waivers and extensions, have expired.

(e) Buyer is not required to withhold Tax on the purchase of the Shares under Section 1445 of the Code.

(f) No payments by the Company and/or any Company Subsidiary resulting from the consummation of the Acquisition or required as a result of such consummation pursuant to any Contract entered into by the Company on or before the Closing Date will result in a nondeductible expense pursuant to Section 280G of the Code.

(g) Except as set forth in Section 3.15(g) of the Company Disclosure Schedule, neither the Company nor any Company Subsidiary has agreed or is required to make any adjustment under Section 481(a) of the Code by reason of a change in method of accounting or otherwise.

(h) Neither the Company nor any Company Subsidiary is a "consenting corporation" under Section 341(f) of the Code.

(i) There are no tax sharing agreements to which the Company and/or any Company Subsidiary is a party that will survive the Closing.

3.16. Labor Practices and Matters.

(a) The Company and the Company Subsidiaries are in compliance with the Federal Fair Labor Standards Act and all Laws relating to employment discrimination, employee welfare and labor standards which are applicable to the Company and/or any Company Subsidiary, including without limitation: (i) any provisions thereof relating to the employment of any person not a citizen of the United States; and (ii) any provisions thereof relating to wages, bonuses, collective bargaining, equal pay and the payment of Social Security and similar payroll taxes. There is no basis for any claim by any past or present employee of the Company and/or any Company Subsidiary that such employee was wrongfully discharged or subject to any employment discrimination by the Company and/or any Company Subsidiary arising out of or relating to such employee's race, sex, color, religion, handicap or any other protected characteristic under applicable Law. There are no Proceedings involving the Company and/or any Company Subsidiary relating to labor or employment matters, and there is no pending investigation by any governmental agency or, to the knowledge of Seller, threatened claim by any such agency or other person relating to labor or employment matters involving the Company and/or any Company Subsidiary.

(b) Except as set forth in Section 3.16(b) of the Company Disclosure Schedule, neither the Company nor any Company Subsidiary is a party to any agreement or contract with any union, labor organization, employee group, or other entity or individual which affects the employment of employees with the Company and/or any Company Subsidiary, including, without limitation, any collective bargaining agreements or labor contracts.

(c) To the knowledge of the Seller, none of the employees of the Company or any Company Subsidiary is in the process of being organized into labor unions or associations. Since December 31, 1993, neither the Company nor any Company Subsidiary has been subject to a strike or other work stoppage and, to the knowledge of Seller, there are no strikes or work stoppages contemplated or threatened against the Company or any Company Subsidiary.

(d) Section 3.16(d) of the Company Disclosure Schedule lists each of the states where the Company and/or any Company Subsidiary has or maintains any unemployment or worker's compensation accounts. Since December 31, 1993, neither the Company nor any Company Subsidiary has had any adverse change in its contribution or its experience rating for unemployment or worker's compensation purposes in any state. No unemployment or worker's account of the Company or any Company Subsidiary has a negative balance.

(e) The Company and each Company Subsidiary is in full compliance with the

Occupational Safety and Health Act of 1970, as amended, ("OSHA") and all other Laws regulating or otherwise affecting health and safety of the workplace.

3.17. Employee Benefits.

(a) Section 3.17(a) of the Company Disclosure Schedule lists all profit sharing, pension or retirement, medical, health, or life insurance plans, programs, arrangements or agreements, and each other employee benefit plan, program, arrangement or agreement whatsoever maintained, contributed to, or required to be contributed to, for the benefit of any current or former employee or terminated employee of the Company and/or any Company Subsidiary (including retirees), whether formal or informal (a "Plan" or the "Plans"). Neither the Company nor any Company Subsidiary has any formal plan or commitment, whether legally binding or not, to create any additional Plan or modify or change any existing Plan that would affect any current or former employee of the Company or such Company Subsidiary.

(b) Seller has heretofore made available to Buyer a true, correct and complete copy of each Plan (including all amendments thereto).

(c) All amounts which the Company and/or any Company Subsidiary is required to pay under the terms of each Plan with respect to the most recent plan year thereof ended prior to the date of this Agreement have been timely paid in full, and all such amounts payable with respect to the portion of the current plan year ending on the Closing Date will be paid on or before the Closing Date or will be fully reflected as a liability in the Closing Price Documents.

(d) With respect to each Plan which is an employee pension benefit plan (as defined in Section 3(2) of ERISA)): (i) to the extent such Plan is intended to qualify under Section 401(a) of the Code, such Plan is so qualified and the Company and/or a Company Subsidiary has received a current favorable determination letter to such effect from the IRS or is properly relying on the qualification of a standardized prototype plan which the Company and/or a Company Subsidiary has duly adopted; (ii) the provisions of such Plan are, and its operation has been and is, in material compliance with ERISA and the Code; (iii) the Company and the Company Subsidiaries are in material compliance with ERISA and the Code, including ERISA's fiduciary and prohibited transaction rules, participation and vesting provisions, reporting and disclosure provisions and funding requirements; (iv) there is no funding deficiency, and no Reportable Event (as defined in Section 4043 of ERISA and regulations issued thereunder) has occurred, nor has such Plan applied for or received a waiver of the minimum funding standards imposed by ERISA and the Code; (v) no facts, including any Reportable Event, exist which might constitute grounds for the termination of such plan by the Pension Benefit Guaranty Corporation or the appointment by the appropriate United States District Court of a trustee to administer such plan; and (vi) none of the Company, any Company Subsidiary, any Plan, any trust created thereunder, or any trustee or administrator thereof has engaged in a transaction in connection with the Company, any Company Subsidiary or any trustee or administrator of any Plan or any such trust, or any party dealing with any

Plan or any such trust, which could be subject to a material civil penalty assessed pursuant to Section 502(i) or 502(l) of ERISA. With respect to each Plan which is an employee welfare benefit plan (as defined in Section 3(1) of ERISA): (i) the provisions of such Plan are, and its operation has been and is, in material compliance with ERISA and the Code and the Comprehensive Omnibus Budget Reconciliation Act of 1985, as amended; and (ii) the Company and the Company Subsidiaries are in material compliance with ERISA and the Code, including ERISA's fiduciary and prohibited transaction rules and reporting and disclosure requirements. No Plan which is an employee pension or welfare benefit plan is currently under audit or review by the Department of Labor, the IRS or any other federal or state Governmental Authority, and to Seller's knowledge no such action is contemplated or under consideration.

(e) Neither the Company nor any Company Subsidiary is a party to any multi-employer plan (as defined in Section 3(37) of ERISA), nor has the Company or any Company Subsidiary incurred any withdrawal liability in connection with any such plan.

(f) No Plan provides for health or other welfare benefits to retirees, nor has the Company or any Company Subsidiary promised or incurred any liability in connection with any such benefit.

(g) No actions or claims (except those routinely submitted in the ordinary course of plan administration) are currently pending, or, to the Seller's knowledge, currently threatened, against any Plan.

3.18. Compliance With Environmental Laws.

(a) For purposes hereof, "Environmental Laws" mean the Solid Waste Disposal Act, the Clean Air Act, the Clean Water Act, the Water Quality Act of 1987, the Federal Insecticide, Fungicide and Rodenticide Act, the Marine Protection, Research and Sanctuary's Act, the Pollution Prevention Act of 1990, the National Environmental Policy Act, the Noise Control Act, the Safe Drinking Water Act, the Emergency Planning and Community Right to Know Act, the Resource Conservation and Recovery Act of 1976 ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), the Toxic Substance Control Act of 1976 and all other Laws regulating or otherwise affecting the environment and/or the disposal of waste or other materials, as the same may have been amended. For purposes hereof, "Operating Period" means: (i) with respect to the Company, the period since May 31, 1988; (ii) with respect to each Company Subsidiary, the period since May 31, 1988 or, if later, the date on which the Company acquired such Company Subsidiary; (iii) with respect to each parcel of Real Estate, the period since May 31, 1988 or, if later, the earlier of the date on which the Company or a Company Subsidiary acquired or first occupied such parcel (except that in the case of each parcel of Real Estate, if any, which was occupied and/or owned by the Seller and/or any Affiliate of the Seller before it was owned or occupied by the Company or a Company Subsidiary, the "Operating Period" shall mean the period from the earlier of the date on which the Seller or such Affiliate acquired or first occupied such parcel). With respect to each parcel of real property which was previously, but is no longer, owned or used by the Company and/or any Company

Subsidiary or in which the Company and/or any Company Subsidiary had, but no longer has, a leasehold or other interest, the "Operating Period" for such parcel shall terminate when the Company and/or any Company Subsidiary last owned, used and/or had any leasehold or other interest in such parcel.

(b) The Company, each Company Subsidiary and each parcel of the Real Estate at all times during the relevant Operating Period has been, and, to the Seller's knowledge, at all times prior to the relevant Operating Period has been, in full compliance with all Environmental Laws. None of Seller, the Company and/or any Company Subsidiary is subject to, nor to Seller's knowledge is there any basis for Seller, the Company and/or any Company Subsidiary to be subject to, any judgment, decree, order or citation (collectively, an "Order") based on any violation of Environmental Law with respect to the operations of the Company, the Company Subsidiaries and/or the Real Estate or, in the case of the Company and the Company Subsidiaries, otherwise. None of Seller, the Company and/or any Company Subsidiary has been threatened with or received a written notice, directive, violation, report or charge asserting any violation of, and no action has been taken against Seller, the Company and/or the Company Subsidiaries, or to Seller's knowledge against any other owner or user of the Real Estate under, any Environmental Law with respect to the operations of the Company, the Company Subsidiaries and/or the Real Estate or, in the case of the Company and the Company Subsidiaries, otherwise. None of the assets of the Company and/or the Company Subsidiaries are required to be upgraded, modified or replaced to be in compliance with Environmental Laws.

(c) Section 3.23 of the Company Disclosure Schedule lists all Authorizations held by the Company and/or the Company Subsidiaries and/or held by Seller with respect to the current operations of the Company and/or the Company Subsidiaries required under Environmental Laws ("Environmental Authorizations"), true, correct and complete copies of which have been made available for inspection by Buyer and its representatives. The Company and the Company Subsidiaries have timely obtained all Environmental Authorizations, all of which are in full force and effect, and the Company and the Company Subsidiaries have paid all fees and other charges therefor and are in compliance with all terms and conditions thereof.

(d) None of the Company, any Company Subsidiary, or any third person has, during the relevant Operating Period for such parcel or, to Seller's knowledge, at any time prior to the relevant Operating Period for such parcel, stored, used, generated, treated, recycled, disposed of or Released (as defined below), any substance in a manner on any parcel of Real Estate which may form the basis for any present or future claim against Buyer, the Company and/or any Company Subsidiary based upon Environmental Laws, or which may subject Buyer, the Company and/or any Company Subsidiary to claims for damages. No parcel of the Real Estate has, during the relevant Operating Period for such parcel or, to Seller's knowledge, at any time prior to the relevant Operating Period for such parcel, been used as a landfill, dump site or for any other use which involved the disposal of solid waste on such parcel or which may subject Buyer, the Company and/or any Company Subsidiary to any claim for cleanup or damages under Environmental Laws. Except for the storage and use of hazardous chemicals in the ordinary course of business and in

compliance with all Environmental Laws, no hazardous or toxic substances or wastes, as defined under Environmental Laws, have, during the relevant Operating Period for such parcel or, to Seller's knowledge, at any time prior to the Operating Period for such parcel, been located at, on or under any parcel of the Real Estate, or been stored, used, generated, treated, recycled or disposed of on or Released from any parcel of the Real Estate. No parcel has, during the relevant Operating Period or, to Seller's knowledge, prior to the relevant Operating Period, been contaminated by hazardous or toxic substances or wastes, as defined under Environmental Laws, originating from off-site sources. For purposes hereof, "Release" means to discharge, spill, emit, leak, leach, deposit or otherwise release any substance to the outdoor or indoor environment or into or out of any property, including by the movement of any substance through or in air, soil, surface water, ground water or property.

(e) During the relevant Operating Period, (i) no asbestos, urea formaldehyde or polychlorinated biphenals were Released in, on or under any of the Real Estate, and (ii) no above ground or underground storage tanks were located at, on or under any of the Real Estate. To Seller's knowledge no asbestos, urea formaldehyde, polychlorinated biphenals or aboveground or underground storage tanks are currently located at, on or under any of the Real Estate currently owned or used by the Company and/or any Company Subsidiary or in which the Company and/or any Company Subsidiary currently has a leasehold or other similar interest.

(f) Each of the Company and the Company Subsidiaries has, at all times during the relevant Operating Period and, to the Seller's knowledge, at all times prior thereto, utilized only properly licensed haulers and transporters to dispose of any pollutant, contaminant or hazardous or toxic substance, material or waste and all such disposal has been in full compliance with all Environmental Laws applicable at the time of such disposal and there have been no violations of Environmental Laws in connection with any such disposal. Neither the Company nor any Company Subsidiary has been named or listed as a potentially responsible party in any matter arising under Environmental Laws, nor has Seller been so named in connection with the operations of the Company, the Company Subsidiaries and/or the Real Estate. To the Seller's knowledge, there is no existing condition that may form the basis of any present or future claim, demand or action seeking investigation, cleanup, removal, notification or other remedial or responsive action with respect to any facility, site, location or body of water, surface or subsurface, for which Buyer, the Company and/or any Company Subsidiary would be liable or responsible, whether as a result of the disposal of any pollutant, contaminant or hazardous or toxic substance, material or waste at such facility, site, location or body of water or otherwise.

(g) True, correct and complete copies of all environmental claims, reports, studies, compliance actions, correspondence with environmental regulators or the like, of or in the possession of Seller, the Company and/or any Company Subsidiary with respect to the Company, any such Company Subsidiary and/or the Real Estate have been made available to Buyer.

3.19. Products. No claim for product liability has been asserted against the Company and/or any Company Subsidiary since December 31, 1993, and, to Seller's knowledge, no event has occurred which might give rise to the assertion of any such claim. There is no deficiency or inadequacy in the manufacture, design or formulation of any of the products of the Company and the Company Subsidiaries that may hereafter give rise to any such failure or result in any such claim. All products sold by the Company and the Company Subsidiaries have been manufactured in compliance with all applicable manufacturing and quality control procedures.

3.20. Product Warranties. All products and services manufactured and/or sold by the Company and the Company Subsidiaries (and the delivery thereof) have been in conformity with all applicable contractual commitments and all express or implied warranties. No warranty claims exist for the repair or replacement thereof or other damages in connection with such services, sales or deliveries, except for any such claims incurred in the ordinary course of business consistent in amount and character with past experience of the Company and the Company Subsidiaries. All product labeling of the Company and the Company Subsidiaries is in conformity with all Applicable Laws. Copies of the standard terms and conditions of sale, delivery or lease of the Company and the Company Subsidiaries (including all warranty provisions) have been made available to Buyer. Since December 31, 1993, neither the Company nor any Company Subsidiary has voluntarily or involuntarily recalled or withdrawn any product from commerce due to health and/or safety concerns.

3.21. Insurance. Section 3.21 of the Company Disclosure Schedule summarizes the insurance coverages maintained with respect to the operations and assets of the Company and the Company Subsidiaries. Section 3.21 of the Company Disclosure Schedule also summarizes each claim (including any claim for worker's compensation) made by the Company and/or any Company Subsidiary under, or which has been made against the Company and/or any Company Subsidiary and has been paid or defended in accordance with, the terms of, any insurance policy maintained by the Company and/or any Company Subsidiary since December 31, 1993.

3.22. Litigation.

(a) There is no Proceeding, or to Seller's knowledge, any investigation or inquiry, before any Governmental Authority or any private tribunal now pending, or, to Seller's knowledge, threatened, against, relating to or affecting: (i) Seller, the Company and/or any Company Subsidiary which would adversely affect Seller's ability to consummate the transactions contemplated hereby; or (ii) the Company and/or any Company Subsidiary, or any director, officer or other employee thereof in his capacity as such, or the assets or properties of the Company and/or any Company Subsidiary. To Seller's knowledge, no basis exists for any such Proceeding, investigation or inquiry.

(b) None of the Company, any Company Subsidiary, and/or, to Seller's knowledge, any officer, director or employee thereof, currently is or has been permanently or temporarily enjoined or prohibited by any Order from engaging in or continuing any conduct or practice in connection with the business of

the Company and/or any Company Subsidiary.

(c) There is no existing Order enjoining or prohibiting the Company or any Company Subsidiary from taking, or requiring the Company and/or any Company Subsidiary to take, any action of any kind or to which the Company and/or any Company Subsidiary is subject or is bound.

(d) Neither the Company nor any Company Subsidiary is in default under any Order.

3.23. Licenses and Permits. Section 3.23 of the Company Disclosure Schedule lists all Authorizations held by the Company and/or the Company Subsidiaries, and, in the case of nongovernmental Authorizations (such as, for example, Kosher designations), the person, agency or authority granting such approvals. Seller has made true, correct and complete copies of such Authorizations available for inspection by Buyer and its representatives. The Company and the Company Subsidiaries have all Authorizations and have made all registrations, declarations, recordings and filings with, all Governmental Authorities which are required for the conduct of their business or the ownership and use of their properties and assets as currently conducted or used. The Company and the Company Subsidiaries have timely obtained all such Authorizations, all of which are in full force and effect, and the Company and the Company Subsidiaries have paid all fees and other charges therefor and have complied with and are in compliance with all terms and conditions thereof.

3.24. Compliance with Laws. The Company, the Company Subsidiaries, the conduct and operation of their business, and the condition of their properties and assets are in compliance with all applicable Laws. No written notice has been issued nor any investigation or review is pending or, to Seller's knowledge, threatened by any Governmental Authority: (i) with respect to any alleged violation or default under any applicable Law by the Company and/or any Company Subsidiary; or (ii) with respect to any alleged failure by the Company and/or any Company Subsidiary to have all Authorizations required in connection with the conduct of the business of the Company and the Company Subsidiaries and/or the ownership and/or use of their properties or assets or with respect to any possible revocation, cancellation, termination, suspension or adverse modification of any such Authorization.

3.25. Customers and Suppliers. Section 3.25 of the Company Disclosure Schedule lists, with respect to 1997 and the ten-month period ended October 24, 1998, each of the Company's Major Customers and Major Suppliers (as defined below) and the approximate dollar volume of sales made to and purchases made from such persons. For purposes of this Section 3.25, "Major Customer" shall mean any customer of the Company whose total purchases from the Company and the Company Subsidiaries represented Two Percent (2%) or more of the Company's total consolidated sales during 1997 and/or the ten-month period ended October 24, 1998; and "Major Supplier" shall mean any supplier of the Company whose total sales to the Company and the Company Subsidiaries represented Two Percent (2%) or more of the Company's total consolidated cash expenses during 1997 and/or the ten-month period ended October 24, 1998. To

Seller's knowledge, no Major Customer or Major Supplier has communicated to Seller, the Company, and/or any Company Subsidiary that such customer or supplier intends to cease doing business or to materially reduce its business with the Company and/or its Company Subsidiaries or to terminate any agreement with the Company and/or its Company Subsidiaries.

3.26. Accounts: Safe Deposit Boxes. Section 3.26 of the Company Disclosure Schedule lists the bank and savings accounts, certificates of deposit and safe deposit boxes of the Company and/or the Company Subsidiaries and those persons authorized to sign thereon. True, correct copies of all corporate borrowing, depository and transfer resolutions and those persons entitled to act thereunder have been made available to Buyer.

3.27. Brokers; Agents. Seller has not dealt with any banker, agent, finder, broker or other representative in any manner which could result in the Company, any Company Subsidiary and/or Buyer being liable for any fee or commission in the nature of an investment banking, finder's or originator's fee in connection with the subject matter of this Agreement.

3.28. Absences of Certain Changes or Events. Since December 31, 1997, the Company and the Company Subsidiaries have not: (i) taken any action which would have constituted a violation under Section 5.1 if Seller had then been bound by Section 5.1; or (ii) failed to take any action which would have been required by Section 5.1 if Seller had been bound by Section 5.1. Since December 31, 1997, there has not been any Company Material Adverse Effect.

3.29. Related Party Transactions. Since December 31, 1993, no Related Party (as defined below) has had any interest in any transaction, lease, Contract or other arrangement with the Company and/or any Company Subsidiary. Without limitation to the foregoing, since December 31, 1993, no Related Party has had: (i) any interest in any Person which has purchased, sold or furnished to the Company and/or any Company Subsidiary any goods or services; (ii) a beneficial interest in any lease, Contract, commitment or understanding to which the Company or any Company Subsidiary is a party or by which it is bound or affected; (iii) any claim against the Company and/or any Company Subsidiary or any assets of the Company and/or any Company Subsidiary; or (iv) any interest in any assets used by the Company and/or any Company Subsidiary. For purposes hereof, each of the following shall be deemed to be a "Related Party:" (i) Seller; (ii) each Affiliate of the Seller; (iii) each individual who is or was at any time since December 31, 1993, an officer or director of any of the foregoing; (iii) any family member of any of the individuals referred to in clause (ii); and (iv) any Person in which any of the individuals referred in clause (ii) or (iii) hold, directly or otherwise, a voting, proprietary or equity interest in excess of two (2%).

3.30. Certain Payments. Since December 31, 1993, neither the Company nor any Company Subsidiary nor any director or officer, agent or employee thereof nor any other Person associated with or acting for or on behalf thereof, has directly or indirectly: (i) made any contribution, gift, bribe, rebate, payoff, influence payment, kickback, or other payment to any person, private or public, regardless or form, whether in money, property or services (A) to

obtain favorable treatment in securing business for or in respect of the Company and/or any Company Subsidiary, (B) to pay for favorable treatment for business secured for or in respect of the Company and/or any Company Subsidiary, (C) to obtain special concessions or for special concessions already obtained for or in respect of the Company and/or any Company Subsidiary, or (D) in violation of any Law; or (ii) established or maintained any fund or asset that was required to be, but has not been, recorded in the consolidated books and records of the Company.

3.31. Undisclosed Liabilities. The Company and its Company Subsidiaries are not subject to any obligation, liability, debt or commitment, whether absolute, contingent, accrued or otherwise, whether due or to become due, except for: (i) liabilities reflected on the Interim Balance Sheet; (ii) liabilities incurred in the ordinary course of business since the date of the Interim Balance Sheet; (iii) liabilities not required to be disclosed on the Interim Balance Sheet in accordance with GAAP, but otherwise disclosed herein to the extent required by the terms hereof; (iv) liabilities listed in Section 3.31 of the Company Disclosure Schedule; and (v) liabilities arising hereunder.

3.32. No Material Omissions. No representation or warranty by Seller contained in this Agreement or in any writing to be furnished pursuant hereto contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact required to make the representations or warranties herein or therein contained, in light of the circumstances under which they are made, not misleading.

3.33. Filing Documents. None of the information regarding the Seller or any of its Affiliates supplied or to be supplied by Seller for inclusion in any documents to be filed with any Governmental Authority in connection with the transactions contemplated hereby will, at the respective times such documents are filed with any Governmental Authority, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF BUYER

4.A. Disclosure Schedule. On or prior to the date hereof, Buyer has delivered to Seller a schedule (the "Buyer Disclosure Schedule") setting forth, among other things, items the disclosure of which is necessary or appropriate either in response to an express disclosure requirement contained in a provision hereof or as an exception to one or more representations or warranties contained in this Article IV or to one or more of the covenants contained in Article V. The mere inclusion of an item in the Buyer Disclosure Schedule as an exception to a representation or warranty shall not be deemed an admission by Buyer that such item represents a material exception or fact, event or circumstance or that such item is reasonably likely to result in a Buyer Material Adverse Effect. The Buyer Schedule is arranged in sections and

paragraphs corresponding to the sections and paragraphs herein. A fact or matter disclosed in the Buyer Disclosure Schedule with respect to one section or paragraph shall be deemed to be disclosed with respect to each other section and paragraph of this Agreement where such disclosure is appropriate if, but only if, the relevance of the disclosure to such other section or paragraph is readily apparent. Buyer shall be permitted to supplement in writing the Buyer Disclosure Schedule from time to time following the date hereof by delivery of such supplements to Seller in the manner provided under Section 11.5, provided that such supplements shall not be considered in determining the satisfaction of the conditions set forth in Sections 6.3(a) and 6.3(b) hereof. Subject to the provisions of Section 9.3(d) hereof, the representations and warranties set forth in this Article IV and the covenants set forth in Article V shall survive the Closing notwithstanding any investigation made by or information furnished to Seller in connection herewith.

4.B. Representations and Warranties of Buyer . Subject to the foregoing and except as set forth in the Buyer Disclosure Schedule, Buyer hereby represents and warrants to each of Seller and the Company as of the date of this Agreement as follows:

4.1. Organization and Authority of Buyer. Buyer is a corporation, duly organized, validly existing and in good standing under the laws of the State of Wisconsin. Buyer has the power and authority to carry on its business as it is now being conducted and to own, lease and operate all of its properties and assets. Buyer has full corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby by Buyer have been duly and validly authorized by all necessary corporate action on the part of Buyer. This Agreement has been, and each other agreement and document to be executed and delivered pursuant hereto by Buyer will be, duly and validly executed and delivered by Buyer, and this Agreement constitutes (assuming due authorization, execution and delivery by Seller and the Company), and, when executed and delivered, such ancillary documents will constitute(assuming due authorization, execution and delivery by the other parties thereto), the legal, valid and binding obligations of Buyer enforceable against Buyer in accordance with their respective terms, except as the enforceability thereof may be subject to or limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws relating to or affecting the rights of creditors generally and general principles of equity, regardless of whether applied in proceedings at law or in equity.

4.2. No Violation. Neither the execution, delivery and performance hereof, nor the consummation of the transactions contemplated hereby, nor compliance with any of the provisions hereof, by Buyer, will conflict with, breach or violate, or result in a conflict with, or breach or violation of, or a default under, or give rise to any right of termination, cancellation or acceleration with respect to: (i) Buyer's Articles of Incorporation or By-Laws; (ii) any Authorization, agreement, instrument, other document or obligation to which Buyer is a party or by which Buyer and/or any of Buyer's

properties or assets are bound; or (iii) any Law applicable to Buyer and/or any of Buyer's properties or assets. Except for the approval referred to in Section 4.2 of the Buyer Disclosure Schedule, no Authorization or other action of, or registration, declaration, recording or filing with, any Governmental Authority or other Person is required in connection with the execution and delivery of this Agreement and/or any other agreement or document to be executed and delivered pursuant hereto by Buyer and/or the consummation by Buyer of the transactions contemplated hereby and/or thereby.

4.3. Brokers; Agents. Buyer has not dealt with any banker, agent, finder, broker or other representative in any manner which could result in Seller being liable for any fee or commission in the nature of an investment banker's, finder's or originator's fee in connection with the subject matter of this Agreement.

4.4. Filing Documents. None of the information regarding the Buyer or any of its Affiliates supplied or to be supplied by Buyer for inclusion in any documents to be filed with any Governmental Authority in connection with the transactions contemplated hereby will, at the respective times such documents are filed with any Governmental Authority, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

4.5. Cash Consideration. Buyer will have sufficient cash on hand to pay the Purchase Consideration as of the Closing.

4.6. Securities Act. The Shares are being acquired by Buyer for investment only and not with a view to any public distribution thereof. Buyer acknowledges that the Shares will not be registered by Seller pursuant to the Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws, and Buyer will not offer to sell or otherwise dispose of the Shares in violation of any of the registration requirements of the Securities Act.

ARTICLE V

PRE-CLOSING COVENANTS

5.1. Conduct of Business by the Company. During the period from the date of this Agreement and continuing through the Closing Date, except as expressly contemplated or permitted by this Agreement or with the prior written consent of Buyer, the Company shall (a) carry on its business in the ordinary course consistent with past practice; (b) use all reasonable efforts to preserve its present business organization and relationships; (c) use all reasonable efforts to keep available the present services of its employees; (d) use all reasonable efforts to preserve and maintain its assets and properties consistent with past practice; and (e) use all reasonable efforts to preserve its rights, franchises, goodwill and relations with its customers and others with whom it conducts business. Without limiting the generality of the foregoing, except as expressly contemplated by this Agreement or required by Applicable Law or consented to in writing by Buyer, the Company shall not, and

shall cause each of its Subsidiaries not to, directly or indirectly:

(i) amend or agree to amend its Articles/Certificate of Incorporation or By-Laws (or comparable instruments), or merge with or into or consolidate with, or agree to merge with or into or consolidate with, any other Person, subdivide or in any way reclassify any shares of its capital stock or its equity interests, or change or agree to change in any manner the rights of its outstanding capital stock or its equity interests;

(ii) issue, sell or purchase, or issue any Right to purchase or otherwise acquire, or enter into any contracts, agreements or arrangements to issue, sell or purchase, any shares of its capital stock or its equity interests;

(iii) incur any indebtedness for borrowed money or guarantee the indebtedness of any other Person;

(iv) make, or agree to make, any change in its accounting or record keeping methods or practices for Tax or accounting purposes or make, or agree to make, any change in depreciation or amortization policies or rates adopted by it for Tax or accounting purposes;

(v) make any loan or advance to any of its Affiliates, partners, officers, directors, employees, consultants, agents or other representatives (other than travel advances made in the ordinary course of business), or make any other loan or advance, in each case otherwise than in the ordinary course of business but in no event individually or in the aggregate in excess of $5,000;

(vi) sell, offer to sell, abandon or make any other disposition of any of its assets, except in the ordinary course of business consistent with past practice; grant or suffer, or agree to grant or suffer, any Encumbrance on any of its material assets;

(vii) except in the ordinary course of business consistent with past practice, incur or assume, or agree to incur or assume, any liability or obligation (whether or not currently due and payable) relating to its business or any of its assets in excess of $100,000, individually or in the aggregate;

(viii) settle any claim, action or proceeding involving any liability for material money damages or any material restrictions upon any of its operations;

(ix) create, renew, amend, terminate or cancel, or take any action that might result in the creation, renewal, amendment, termination, breach or cancellation of, any Contract other than in the ordinary course of business consistent with past practice;

(x) enter into, or agree to enter into, any contract, agreement or arrangement with any of its Affiliates other than those entered into in the ordinary course of business consistent with past practice;

(xi) declare dividends or declare or make any other distributions of any

kind payable to Seller and/or its Affiliates in the aggregate greater than cash and other liquid assets on hand on the date hereof plus or minus the consolidated net income or net loss of the Company from the date hereof through the close of business on the last Business Day of the month last preceding the month in which the Closing Date occurs, or make any direct or indirect redemption, retirement, purchase or other acquisition of any shares of its capital stock, its equity interests or Rights;

(xii) acquire or agree to acquire in any manner, including by way of merger, consolidation or purchase of an equity interest or assets, any business or any corporation, partnership, association or other business organization or division thereof;

(xiii) enter into, amend, modify or renew any written employment, consulting, severance or similar agreements or arrangements with any directors, officers or employees of the Company, or grant any salary or wage increase or increase benefits under any Plan, except (i) normal individual increases in compensation to employees in the ordinary course of business consistent with past practice, (ii) in accordance with agreements or arrangements existing as of the date hereof, and (iii) grants of awards or bonuses to newly hired officers and employees consistent with past practice; or

(xiv) Make or authorize any change in its prices or credit policies except in the ordinary course of business consistent with past practice;

(xv) Enter into or amend any Material Contract;

(xvi) Fail to pay any debts or obligations as the same become due and payable, except for debts or obligations being contested by the Company or any Subsidiary in good faith and by appropriate proceedings;

(xvii) After the close of business on the last Business Day of the month last preceding the month in which the Closing Date occurs, declare or pay any dividend or make any other distribution of any kind on its capital stock or enter into, or agree to enter into, any contract, agreement, arrangement or other transaction with any Affiliate of Seller, except on a basis consistent with arms-length pricing; or

(xviii) authorize or agree (by contract or otherwise) to do any of the foregoing.

5.2. Insurance. The Company will use all reasonable efforts to maintain in effect until the Closing Date all material casualty and liability policies maintained by the Company on the date hereof or will procure comparable replacement policies (to the extent commercially reasonable) and maintain such policies in effect until the Closing Date.

5.3. Maintenance of Records. Through the Closing Date, the Company will maintain the Records in the same manner and with the same care that the Records have been maintained prior to the execution of this Agreement.

5.4. Further Assurances. Each party to this Agreement shall execute such documents and other papers and perform such further acts as may be reasonably required to carry out the provisions hereof and the transactions contemplated hereby.

5.5. Efforts of Parties to Close. During the period from the date of this Agreement through the Closing Date, each party hereto shall use its reasonable best efforts to fulfill or obtain the fulfillment of the conditions precedent to the consummation of the transactions contemplated hereby, including the execution and delivery of any documents, certificates, instruments or other papers that are reasonably required for the consummation of the transactions contemplated hereby. During the period from the date of this Agreement and continuing through the Closing, except as required by Applicable Law or with the prior written consent of the other parties to this Agreement, no party to this Agreement shall knowingly take any action which, or knowingly fail to take any action the failure of which to be taken, would, or could reasonably be expected to, (a) result in any conditions to the Closing set forth in Article VI not being satisfied; (b) result in a material violation of any provision of this Agreement; or (c) adversely affect or materially delay the receipt of any of the requisite regulatory approvals necessary to consummate the transactions contemplated hereby.

5.6. Confidentiality and Announcements.

(a) The parties agree to be bound by and comply with the provisions set forth in the Confidentiality Agreement, the provisions of which are hereby incorporated herein by reference.

(b) Subject to Section 5.8(a) and (b), the parties to this Agreement shall consult with each other as to the form, substance and timing of any press release or other public disclosure related to this Agreement or the transactions contemplated hereby and no such press release or other public disclosure shall be made without the consent of the other parties, which consent shall not be unreasonably withheld or delayed; provided, however, that the parties may make such disclosure as is required by Applicable Law, based on advice of counsel, after making reasonable efforts under the circumstances to consult with each other prior to such disclosure.

5.7. Access; Certain Communications. Between the date of this Agreement and the Closing Date, subject to any Applicable Laws relating to the exchange of information and confidentiality, the Company shall afford to Buyer and its authorized agents and representatives complete access, upon reasonable notice and during normal business hours, to all Contracts, documents and information of or relating to the assets, liabilities, business, operations, personnel and other aspects of the business of the Company. The Company shall cause its personnel, attorneys and accountants to provide assistance to Buyer in Buyer's investigations of matters relating to the transactions contemplated hereby, including allowing Buyer and its authorized agents and representatives access to the facilities of the Company; provided , however, that Buyer's investigations shall be conducted in a manner which does not unreasonably

interfere with the Company's normal operations, customers, and employee relations.

5.8. Regulatory Matters; Third Party Consents.

(a) The parties to this Agreement shall cooperate with each other and use their reasonable best efforts promptly to prepare and file (on a confidential basis if requested by any of the other parties and permitted under Applicable Law) all necessary documentation, to effect (on a confidential basis if requested by any of the other parties and permitted under Applicable Law) all applications, notices, petitions and filings, and to obtain as promptly as practicable all permits, consents, approvals, waivers and authorizations of all third parties and Governmental Authorities which are necessary or advisable to consummate the transactions contemplated by this Agreement, including but not limited to, any filings to be made under the HSR Act which filings shall be made within 30 days of the date of this Agreement, and requests for required consents under the Contracts. Buyer agrees to take all reasonable steps necessary to satisfy any conditions or requirements imposed by any Governmental Authority in connection with the consummation of the transactions contemplated by this Agreement, other than those conditions or requirements which, individually or in the aggregate, are likely to have an adverse effect on the Company, Buyer and/or their Affiliates. If any required consent of or waiver by any third party (excluding any Governmental Authority) is not obtained prior to the Closing, or if the assignment of any Contract would be ineffective or would adversely affect any material rights or benefits thereunder so that Buyer would not in fact receive all such rights and benefits, the parties hereto, each without cost, expense or liability to the other, shall cooperate in good faith to seek, if possible, an alternative arrangement to achieve the economic results intended. The parties to this Agreement will have the right to review in advance, and will consult with the other on, in each case subject to Applicable Laws relating to the exchange of information and confidentiality, all the information relating to Buyer, Seller or the Company, as the case may be, which appear in any filing made with, or written materials submitted to, any third party or any Governmental Authority in connection with the transactions contemplated by this Agreement (except for any confidential portions thereof). The parties to this Agreement agree that they will consult with each other with respect to the obtaining of all permits, consents, approvals and authorizations of all third parties and Governmental Authorities necessary or advisable to consummate the transactions contemplated by this Agreement and each party will keep the others apprised of the status of matters relating to completion of the transactions contemplated herein. The party responsible for a filing as set forth above shall, if requested to do so by any other party, promptly deliver to the other parties hereto evidence of the filing of all applications, filings, registrations and notifications relating thereto (except for any confidential portions thereof), and any supplement, amendment or item of additional information in connection therewith (except for any confidential portions thereof). The party responsible for a filing shall also promptly deliver to the other parties hereto a copy of each material notice, order, opinion and other item of correspondence received by such filing party from any Governmental Authority in respect of any such application (except for any confidential portions

thereof). In exercising the foregoing rights and obligations, each of the parties hereto shall act reasonably and as promptly as practicable.

(b) Each party to this Agreement shall, upon request, furnish each other with all information concerning themselves, directors, officers, partners and stockholders and such other matters as may be reasonably necessary or advisable in connection with any statement, filing, notice or application made by or on behalf of Buyer, Seller or the Company to any Governmental Authority in connection with the transactions contemplated by this Agreement.

(c) The parties to this Agreement shall promptly advise each other upon receiving any communication from any Governmental Authority whose consent or approval is required for consummation of the transactions contemplated by this Agreement which causes such party to believe that there is a reasonable likelihood that any requisite regulatory approval will not be obtained or that the receipt of any such approval will be materially delayed or that the transactions contemplated hereby will become subject to additional conditions imposed by a Governmental Authority.

5.9. Notification of Certain Matters. Each party to this Agreement shall give prompt notice to the other parties, to the extent known by such party, of (i) the occurrence, or failure to occur, of any event or existence of any condition that has caused or could reasonably be expected to cause any of the conditions contained in Sections 6.2(a), 6.2(b) or 6.3(a) of this Agreement not to be satisfied prior to the Closing, and (ii) any failure on its part to comply with or satisfy, in any material respect, any covenant, condition or agreement to be complied with or satisfied by it under this Agreement.

5.10. Expenses. Buyer, the Company and Seller shall each bear their respective direct and indirect expenses incurred in connection with the negotiation and preparation of this Agreement and the consummation of the transactions contemplated hereby. The Company shall pay all pre-closing costs and expenses for which the Company is responsible under this Section 5.10 prior to the Closing. Notwithstanding the foregoing, Seller and Buyer shall each pay one-half of (i) the fees required in connection with any filings to be made under the HSR Act and (ii) any amounts payable at any time on or after the date hereof under those certain change of control contracts set forth in Section 5.10 of the Company Disclosure Schedule (provided that the parties hereby agree to use all reasonable efforts and to cooperate to restructure or terminate such agreements), and, upon request of the other party, the requested party shall promptly reimburse the requesting party for its share of such fees and amounts.

5.11. Third Party Proposals. None of Seller, the Company or any of their respective Affiliates, officers, directors, representatives or agents, shall directly or indirectly solicit or encourage inquiries or proposals, or enter into any definitive agreement, with respect to, or initiate or participate in any negotiations or discussions with any Person concerning, any acquisition or purchase of all or a substantial portion of the assets of, or of any equity interest in, any of the Company or its Subsidiaries or any merger or business combination with any of the Company or its Subsidiaries, in each case other

than as contemplated by this Agreement (each, an "Acquisition Proposal"), or furnish any information to any such Person. Seller and any of its Affiliates and agents shall notify Buyer immediately if any Acquisition Proposal (including the terms thereof) is received by, any such information is requested from, or any such negotiations or discussions are sought to be initiated with, any of Seller or any of its Affiliates, officers, directors, representatives or agents. Seller shall, and shall cause its Affiliates, officers, directors, employees, representatives and advisors to, immediately cease or cause to be terminated any existing activities, including discussions or negotiations with any parties, conducted prior to the date hereof with respect to any Acquisition Proposal and shall seek to have all materials distributed to Persons in connection therewith by Seller or any of its Affiliates or advisors returned to Seller promptly or destroyed. None of Seller or any of its Affiliates, officers, directors, representatives or agents, shall amend, modify, waive or terminate, or otherwise release any Person from, any standstill, confidentiality or similar agreement or arrangement currently in effect with respect to the Company. Seller shall cause its officers, directors, agents, advisors and Affiliates to comply with the provisions of this Section 5.11.

5.12. Foreign Subsidiaries. Prior to the Closing, Seller shall cause the Company to distribute or otherwise transfer to Seller or one or more of its Affiliates (other than the Company or a Company Subsidiary) all of the Company's, and any of the Company Subsidiaries', ownership interests in: (i) 9056-0921 Quebec Inc., a Quebec corporation (the "Canadian Subsidiary"), or such corporation's assets, including any capital stock thereof held by the Company or any Company Subsidiary; and (ii) Davis-Standard France SARL, a French limited liability company (the "French Subsidiary"), or such company's assets, including any capital stock thereof held by the Company or any Company Subsidiary.

5.13. Interim Financial Statements and Aging Schedules. Without limitation to Seller's obligations under Section 5.7 , Seller shall cause the Company to furnish to Buyer, promptly upon completion thereof, the consolidated financial statements of the Company (including a consolidated balance sheet and a statement of results of operations) for each month after October, 1998, which financial statements shall be prepared in accordance with GAAP, applied on a consistent basis. Seller further shall cause the Company to furnish to Buyer current Aging Schedules as soon as reasonably practicable following Buyer's written request therefor, provided that such requests shall not be made more than once per month.

5.14 Supply Agreements. As soon as reasonably practicable following the date hereof, Buyer and Seller shall negotiate in good faith the definitive terms of one or more supply agreements (the "Supply Agreements") containing the terms set forth on Exhibit 5.14 hereto (which the parties agree are all of the material terms) and such other terms and conditions as are reasonably mutually agreeable to such parties and are otherwise customary for agreements of such type entered into on an arms-length basis.

ARTICLE VI

CONDITIONS TO CONSUMMATION OF THE ACQUISITION

6.1. Mutual Conditions. The obligations of each party to this Agreement to effect the Acquisition shall be subject to the following conditions, any of which may be waived in writing by each of the Company and Seller, on the one hand, and Buyer, on the other hand:

(a) No order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the transactions contemplated by this Agreement shall be in effect. No proceeding by any Governmental Authority or other Person shall be pending or threatened which questions the validity or legality of, or which seeks to restrain or prohibit, the transactions contemplated hereby or which could reasonably be expected to result in the imposition of material damages or penalties upon any party hereto if such transactions are consummated. No statute, rule, regulation, order, injunction or decree shall have been enacted, entered, promulgated or enforced by any Governmental Authority which prohibits, restricts or makes illegal consummation of the transactions contemplated hereby;

(b) All consents, waivers, authorizations and approvals required from all Governmental Authorities to consummate the transactions contemplated hereby, without the imposition of conditions or requirements shall have been obtained and shall remain in full force and effect and all statutory waiting periods in respect thereof shall have expired or terminated; and

(c) In respect of the notifications of the parties hereto pursuant to the HSR Act, the applicable waiting period and any extensions thereof shall have expired or terminated.

6.2. Conditions to Buyer's Obligations. The obligations of Buyer to effect the Acquisition shall be subject to the following conditions, any of which may be waived in writing by Buyer:

(a) Each of the representations and warranties of each of Seller and the Company set forth in this Agreement shall be true and correct in all respects, subject to the standard set forth below, as of the date of this Agreement and (except to the extent such representations and warranties speak as of an earlier date) as of the Closing Date as though newly made on and as of the Closing Date. For purposes of this Section 6.2(a), no representation or warranty of Seller or the Company contained in Article III hereof shall be deemed untrue or incorrect as a consequence of the existence of any fact, event or circumstance unless such fact, circumstance or event is not set forth in the Company Disclosure Schedule (without giving effect to any supplement thereto) and individually or taken together with all other facts, events or circumstances inconsistent with any representation or warranty contained in Article III hereof has had or is reasonably likely to result in a Company Material Adverse Effect.

(b) Each of the representations and warranties of each of Seller and the Company set forth in Section 3.4, shall be true and correct in all respects as

of the date of this Agreement and (except to the extent such representations and warranties speak as of an earlier date) as of the Closing Date as though newly made on and as of the Closing Date.

(c) The Company and Seller shall have performed and complied in all material respects with all agreements, covenants, obligations and conditions required by this Agreement to be performed or complied with by them on or prior to the Closing Date.

(d) Messrs. Wachtell, Lipton, Rosen & Katz, counsel to Seller, shall have delivered to Buyer an opinion dated the Closing Date in the form of Exhibit 6.2(d).

(e) Seller, the Company and the Company Subsidiaries shall have obtained and have provided to Buyer such Authorizations as are required by Law or under agreements with third parties in order to consummate the transactions contemplated hereby and to continue the business of the Company and the Subsidiaries after the Closing, including those required from third parties as set forth in Section 3.14 of the Company Disclosure Schedule and those required to avoid the acceleration of any indebtedness or the termination or cancellation of Contracts or Authorizations affecting the Company, the Company Subsidiaries and/or their business and properties, whether from lenders, equipment lessors, landlords, manufacturers, suppliers, customers and other Persons, in each case, other than those Authorizations the failure to obtain of which would not reasonably be expected to have a Company Material Adverse Effect.

(f) At least ten (10) days prior to the Closing, Seller shall have delivered to Buyer a binding commitment to issue an ALTA owner's policy of title insurance on each parcel of the Real Estate identified in Section 3.12(a) of the Company Disclosure Schedule as being owned by the Company or a Subsidiary in the amount set forth in Section 3.12(a) of the Company Disclosure Schedule naming the Company or such Subsidiary, as the case may be, as proposed insured. Each such commitment shall be written by a title insurance company reasonably acceptable to Buyer and licensed in the state in which such parcel is located, shall show title to such Real Estate and any easements, use or other agreements benefiting or appurtenant to any of the Real Estate to be vested in the Company or such Subsidiary, as the case may be, free and clear of all Encumbrances except Permitted Encumbrances, and shall commit such insurance company to issue an ALTA owner's policy of title insurance, insuring the Company's or Subsidiary's interest in such Real Estate as fee simple owner. Each such commitment shall contain such special endorsements as Buyer may reasonably require, including: (i) extended coverage insuring over the standard preprinted exceptions including a gap coverage endorsement insuring title to such Real Estate through the Closing Date; (ii) nonimputation; (iii) access; and (iv) zoning.

(g) At least ten (10) days prior to the Closing, Seller shall have delivered to Buyer a survey of each parcel of the Real Estate identified in Section 3.12(a) of the Company Disclosure Schedule as being owned by the Company or a Subsidiary which shall have been prepared by a surveyor licensed

in the state in which such parcel is located. Each such survey shall be in such form and shall contain a surveyor's certificate in such form as will cause the title insurance company which issues the commitment referred to in Section 6.2(f) to delete all survey exceptions from the policy of title insurance covering the parcel in question and shall: (i) set forth the legal description of such parcel, which shall be the same description as set forth in the title insurance commitment for such parcel referred to in Section 6.2(f); (ii) indicate the boundary lines by course and dimension of such parcel; (iii) indicate the location of all easements, rights of way, public utilities, water courses, drains, sewers and roads crossing such parcel and the locations and names of all streets abutting or adjacent to such parcel; and (iv) clearly designate the location of all improvements and all other material matters of survey affecting such parcel.

(h) Between the date hereof and Closing there shall have been no damage to or loss or destruction of any real or tangible personal property of the Company or any Company Subsidiary which, individually or in the aggregate, would require the expenditure of more than $5,000,000 to remedy, repair or replace.

(i) Seller shall have delivered to Buyer a certificate, dated as of the Closing Date, signed on behalf of Seller by its Chief Financial Officer confirming the satisfaction of the conditions contained in paragraphs (a), (b), (c) and (e) of this Section 6.2.

6.3. Conditions to Seller's and the Company's Obligations. The obligation of the Company and Seller to effect the Acquisition shall be subject to the following conditions, any of which may be waived in writing by the Company and Seller:

(a) Each of the representations and warranties of Buyer set forth in this Agreement shall be true and correct in all respects, subject to the standard set forth below, as of the date of this Agreement and (except to the extent such representations and warranties speak as of an earlier date) as of the Closing Date as though newly made on and as of the Closing Date. For purposes of this Section 6.3(a), no representation or warranty of Buyer contained in Article IV hereof shall be deemed untrue or incorrect as a consequence of the existence of any fact, event or circumstance unless such fact, circumstance or event is not set forth in the Buyer Disclosure Schedule (without giving effect to any supplement thereto) and individually or taken together with all other facts, events or circumstances inconsistent with any representation or warranty contained in Article IV hereof has had or is reasonably likely to result in a Buyer Material Adverse Effect;

(b) The Buyer shall have performed and complied in all material respects with all agreements, covenants, obligations and conditions required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(c) Godfrey & Kahn, S.C., counsel to Buyer, shall have delivered to Seller an opinion dated the Closing Date in the form of Exhibit 6.3(c).

(d) Buyer shall have delivered to Buyer a certificate, dated as of the Closing Date, signed on behalf of Buyer by its President confirming the satisfaction of the conditions contained in paragraphs (a) and (b) of this Section 6.3.

ARTICLE VII
TERMINATION

7.1. Termination.

(a) This Agreement may be terminated prior to the Closing as follows:

(i) by written consent of Seller, the Company and Buyer;

(ii) by any of Buyer, on the one hand, or Seller or the Company, on the other hand, (the "Notifying Party") if Seller or the Company, on the one hand, or Buyer, on the other hand, as the case may be (the "Notified Party"), shall have failed to perform and comply in all material respects with its or their agreements and covenants hereunder and such failure to perform or comply shall not have been remedied within 30 days after receipt by the Notified Party of notice in writing from the Notifying Party, specifying the nature of such failure and requesting that such failure be remedied; provided that the Notifying Party may not terminate this Agreement pursuant to this subsection (ii) for an additional 30 days if the Notified Party continues in good faith to use its reasonable best efforts to perform or comply with such agreements and covenants, other than in respect of approvals of any Governmental Authority, in which case the Notifying Party may not terminate this Agreement under this subsection (ii) as long as the Notified Party continues in good faith to use its reasonable best efforts to perform or comply in respect of the approvals of any Governmental Authority as required hereunder;

(iii) by any of Buyer, Seller or the Company if there shall be any Law or regulation that makes consummation of the transactions contemplated hereby illegal or otherwise prohibited or if consummation of the transactions contemplated hereby would violate any nonappealable final order, decree or judgment of any court or Governmental Authority having competent jurisdiction;

(iv) by Buyer if any condition to Buyer's obligations hereunder becomes incapable of fulfillment or is not satisfied or waived as of the Closing through no fault of such party and is not waived by such party;

(v) by Seller or the Company if any condition to Seller's or the Company's obligations hereunder becomes incapable of fulfillment or is not satisfied or waived as of the Closing through no fault of such parties and is not waived by such parties; or

(vi) without any further action on March 31, 1999, if the Closing has not occurred on or before March 31, 1999, unless the failure of the Closing to occur by such date shall be due to the failure of a party to perform or observe the covenants and agreements of such party set forth herein, in which case this Agreement shall terminate pursuant to this Section 7.1(vi) only upon

delivery of written notice of such termination by a party that has not so failed to perform or observe its covenants and agreements to each other party hereto in accordance with the provisions of Section 7.1(b).

Notwithstanding Section 7.1(a)(iii) - (v) hereof, a party who is or whose Affiliate is in material breach of any of its obligations or representations and warranties hereunder shall not have the right to terminate this Agreement pursuant to Section 7.1(a)(iii) - (v).

(b) The termination of this Agreement shall be effectuated by the delivery by the party terminating this Agreement to each other party of a written notice of such termination, except for a termination pursuant to Section 7.1(vi) which shall be effective as of the date set forth therein subject to the terms of such Section 7.1(vi). If this Agreement so terminates, it shall become null and void and have no further force or effect, except as provided in Section 7.2.

7.2. Survival After Termination . If this Agreement is terminated in accordance with Section 7.1 hereof and the transactions contemplated hereby are not consummated, this Agreement shall become void and of no further force and effect, without any liability on the part of any party hereto, except for the provisions of Section 5.6, this Section 7.2, the first sentence of Section 5.10 and clause (i) of the second sentence of Section 5.10. Notwithstanding the foregoing, nothing in this Section 7.2 shall relieve any party to this Agreement of liability for a willful breach of any provision of this Agreement or any agreement made as of the date hereof or subsequent thereto pursuant to this Agreement.

ARTICLE VIII

TAX MATTERS

8.1. Tax Matters. Except as otherwise required by Applicable Law, Buyer will not cause or permit the Company, Buyer or any Affiliate of Buyer (i) to take any action on the Closing Date, other than in the ordinary course of business or except as agreed in writing between the parties (including, but not limited to, the distribution of any dividend or the effectuation of any redemption), that could give rise to any Tax liability or loss under this Agreement by Seller, or (ii) to amend any Tax Return or file a claim for refund for any Pre-Closing Tax Period that results in any net increased Tax Liability to or any net reduced Tax Benefit of, Seller, the Company or any Affiliate of the Company. Seller shall include the Company and the Subsidiaries through the Closing Date in its United States federal income tax return and in those state and local tax returns that are filed on a consolidated or combined basis in accordance with Applicable Law and past practice of Seller, the Company and the Company Subsidiaries.

8.2 Liability for Taxes.

(a) Seller shall be liable for, and shall hold Buyer, the Company and the Company Subsidiaries harmless from and against, any or all Taxes due or

payable by the Company and/or the Company Subsidiaries, or by Buyer with respect to the Company and/or the Company Subsidiaries, for any taxable period ending on or before the Closing Date and the portion ending on the Closing Date of any taxable period that includes (but does not end on) the Closing Date ("Pre-Closing Tax Period"), and any Taxes arising after the Pre-Closing Tax Period relating to adjustments under Section 481(a) of the Code attributable to changes initiated during the Pre-Closing Tax Period ("Section 481 Taxes"), including: (i) any liability of the Company and/or the Company Subsidiaries by reason of their being severally liable (pursuant to Treasury Regulations Section 1.1502-6, any analogous state, local or foreign provision, or otherwise), in whole or in part, for any tax of any affiliated group (as defined in Section 1504(a) of the Code or any analogous state, local or foreign provisions) with respect to which the Company and/or the Company Subsidiaries may be or have been an includible corporation (as defined in Sections 1504(b) and (c) of the Code or such analogous state, local or foreign provisions) (an "Affiliated Group"); (ii) any liability that arises because the Company and/or the Company Subsidiaries ceases on the Closing Date to be a member of an Affiliated Group filing consolidated or combined returns; (iii) any liability that results from any transaction with respect to the Canadian Subsidiary and/or French Subsidiary described in Section 5.12; and (iv) any and all sales, transfer, stamp, excise or similar Taxes applicable to the sale to Buyer of the Shares, and the transactions contemplated hereby; provided, however, that Seller shall not be liable for any Taxes due or payable by Buyer, the Company and/or the Subsidiaries: (i) resulting or arising from any action taken by or on behalf of Buyer, Buyer's Affiliates, the Company and/or the Company Subsidiaries on or after the Closing Date out of the ordinary course of business not contemplated by this Agreement; or (ii) for which a liability, which is identified as being for such Taxes, to the extent that such liability is accrued on the Closing Price Documents.

(b) Except for Section 481 Taxes, Buyer shall be liable for, and shall hold Seller harmless from and against, any and all Taxes due or payable with respect to: (i) the business activities, transactions and assets of the Company and/or the Company Subsidiaries for any taxable tax period beginning after the Closing Date and the portion beginning the day after the Closing Date of any tax period that includes (but does not end on) the Closing Date ("Post-Closing Tax Period"); and (ii) any action taken by or on behalf of Buyer, Buyer's Affiliates, the Company and/or the Company Subsidiaries out of the ordinary course of business on or after the Closing Date not contemplated by this Agreement.

(c) Any Taxes (other than real and personal property Taxes and any other Taxes not measured or measurable, in whole or in part, by net or gross income or receipts), with respect to the business, activities and assets of the Company and the Company Subsidiaries that relate to a tax period beginning before the Closing Date and ending after the Closing Date shall be apportioned between Seller and Buyer, as determined from the books and records of the Company consistent with the Code, regulations thereunder and other applicable Law, based on the actual operations of the Company and the Company Subsidiaries during the portion of such period ending on the Closing Date and the portion of such period beginning on the day after the Closing Date, and

based on accounting methods, elections and conventions that do not have the effect of distorting income or expenses, and each such portion of such period shall be deemed to be a tax period subject to the provisions of Sections 8.2(a) and 8.2(b). Buyer shall, with the approval of Seller (which shall not be unreasonably withheld), cause the Company and the Company Subsidiaries to file any required separate (nonconsolidated or noncombined) state, local and foreign Tax Returns for any such tax period, and Buyer shall pay, or cause to be paid, all state, local or foreign Taxes (including interest and penalties relating thereto) shown as due on any such returns with respect to the Company and/or the Company Subsidiaries. In the event that Buyer and Seller are unable to agree on any Tax Returns described in the immediately preceding sentence, the dispute shall be referred to a nationally recognized independent accounting firm mutually agreed upon by Buyer and Seller for resolution, and the determination of such accounting firm shall be binding upon Buyer and Seller, with the fees and expenses of such accounting firm borne equally by Buyer and Seller. Seller shall pay Buyer its share of any such Taxes (except to the extent accrued on the Closing Price Documents) pursuant to the filing of any such Tax Returns under the provisions of this Section 8.2(c) within five (5) business days after receipt of notice of such filing by Buyer, which notice shall set forth in reasonable detail the calculations regarding Seller's share of such Taxes.

(d) Any refunds or credits of Taxes that arise in, or are otherwise attributable to, a Pre-Closing Tax Period (other than a refund or credit arising from a carryback or a refund or credit reflected as an asset in the Closing Price Documents) of the Company and/or any Company Subsidiary net of any costs of collection shall be for the account of Seller. Any refunds or credits of Taxes that arise in, or are otherwise attributable to, a Post-Closing Tax Period of Buyer, the Company and/or any Company Subsidiary, including any refunds or credits that arise from the carryback of any deduction, loss or credit from a Post-Closing Tax Period to a Pre-Closing Tax Period or a refund or credit reflected as an asset in the Closing Price Documents, shall be for the account of Buyer. Buyer shall cause the Company and the Company Subsidiaries to use their best efforts to seek and promptly to forward to, or to reimburse, Seller for any refunds or credits due to Seller after receipt thereof, and Seller shall use its best efforts to seek and promptly to forward to, or reimburse, Buyer for any refunds or credits due Buyer after receipt thereof.

8.3. Procedures.

(a) Seller shall have the right to exercise, at its own expense, control at any time over the handling, disposition and/or settlement of any issue raised in any official inquiry, examination or proceeding regarding any Tax Return with respect to which Seller may be liable for Taxes pursuant to this Article VIII (other than any Tax Return for a period beginning before the Closing Date and ending after the Closing Date), including the right to settle or otherwise terminate any contest with respect thereto; provided, however, that (i) to the extent that such settlement or defense could reasonably be expected to adversely affect Buyer for any Tax period or, the Company and/or any Company Subsidiary for a Post-Closing Tax Period, Seller shall permit

Buyer to participate, at its own expense, in such settlement or defense through counsel chosen by Buyer and Seller shall not enter into a settlement (at the administrative level or during the course of judicial proceedings) without prior consultation with Buyer; and (ii) Buyer shall cooperate with Seller, as Seller may reasonably request, in any such inquiry, examination or proceeding.

(b) Buyer shall have the right to exercise, at its own expense, control at any time over the handling, disposition and/or settlement of any issue raised in any official inquiry, examination or proceeding regarding any Tax Return other than as described in Section 8.3(a)) (including the right to settle or otherwise terminate any contest with respect thereto); provided, however, that: (i) to the extent that such settlement or defense could reasonably be expected to adversely affect Seller for any Tax period or, the Company and/or any Company Subsidiary for any Pre-Closing Tax Period, Buyer shall permit Seller to participate, at its own expense, in such settlement or defense through counsel chosen by Seller and Buyer shall not enter into a settlement (at the administrative level or during the course of judicial proceedings) without prior consultation with Seller; (ii) Seller shall cooperate with Buyer, as Buyer may reasonably request, in any such inquiry, examination or proceeding; and (iii) in the case of any Tax Return for a period beginning before the Closing Date and ending after the Closing Date, Buyer shall settle any issue only with the consent of Seller, which consent will not be unreasonably withheld or delayed.

(c) If, with respect to any official inquiry, examination or proceeding with respect to Taxes for which indemnity may be sought pursuant to this Article VIII, Seller, in the case of a Tax Return described in Section 8.3(a), or Buyer, in the case of any other relevant Tax Return, elects not to exercise control over the handling, disposition and/or settlement of the issues raised in such inquiry, examination or proceeding, Buyer or Seller, as the case may be, shall so notify Seller or Buyer, respectively, and the party so notified shall be entitled, but shall not be obligated, to exercise control over the handling, disposition and/or settlement, subject, in the case of Seller, to the provisions of Section 8.3(a) and, in the case of Buyer, to the provisions of Section 8.3(b).

(d) Buyer shall promptly notify Seller in writing upon receipt by Buyer, the Company, any Company Subsidiary or any member of any group of which Buyer, the Company and/or any Company Subsidiary may be a member, of notice of any pending or threatened official inquiry, examination or proceeding that may affect the Tax liability for the Company and/or any Company Subsidiary for any Pre-Closing Tax Period. Seller shall promptly notify Buyer in writing upon receipt by Seller of notice of any pending or threatened official inquiry, examination or proceeding relating to the Company and/or any Company Subsidiary for any tax period.

8.4. Survival. Anything in Section 9.3(d) to the contrary notwithstanding, the provisions of this Article VIII relating to Taxes shall survive the Closing until one year following the latest of (i) the date upon which liability to which any such claim may relate is barred by all applicable

statutes of limitations (after taking into account any extensions); (ii) the date upon which any claim for refund or credit related to any such claim is barred by all applicable statutes of limitations (after taking into account any extensions); and (iii) with respect to any claim for which indemnity is being sought at the expiration of the periods described in clauses (i) and (ii) above, the date of a final determination in such proceeding with respect to such claim.

8.5. Exclusive Provisions Relating to Taxes. The provisions of this Article VIII set forth the exclusive and entire agreement of the parties relating to sharing liabilities for Taxes, division of refunds of Taxes, control of proceedings relating to Taxes, and filing of Tax Returns, and the provisions of Section 9.4 shall not apply to such matters except to the extent expressly and plainly applicable.

8.6. Continuing Cooperation. Subsequent to the Closing, the parties hereto shall provide each other, and Buyer shall cause the Company and the Company Subsidiaries to provide Seller, with such cooperation and information relating to the Company and the Company Subsidiaries as either reasonably may request in: (i) filing any Tax Return, amended return or claim for refund; (ii) determining any liability for Taxes or a right to refund of Taxes; or (iii) conducting or defending any audit or other proceeding in respect of Taxes. Such cooperation and information shall include providing copies of all relevant Tax Returns (or applicable portions thereof), together with accompanying schedules and related work papers, documents relating to rules or other determinations by taxing Governmental Authorities and records concerning the ownership and tax basis of the property which any party, the Company, the Company Subsidiaries or any of their Affiliates may possess. Buyer shall make, and shall cause the Company and the Company Subsidiaries to make, and Seller shall make, its and their employees, accountants and other advisors available on a mutually convenient basis to provide explanations of any documents or information required to be provided hereunder. The parties shall retain, and Buyer shall cause the Company and the Company Subsidiaries to retain, all returns, schedules and work papers, and all material records and other documents relating thereto, until the expiration of the statute of limitation (and, to the extent notified by any party, any extensions thereof) of the taxable years to which such returns and other documents relate and, unless such returns and other documents are offered and delivered to Seller or Buyer, as applicable, until the final determination of any tax in respect of such years. In addition, the parties shall comply, and Buyer shall cause the Company and the Company Subsidiaries to comply, with all applicable governmental record retention agreements entered into with any taxing authority with respect to the Company and/or the Company Subsidiaries. Seller will cooperate with Buyer upon request in obtaining the Internal Revenue Service to exercise its authority to limit the liability of the Company and the Company Subsidiaries under Treasury Regulation Section 1.1502-6 for Taxes of Seller's Affiliated Group. Any information obtained under this Article VIII shall be kept confidential, except as may be otherwise necessary in connection with the filing of any Tax Returns or claims for refund or in conducting any audit or other proceeding in respect of Taxes. Notwithstanding the foregoing, neither Seller nor Buyer shall be required unreasonably to

prepare any document, or determine any information not then in its possession, in response to a request under this Section 8.6.

ARTICLE IX

INDEMNIFICATION

9.1. Indemnification by Seller. From and after Closing, Seller shall indemnify and hold Buyer, the Company, the Company Subsidiaries and/or their respective shareholders, directors, officers, employees, agents, successors and/or assigns harmless from and against any and all Losses in excess of the amount, if any, reserved or deducted for a particular matter in the Closing Price Documents (including any costs of environmental remedies or cleanup) suffered or incurred by any of them which result from or arise out of:

(a) Any inaccuracy in or breach of any of the representations or warranties of the Company or the Seller made in this Agreement;

(b) Any breach or nonperformance of any of the covenants or other agreements made by Seller or, only with respect to obligations thereunder required to be performed prior to or as of the Closing, the Company in or pursuant to this Agreement;

(c) Except for claims for Taxes (which shall be governed by Article VIII hereof) and claims relating to any violation of Environmental Laws (which shall be governed by Sections 9.1(a), 9.1(e) and 9.1(h)) or covered by the representations and warranties set forth in Section 3.18 (which shall be governed by Sections 9.1(a), 9.1(e) and 9.1(h)), any claim by any Governmental Authority or any other Person based upon, alleging or arising out of any act, omission or occurrence by or relating to the Company and/or the Company Subsidiaries as of or before the Closing, including, without limitation, any such Loss relating to or arising out of any claim for nonperformance or breach of Contract or warranty, worker's compensation or unemployment compensation, any product liability or personal injury or property damage, any violation of wage hour Laws and/or employee welfare and safety Laws, any violation of employment discrimination Laws, any claim under any Plan relating to events on or before the Closing Date, and/or any claim for infringement relating to the Company's and/or any Subsidiary's use of any Intellectual Property prior to the Closing Date;

(d) Any Taxes to the extent provided in Article VIII;

(e) (i) Any violation by the Company or any Company Subsidiary of any Environmental Law either (A) occurring during the Operating Period for the Company or such Company Subsidiary or (B) occurring prior to the Operating Period for the Company or such Company Subsidiary and known by Seller as of the Closing; or (ii) any condition existing or Release occurring on or under any parcel of the Real Estate in violation of any Environmental Law in effect on or before the Closing Date and either (A) resulting from any action or inaction occurring or any condition created during the Operating Period for such parcel, or (B) resulting from any action or inaction occurring or any

condition created prior to the Operating Period for such parcel and known by the Seller as of the Closing, in each case under clauses (i) and (ii) of this Section 9.1(e), other than any Losses arising out of, attributable to, or resulting from matters, facts or circumstances disclosed in Section 3.18 of the Company Disclosure Schedule;

(f) The operations and/or disposition of the Canadian Subsidiary and/or French Subsidiary prior to, at or after the Closing;

(g) The Covered Litigation (provided that Seller shall be permitted to defend the Covered Litigation and shall have authority to resolve the Covered Litigation, subject to the provisions set forth in Section 9.4 hereof); and

(h) (i) Any violation by the Company or any Company Subsidiary of any Environmental Law either (A) occurring during the Operating Period for the Company or such Company Subsidiary or (B) occurring prior to the Operating Period for the Company or such Company Subsidiary and known by Seller as of the Closing; or (ii) any condition existing or Release occurring on or under any parcel of the Real Estate in violation of any Environmental Law in effect on or before the Closing Date and either (A) resulting from any action or inaction occurring or any condition created during the Operating Period for such parcel, or (B) resulting from any action or inaction occurring or any condition created prior to the Operating Period for such parcel and known by the Seller as of the Closing, in each case under clauses (i) and (ii) of this Section 9.1(h), only to the extent such Losses arise out of, are attributable to, or result from matters, facts or circumstances disclosed in Section 3.18 of the Company Disclosure Schedule (including in the ERM Reports (as defined in the Company Disclosure Schedule)), and then only for one half of any such Losses.

9.2. Indemnification by Buyer. From and after Closing, Buyer shall indemnify and hold Seller and/or its shareholders, directors, officers, employees, agents, successors and/or assigns harmless from and against any and all Losses suffered or incurred by any of them which result from or arise out of:

(a) Any inaccuracy in or breach of any of the representations or warranties of Buyer made in this Agreement;

(b) Any breach or nonperformance of any of the covenants or other agreements made by Buyer or, only with respect to obligations required to be performed thereunder after the Closing, the Company in or pursuant to this Agreement; and

(c) The Covered Lease, provided the Buyer shall not be required to indemnify any Person or make any payment with respect to any liability, obligation, penalty or damages arising under the Covered Lease in connection with any breaches or defaults thereunder occurring prior to the Closing.

9.3. Limitation on Liability. Anything in this Agreement to the contrary notwithstanding:

(a) No party shall be required to indemnify any Person or make any payment with respect to any Loss arising under Sections 9.1(a), 9.1(b), 9.1(c), 9.1(e), 9.2(a) and/or 9.2(b) if the inaccuracy or breach in question, the breach or nonperformance in question, the claim in question or the violation, condition or Release, in question, as the case may be, was disclosed in any written supplement to the Company Disclosure Schedule or the Buyer Disclosure Schedule, as the case may be, delivered to the other party(ies) prior to Closing and such inaccuracy, breach, nonperformance, claim, violation, condition or Release, together with all other inaccuracies, breaches, nonperformances, claims, violations, conditions and/or Releases would have caused any of the conditions set forth in Sections 6.2(a), 6.2(b) or 6.2(c), in the case of indemnification or payment by Seller, or Sections 6.3(a) or 6.3(b), in the case of indemnification or payment by Buyer, not to be satisfied as of Closing (without giving effect to any waiver thereof or any supplement to the Company or Buyer Disclosure Schedules).

(b) (i) Seller shall not be required to indemnify any Person or make any payment with respect to any Losses arising under Sections 9.1(a), 9.1(c) (other than Losses to the extent arising under Section 9.1(c) with respect to any claim arising under any Plan (which Losses shall not be subject to this Section 9.3(b))) or 9.1(e), and Buyer shall not be required to indemnify or make any payment with respect to any Losses arising under Section 9.2(a), unless and until the aggregate amount of such Losses for which such party would otherwise be liable under such Sections exceeds $1,250,000 (the "Basket Amount"), but if and when the aggregate amount of Losses for which such party would otherwise be liable under such Sections exceeds, in the aggregate, the Basket Amount, then such party shall be liable for all such Losses but only to the extent in excess of the Basket Amount, subject to the limitations set forth in Section 9.3(c), below;

(c) (i) Seller shall not be required to indemnify any Person or make any payments with respect to any Losses arising under Sections 9.1(a) or 9.1(c), and Buyer shall not be required to indemnify or make any payment with respect to any Losses arising under Section 9.2(a), in each case to the extent the aggregate of the amounts for which such party is obligated to indemnify any Persons or make payments under this Article IX exceeds $30,000,000; and (ii) Seller shall not be required to indemnify any Person or make any payments with respect to any Losses arising under Section 9.1(h) to the extent the aggregate of the amounts for which Seller is obligated to indemnify any Persons or make payments under such Section 9.1(h) exceeds $1,125,000.

(d) No Indemnified Party (as defined below) shall be entitled to any indemnification or any payment pursuant to this Article IX unless the Indemnified Party shall provide the Indemnifying Party (as defined below) with notice of its claim for indemnification as provided in Section 9.4: (i) within two (2) years after the Closing Date in the case of any claim for indemnification under Sections 9.1(a) (other than in the case of any claim for indemnification under Sections 9.1(a) with respect to any inaccuracy and/or breach of any representation or warranty made in Sections 3.1 or 3.4), 9.1(b) (in the case of any breach or nonperformance of any of the covenants or other

agreements covered thereby to the extent required to be performed prior to or as of the Closing), 9.2(a) (other than in the case of any claim for indemnification under Sections 9.2(a) with respect to any inaccuracy and/or breach of any representation or warranty made in Section 4.1) or 9.2(b) (in the case of any breach or nonperformance of any of the covenants or other agreements covered thereby to the extent required to be performed prior to or as of the Closing); (ii) within three (3) years after the Closing Date in the case of any claim for indemnification under Sections 9.1(c); and (iii) within the period of the applicable statute of limitations in all other cases.

9.4. Procedure.

(a) Notice of Third Party Claims. Any party entitle to and seeking indemnification under this Article IX (an "Indemnified Party") for any Loss or potential Loss arising from a claim asserted by a third party against the Indemnified Party (a "Third Party Claim") shall give written notice to the party obligated to provide indemnification under this Article IX (the "Indemnifying Party") specifying in detail the source of the Loss or potential Loss under Section 9.1 or 9.2, as the case may be. Written notice to the Indemnifying Party of the existence of a Third Party Claim shall be given by the Indemnified Party promptly after notice of the potential claim; provided, however, that the Indemnified Party shall not be foreclosed from seeking indemnification pursuant to this Article IX by any failure to provide such prompt notice of the existence of a Third Party Claim to the Indemnifying Party except and only to the extent that the Indemnifying Party actually incurs an incremental out-of-pocket expense or otherwise has been materially damaged or prejudiced as a result of such delay.

(b) Defense. Except as otherwise provided herein, the Indemnifying Party may elect to compromise or defend, at such Indemnifying Party's own expense and by such Indemnifying Party's own counsel (which counsel shall be reasonably satisfactory to the Indemnified Party), any Third Party Claim. If the Indemnifying Party elects to compromise or defend such Third Party Claim, it shall, within 30 days after receiving notice of the Third Party Claim (10 days if the Indemnifying Party in good faith states in such notice that prompt action is required), notify the Indemnified Party of its intent to do so, and the Indemnified Party shall cooperate, at the expense of the Indemnifying Party, in the compromise of, or defense against, such Third Party Claim. If the Indemnifying Party elects not to compromise or defend against the Third Party Claim, or fails to notify the Indemnified Party of its election to do so as herein provided, or otherwise abandons the defense of such Third Party Claim, (i) the Indemnified Party may pay (without prejudice of any of its rights as against the Indemnifying Party), compromise or defend such Third Party Claim (until such defense is assumed by the Indemnifying Party) and (ii) the costs and expenses of the Indemnified Party incurred in connection therewith shall be indemnifiable by the Indemnifying Party pursuant to the terms of this Agreement. Notwithstanding anything to the contrary contained herein, in connection with any Third Party Claim in which the Indemnified Party shall reasonably conclude, based upon advice of its outside legal counsel, that (x) there is a conflict of interest between the Indemnifying Party and the Indemnified Party in the conduct of the defense of such Third

Party Claim or (y) there are specific defenses available to the Indemnified Party which are different from or additional to those available to the Indemnifying Party and which could be materially adverse to the Indemnifying Party, then the Indemnified Party shall have the right to assume and direct the defense of such Third Party Claim. In such an event, the Indemnifying Party shall pay the reasonable fees and disbursements of counsel of the Indemnifying Party and one counsel to all the Indemnified Parties. Notwithstanding the foregoing, neither the Indemnifying Party nor the Indemnified Party may settle or compromise any claim (however, if the sole settlement relief payable to a third party in respect of such Third Party Claim is monetary damages that are paid in full by the Indemnifying Party and if the settlement results in the full and unconditional release of all claims against the Indemnified Party by the person asserting such claim, the Indemnifying Party may settle such claim without the consent of the Indemnified Party) over the objection of the other. In any event, except as otherwise provided herein, the Indemnified Party and the Indemnifying Party may each participate, at its own expense, in the defense of such Third Party Claim in which case each party shall cooperate in providing information to and consulting with the other about the claim. If the Indemnifying Party chooses to defend any claim, the Indemnified Party shall make available to the Indemnifying Party any personnel or any books, records or other documents within its control that are reasonably necessary or appropriate for such defense, subject to the receipt of appropriate confidentiality agreements.

(c) Settlement. If a settlement offer solely for money damages is made by a third party claimant and provides for a full and unconditional release of all claims against the Indemnified Party by the claimant, and the Indemnifying Party notifies the Indemnified Party in writing of the Indemnifying Party's willingness to accept the settlement offer and pay the amount called for by such offer, and the Indemnified Party reasonably declines to accept such offer, the Indemnified Party may continue to contest such claim, free of any participation by the Indemnifying Party, and the amount of any ultimate liability with respect to such claim that the Indemnifying Party has an obligation to pay hereunder shall be limited to the lesser of (A) the amount of the settlement offer that the Indemnified Party declined to accept plus the costs and expenses of the Indemnified Party prior to the date the Indemnifying Party notifies the Indemnified Party of the Indemnifying Party's willingness to settle or compromise such Third Party Claim and (B) the aggregate Losses of the Indemnified Party with respect to such claim.

(d) Miscellaneous. The procedures set forth in Section 9.4(a)-(c) above shall apply solely with respect to Third Party Claims and shall not be deemed to apply to, or otherwise affect or limit, an Indemnified Party's rights under this Agreement with respect to any claim other than a Third Party Claim.

(e) Notice of Non-Third Party Claims. Any Indemnified Party seeking indemnification for any Loss or potential Loss arising from a claim asserted by any party to this Agreement against the Indemnifying Party (a "Non-Third Party Claim") shall give written notice to the Indemnifying Party specifying in detail the source of the Loss or potential Loss under Section 9.1 or 9.2, as the case may be. Written notice to the Indemnifying Party of the existence

of a Non-Third Party Claim shall be given by the Indemnified Party promptly after the Indemnified Party becomes aware of the potential claim; provided, however, that the Indemnified Party shall not be foreclosed from seeking indemnification pursuant to this Article IX by any failure to provide such prompt notice of the existence of a Non-Third Party Claim to the Indemnifying Party except and only to the extent that the Indemnifying Party actually incurs an incremental out-of-pocket expense or otherwise has been materially damaged or prejudiced as a result of such.

9.5. Survival of Indemnity. Any matter as to which a claim has been asserted by formal notice pursuant to Sections 9.4(a) or 9.4(e) and within the time limitation applicable by reason of Section 9.3(d) that is pending or unresolved at the end of any applicable limitation period under this Article IX or Applicable Law shall continue to be covered by this Article IX notwithstanding any applicable statute of limitations (which the parties hereby waive) or the expiration dates set forth in Section 9.3(d) until such matter is finally terminated or otherwise resolved by the parties under this Agreement or by a court of competent jurisdiction and any amounts payable hereunder are finally determined and paid.

9.6. Subrogation. Any Indemnifying Party shall be subrogated to any right of action which the Indemnified Party may have against any other Person with respect to any matter giving rise to a claim for indemnification hereunder.

9.7. Adjustments to Indemnification Obligations.

(a) All computations of indemnity payments due under this Article IX shall reflect the actual present cash cost of the obligation with respect to which the indemnity payment relates. If any Indemnified Party receives a Tax Benefit by virtue of having paid or accrued an amount for which an indemnity payment is provided, the amount of such Tax Benefit will be refunded to the Indemnifying Party making such indemnity payment when, as and if such Indemnified Party realizes a cash Tax savings from such Tax Benefit. If for any reason an Indemnified Party has any Tax imposed on it on account of its receipt of an indemnity payment including payments pursuant to this sentence ("Additional Indemnity Taxes"), such indemnity payment shall be "grossed-up" for the Additional Indemnity Taxes so that the net payments received by the Indemnified Party will be equal to the amount of the indemnity payment such Indemnified Party would have received had no such Additional Indemnity Taxes been imposed.

(b) The amount which any Indemnifying Party is or may be required to pay any Indemnified Party pursuant to this Article IX shall be reduced (including without limitation, retroactively) by any insurance proceeds or other amounts actually recovered by or on behalf of such Indemnified Party in reduction of the related Losses, less any increase in insurance premiums incurred by the Indemnified Party as a result of such Loss (a "Premium Increase"). If an Indemnified Party shall have received the payment required by this Agreement from an Indemnifying Party in respect of a Loss and shall subsequently actually receive insurance proceeds or other amounts in respect of such Loss, then such Indemnified Party shall pay to such Indemnifying Party a sum equal

to the amount of such insurance proceeds or other amounts actually received (net of any expenses in obtaining the same), less any Premium Increase.

(c) No Indemnified Party shall be entitled to indemnification under this Agreement for consequential or punitive damages with respect to Any Non-Thirty Party Claim.

9.8. Exclusive Remedy. Except as provided in Section 11.10, the right to indemnification, if any, with respect to breaches of representations, warranties and covenants pursuant to this Article IX shall constitute the sole and exclusive remedy with respect thereto, shall preclude any other monetary award (whether at law or in equity) and shall preclude assertion by any party hereto of any right to any such monetary award from the Indemnifying Party. Nothing in this Article IX shall limit the remedies available to an Indemnified Party to enforce its right to indemnification.

9.9. Duty to Mitigate. Each party shall use its reasonable best efforts to mitigate any and all Losses suffered, incurred or sustained by such party arising out of, attributable to or resulting from any inaccuracy in or breach of any of the representations, warranties or covenants of the other party hereto.

9.10. Payment. If any Indemnitee shall incur any Loss for which it is entitled to indemnification hereunder, the Indemnifying Party shall make the indemnification payment required under this Article X within ten (10) days after receipt by the Indemnifying Party of written notice from the Indemnitee stating the amount of the Loss and of the indemnification payment requested. Any indemnification payment required under this Section 9.10 which is not made when due shall bear interest at a floating rate equal to the Prime Rate as in effect from time to time from the date due until paid.

ARTICLE X

CONDUCT SUBSEQUENT TO CLOSING

10.1. Further Assurances. From and after the Closing, upon the reasonable request of any other party from time to time, each party shall execute, acknowledge and deliver to the other parties such further instruments and take such other actions as such other party may reasonably request in order: (i) to carry out the intent and purposes of this Agreement and/or more effectively reflect the consummation of the transactions contemplated hereby; and (ii) to confirm and perfect in the Company and the Company Subsidiaries title to any and all of their assets and properties. Without limitation of the foregoing, from and after the Closing, upon the reasonable request of Buyer, but without cost to Buyer, the Company and/or any Company Subsidiary, Seller shall cause any patents, registered trademarks, registered copyrights, Contracts and/or other rights, properties and/or assets primarily used by or related to the Company and/or any Company Subsidiaries (other than the Canadian Subsidiary and the French Subsidiary) and set forth, or required to be set forth, in the Company Disclosure Schedule, but titled in and/or held in

the name of the Seller and/or its other Affiliates, to be assigned, transferred and conveyed to the Company and/or any Company Subsidiaries as requested by Buyer.

10.2. Noncompetition and Nondisclosure Covenant.

(a) Other than as contemplated by the Supply Agreements, Seller shall not (i) at any time during the five (5) year period commencing on the Closing Date (the "Noncompetition Period") engage, either directly or indirectly, except as a holder of no more than 5% of the stock of a publicly held company provided Seller does not actively participate in the business of such company, in the business of developing, manufacturing, distributing or selling (A) reaction and compounded flavor ingredients for the food processing , bakery, beverage and pharmaceutical industries, (B) natural colors for producers of food or pharmaceuticals, (C) specialty sweeteners, including edible molasses, molasses blends, malt extracts, and syrups for the bakery, confectionery and food processing industries, or (D) seasonings and seasoning blends for the food processing industry (collectively, the "Restricted Business") or (ii) at any time during the Noncompetition Period, induce or attempt to induce any present employee of the Company and/or the Company Subsidiaries to leave the employ of the Company and/or the Company Subsidiaries (other than pursuant to general advertisements or solicitation for employment not specifically target at such employees) or (iii) at any time during the Noncompetition Period, contact, solicit or entice any supplier, customer, distributor or representative of the Company and/or any Company Subsidiary as of the date hereof for the purpose of causing any such customer, supplier, distributor or representative not to conduct the Restricted Business with the Company and/or any Company Subsidiary. Notwithstanding the foregoing, during the Noncompetition Period, Seller or any of its Affiliates may acquire or be acquired by, or merge or effect any other business combination with, any entity, whether in the form of a merger, stock purchase, purchase and assumption or otherwise, the principal business of which is not the Restricted Business. For purposes of this Section 10.2(a), an entity's "principal business" shall be deemed to be the Restricted Business if the portion of such entity's (including for this purpose any Affiliates of such entity, if such entity was part of an affiliated group of entities acquired at the same time) consolidated gross revenues attributable to the Restricted Business in the full calendar quarter last preceding the closing of such acquisition exceeded twenty-five (25%) of such entity's (and all such Affiliates') consolidated gross revenues during such quarter.

(b) In the event that Seller or any of its Affiliates acquires or is acquired by, or merges or effects any other business combination with, any entity, whether in the form of a merger, stock purchase, purchase and assumption or otherwise, in any case in compliance with the terms of Section 10.2(a) above, Seller or its Affiliates (or any such entity or its Affiliates, if applicable) shall be entitled to consummate such transaction and continue to operate any lines of business in which such entity or its Subsidiaries were engaged at the time of such transaction (including without limitation any Restricted Business), provided that any such entity and its Subsidiaries shall, during the Noncompetition Period, conduct the Restricted Business

otherwise permitted under this Section 10.2(b) and neither Seller nor any of its other Affiliates (Seller and its Affiliates being defined for purposes of this Section 10.2(b) as of the time immediately prior to the consummation of the relevant transaction under Section 10.2(a)) shall conduct such Restricted Business.

(c) Seller shall not, and Seller shall ensure that its Affiliates do not, at any time during the Noncompetition Period, use or disclose any Confidential Information, and Seller shall protect and safeguard all Confidential Information with the same care that it uses in protecting its own proprietary information. For purposes hereof, "Confidential Information" shall mean all information relating to the business of the Company and the Company Subsidiaries as of or before the Closing that is not publicly known, including, without limitation: (i) information regarding their products; (ii) information concerning products under development by or being tested by the Company and the Company Subsidiaries; (iii) the Company's Intellectual Property relating to manufacturing processes and formulations; (iv) pricing and customer information; (v) information concerning the marketing programs and strategies of the Company and the Company Subsidiaries; (vi) personnel information; and (vii) other information that is not publicly known and that confers a competitive advantage on the Company and the Company Subsidiaries or that would confer a competitive advantage on the competitors of the Company and the Company Subsidiaries if it were disclosed to such competitors. The foregoing notwithstanding, this Section 10.2(c) shall not apply to any information that: (i) becomes or has become publicly known without any violation by Seller and/or its Affiliates of its obligations hereunder; or (ii) Seller and/or its Affiliates, in the written opinion of Seller's counsel, are required to disclose by Law, whether by subpoena or otherwise, provided that Seller and/or its Affiliates provide Buyer with a reasonable opportunity to take appropriate measures to avoid such legal requirement or to protect such Confidential Information despite such disclosure and disclose only so much of the Confidential Information as Seller and/or its Affiliates are required to disclose by Law. Seller shall be liable to Buyer, the Company and the Company Subsidiaries for any violation of this Section 10.2(c) by Seller's Affiliates.

(d) Seller acknowledges and agrees that a breach of the provisions of this Section 10.2 will cause irreparable injury to Buyer, the Company and the Company Subsidiaries, and that Buyer, the Company and the Company Subsidiaries shall be entitled to an injunction enjoining and restraining Seller from doing or continuing to do any such act or creating any other violations or threatened violations of any such provision.

(e) Seller agrees that the terms and conditions of this Section 10.2 are reasonable and necessary for the protection of Buyer, the Company, the Company Subsidiaries and their trade secret, confidential and proprietary information and for the prevention of damage or loss thereto as a result of action taken by Seller.

10.3. Access to Records. After the Closing, Seller shall provide to Buyer, the Company, the Company Subsidiaries and their respective

representatives, and Buyer shall cause the Company and the Company Subsidiaries to provide to Seller and its representatives, the opportunity, upon reasonable request, to examine and make copies of any documents and Records relating to the Company and the Company Subsidiaries in their or their Affiliates' custody, and to consult with their officers, employees, directors, accountants and other representatives for bona fide business purposes, including, without limitation, the preparation of Tax Returns and financial statements and/or any audit with respect thereto. For a period of five (5) years after the Closing, Seller shall not dispose of any, and Buyer shall cause the Company and the Company Subsidiaries not to dispose of any, Records relating to the business of the Company and the Company Subsidiaries as conducted prior to the Closing Date unless Seller has first given to Buyer or Buyer has first given to Seller, as the case may be, at least thirty (30) days prior written notice of its intention to do so and afforded Buyer or Seller, as the case may be, the opportunity to take possession of such Records prior to their disposition.

10.4. Benefit Plan Rollovers. After the Closing Date, if Buyer so elects, Seller shall cooperate with Buyer in affecting either a plan to plan transfer or rollover of account balances of employees of the Company and the Company Subsidiaries in any benefit plans maintained by Seller or its Affiliates to any similar plans which Buyer may maintain or establish into which such transfer may be made under applicable Law and in accordance with the terms of the benefit plans maintained by Seller or its Affiliates. Such transfer or rollover shall be accomplished only to the extent requested by Buyer with respect to any employee of the Company and/or the Company Subsidiaries who is eligible to participate in Buyer's plans and who consents to or elects to make any such transfer or rollover.

10.5. Transition Services. At Buyer's request, but without cost to Buyer, Company and/or any Company Subsidiary, for a period of up to 90 days after the Closing, Seller shall provide invoicing, account receivable management (but not credit services) and cash management services to the Company and the Company Subsidiaries on the same basis and in the same manner as currently provided by Seller to the Company and the Company Subsidiaries.

10.7 Cooperation. Seller shall reasonably cooperate with Buyer, the Company and the Company Subsidiaries to effect the transition from Seller and its other Affiliates to Buyer and its Affiliates following the Closing of the provision of corporate and administrative services currently provided by Seller and its other Affiliates to the Company and the Company Subsidiaries.

10.8. Employee Benefits. For a period of two years following the Closing Date, Buyer shall cause the Company and the Company Subsidiaries to provide to the employees of the Company and the Company Subsidiaries compensation, employee benefits, fringe benefits and other benefits which, in the aggregate, are generally as favorable as those provided by Buyer to its other North American employees generally. For purposes of benefits provided by Buyer on a corporatewide basis to employees, including employees of the Company and the Company Subsidiaries, Buyer shall give such employees service credit for periods of employment with the Company and the Company Subsidiaries.

ARTICLE XI

MISCELLANEOUS

11.1. Amendments; Waiver. This Agreement may not be amended, altered or modified except by written instrument executed by all the parties hereto. Any agreement on the part of any party to waive (i) any inaccuracies in the representations and warranties contained herein by any other party or in any document, certificate or writing delivered pursuant hereto by any other party, or (ii) compliance with any of the agreements, covenants or conditions contained herein, shall be valid only if set forth in an instrument in writing signed on behalf of such party. No such waiver shall constitute a waiver of, or estoppel with respect to, any subsequent or other inaccuracy, breach or failure to strictly comply with the provisions of this Agreement.

11.2. Entire Agreement. This Agreement (including the Company Disclosure Schedule, the Buyer Disclosure Schedule, any other schedules, certificates, lists and documents referred to herein, and any documents executed by the parties simultaneously herewith or pursuant thereto) constitutes the entire agreement of the parties hereto, except as provided herein, and supersedes all prior agreements and understandings, written and oral, among the parties with respect to the subject matter hereof.

11.3. Interpretation. When a reference is made in this Agreement to Sections, Exhibits or Schedules, such reference shall be to a Section of or Exhibit or Schedule to this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The phrases "the date of this Agreement," "the date hereof" and terms of similar import, unless the context otherwise requires, shall be deemed to refer to the date set forth in the first paragraph of this Agreement. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision. The use of the neuter pronoun "it" shall also refer as appropriate to the masculine and/or feminine gender, and vice versa. The use of the singular herein shall, where appropriate, be deemed to include the plural and vice versa. As used herein, any representation or warranty made "to Seller's knowledge" means that the Seller does not know such representation or warranty is untrue, and the Seller shall be deemed to "know" facts, circumstances or information if any officer, director or management personnel of Seller, the Company and/or any Company Subsidiary has actual knowledge of such facts, circumstances or information.

11.4. Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or

provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

11.5. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if (a) delivered in person, (b) transmitted by facsimile (with written confirmation), (c) mailed by certified or registered mail (return receipt requested) or (d) delivered by an express courier (with written confirmation) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to Seller or the Company: Crompton & Knowles Corporation
One Station Place - Metro Center
Stamford, Connecticut 06902
Facsimile: (203) 353-5417
Attention: Charles J. Marsden

With a copy to: Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Facsimile: (212) 403-2000
Attention: Edward D. Herlihy, Esq.

If to Buyer: Chr. Hansen, Inc.
9015 West Maple Street
Milwaukee, Wisconsin 53214
Facsimile: (414) 607-5704
Attention: Leif Noergaard

11.6. Governing Law. The parties hereto agree that all terms and conditions of this Agreement and the documents delivered in connection herewith shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without giving effect to any choice of law or conflict provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

11.7. Arbitration. Any controversy or claim arising under this Agreement or the breach thereof (excluding any dispute with respect to the Closing Price Documents which shall be resolved as provided in Section 2.2 and excluding any dispute arising under Section 10.2) shall be submitted to and settled by arbitration in New York, New York under the American Arbitration Association ("AAA") Commercial Arbitration Rules with expedited procedures as then in effect, as modified by this Agreement. There shall be one arbitrator selected by the parties within ten days of the arbitration demand or, if not, by the AAA from its Large, Complex Case Panel who shall be an attorney with at least 15 years commercial law experience. Any issue about whether any claim is covered by this arbitration clause shall be determined by the arbitrator. The arbitrator shall apply substantive law and may award injunctive relief or any other remedy available for a judge, but shall not have the power to award punitive damages. The arbitrator shall so conduct the arbitration that a

final result, determination, finding, judgment and/or award (the "Final Determination") is made or rendered as soon as practicable. The Final Determination shall be final and binding on the parties and there shall be no appeal from, or reexamination of, the Final Determination, except for fraud, perjury, evident impartiality or misconduct by the arbitrator prejudicing the rights of any party or to correct manifest clerical errors. The arbitrator selected pursuant to this Section 11.7 will determine the allocation of the costs and expenses of arbitration based upon the percentage which the portion of the contested amount not awarded to each party bears to the amount actually contested by such party. For example, if Buyer submits a claim for $1,000, and the Seller contests only $500 of the amount claimed by Buyer, and if the arbitrator ultimately resolves the dispute by awarding Buyer $300 of the $500 contested, then the costs and expenses of the arbitration shall be allocated 60% (i.e., $300 divided by $500) to Seller and 40% (i.e., $200 divided by $500) to Buyer. If any party shall fail to pay the amount of any damages assessed against it within ten (10) days of the delivery to such party of the Final Determination, the unpaid amount shall bear interest from the date of such delivery until paid at a floating rate equal to the Prime Rate plus 3% per annum, but not exceeding the maximum rate permitted by Law in such cases, and such party shall promptly reimburse the other party for any and all costs or expenses of any nature or kind whatsoever (including, but not limited to, all reasonable attorneys' fees) incurred in seeking to collect such damages or to enforce any Final Determination.

11.8. Benefit; Assignment. This Agreement shall be binding upon and inure to the benefit of Buyer, Seller and their respective successors and permitted assigns. Neither Buyer nor Seller may assign its rights nor delegate its obligations hereunder without the written consent of the other parties hereto, except that Buyer may assign its rights and delegate its obligations hereunder to any direct or indirect, wholly owned subsidiary of Chr. Hansen A/S, and, from and after the Closing, Buyer may assign its rights under Articles IX and X, hereof, to any financial institution in connection with the extension of credit to Buyer and/or its corporate affiliates by such financial institution, but, in the event of any such assignment, Buyer shall not be released from any of its obligations hereunder. Except as expressly provided otherwise in Articles IX, this Agreement shall not be deemed to confer any rights or remedies upon any person other than the parties hereto and their respective successors and permitted assigns. Nothing in this Agreement shall confer any rights of employment upon any Person.

11.9. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same agreement, it being understood that all of the parties need not sign the same counterpart.

11.10. Specific Performance. The parties hereto acknowledge that, in view of the uniqueness of the Company's business and the transactions contemplated by this Agreement, each party would not have an adequate remedy at law for money damages in the event that the covenants to be performed under this Agreement have not been performed in accordance with their terms, and therefore agree that (notwithstanding any right to indemnification hereunder)

the other parties shall be entitled to specific enforcement of the terms of such covenants and any other equitable remedy to which such parties may be entitled.

11.11. Effect of Investigation. Except to the extent provided in this Agreement, no investigation by the parties hereto made before or after the date of this Agreement or the provisions of any documents (other than the Company Disclosure Schedule and the Buyer Disclosure Schedule, and any permitted supplements thereto to the extent provided in this Agreement), whether available pursuant to this Agreement or otherwise, shall affect the interpretation of the representations and warranties of the parties which are contained herein.

11.12. WAIVER OF JURY TRIAL. WITHOUT LIMITATION TO SECTION 11.7, EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

CROMPTON & KNOWLES CORPORATION

By: /s/Charles J. Marsden
Name:
Title:

INGREDIENT TECHNOLOGY CORPORATION

By: /s/Charles J. Marsden
Name:
Title:

CHR. HANSEN, INC.

By: /s/Leif Noergaard
Name: Leif Noergaard
Title: President

Schedule I

Adjustments to GAAP
For Purposes of Calculating Net Book Value

To the extent not otherwise required by GAAP, Net Book Value shall be computed by making the following adjustments to the consolidated balance sheet of the Company as of the close of business on the last Business Day of the month last preceding the month in which the Closing Date occurs:

(I) any inter-company accounts between the Company and/or its Subsidiaries, on the one hand, and Seller and/or its Affiliates (other than

the Company or any of its Subsidiaries), on the other hand, shall be excluded;

(II) unpaid costs and premiums, if any, due with respect to the surveys and title insurance policies to be provided by Seller as provided in Sections 6.2(g) and (h) of the Agreement shall be accrued as liabilities;

(III) there shall be included as current assets or current liabilities, as the case may be, amounts prepaid or appropriately accrued for periodic items through the close of business on the last Business Day of the month last preceding the month in which the Closing Date occurs, including, for example, maintenance and service agreements, personal property leases, vacation and sick pay and electric, gas, telephone and other utility charges;

(IV) there shall be included as current liabilities amounts appropriately accrued for customer deposits or prepayments (if any) through the close of business on the last Business Day of the month last preceding the month in which the Closing Date occurs;

(V) no effect shall be given to the sale of the Shares to the Buyer or any other transactions contemplated hereby (other than the disposition of the Canadian and French Subsidiary as provided herein); and

(VI) the adjustments reflected in the consolidated balance sheet of the Company as of October 24, 1998 (including the footnotes thereto) attached hereto shall be applied in the same amounts (without further adjustment thereto; except that the adjustments in columns three, four and nine (from the left) shall be appropriately and consistently adjusted to reflect actual balances) in the preparation of the consolidated balance sheet of the Company as of the close of business on the last Business Day of the month last preceding the month in which the Closing Date occurs.

EXHIBIT 4.4

Uniroyal Chemical Corporation
(f/k/a UCC Investors Holding, Inc.)

as Issuer

Uniroyal Chemical Company, Inc.

as successor to the Issuer

and

State Street Bank and Trust Company

as Trustee

First Supplemental Indenture

Dated as of December 9, 1998

$300,000,000

10 1/2% Senior Notes due 2002

First supplemental indenture, dated as of December 9, 1998 (the "First Supplement"), among Uniroyal Chemical Corporation (f/k/a UCC Investors Holding, Inc.), a corporation organized under the laws of the State of Delaware (the "Company"), Uniroyal Chemical Company, Inc., a corporation organized under the laws of the State of New Jersey ("UCCI"), and State Street Bank and Trust Company, a Massachusetts banking corporation, as Trustee (the "Trustee").

Whereas, the Company and the Trustee have entered into an Indenture, dated as of February 8, 1993 (as amended, restated, supplemented or otherwise modified from time to time, the "Indenture"), providing for the issuance of 10 1/2% Senior Notes due 2002 (the "Securities"), in the aggregate principal amount of $300,000,000;

Whereas, the Company and UCCI have entered into an Agreement and Plan of Merger, dated as of December 4, 1998 (the "Merger Agreement"), pursuant to which the Company will merge with and into UCCI (the "Merger");

Whereas, Section 4.01 of the Indenture permits the Company to merge with another corporation provided certain terms and conditions are satisfied;

Whereas, Section 8.01 of the Indenture authorizes the Company and the Trustee to enter into a supplemental indenture without consent of any Securityholders, to, among other things, comply with Article IV of the Indenture as well as to make any change that does not adversely affect the rights of any Securityholder;

Whereas, the Company has furnished the Trustee with an Officers' Certificate and, as to legal issues, an Opinion of Counsel, stating that the Merger and this First Supplement comply with Article IV of the Indenture and that all conditions precedent in the Indenture provided for relating to the Merger have been complied with; and

Whereas, pursuant to Section 8.06 of the Indenture, in signing this First Supplement the Trustee shall be fully protected in relying upon an Officers' Certificate and an Opinion of Counsel stating that this First Settlement is authorized or permitted by the Indenture;

Now, Therefore, each party hereto agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Securities.

SECTION 1. Definitions.

(a) Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Indenture.

(b) the following term shall have the indicated meaning when used in this First Supplement:

"Effective Time" has the meaning ascribed to it in the Merger Agreement.

SECTION 2. Assumption of Obligations.

(a) UCCI hereby assumes, from and after the Effective Time, all the respective obligations of the Company under the Securities and the Indenture.

(b) The resolutions adopted by the Board of Directors of UCCI in connection with this First Supplement and the assumption of obligations provided for herein are attached as Annex A hereto.

SECTION 3. Successor.

All references to "UCC Investors Holdings, Inc." or to "Uniroyal Chemical Corporation" contained in the Indenture (including any exhibit, annex or attachment thereto but excluding the signature page) and relating to any time period subsequent to the Effective Time, are hereby amended to be references to Uniroyal Chemical Company, Inc., and all references to the defined term "Company" contained in Indenture (including any exhibit, annex or attachment thereto) shall be references to Uniroyal Chemical Company, Inc.

SECTION 4. Notification.

The third full paragraph of Section 10.10 of the Indenture is hereby deleted in its entirety and the following new paragraph is hereby substituted therefore:

The Company's address is:

Uniroyal Chemical Company, Inc.
Benson Road
Middlebury, Connecticut 06749

SECTION 5. Ratification: Construction.

As amended by this First Supplement, the Indenture is in all respects ratified and confirmed, and, as so supplemented by this First Supplement, shall be read, taken and construed as one and the same instrument.

SECTION 6. Notices.

Any notice or communication pursuant to this First Supplement shall be given as provided in Section 10.02 of the Indenture.

SECTION 7. Governing Law.

This First Supplement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflicts of laws rules thereof.

SECTION 8. Heading: Miscellaneous.

The headings of this First Supplement have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms or provisions hereof.

SECTION 9. Counterparts.

This First Supplement may be executed in one or more counterparts, all of which shall be considered one and the same and each of which shall be deemed an original.

SECTION 10. Effectiveness.

This First Supplement shall become a legally effective and binding instrument upon the later of (i) execution and delivery hereof by all parties hereto and (ii) the Effective Time.

In Witness Whereof, the parties hereto have caused this First Supplement to be duly executed and attested, all as of the day and year first above written.

UNIROYAL CHEMICAL COMPANY, INC.

By: /s/John R. Jepson
Name: John Jepson
Title: Treasurer

Attest:

/s/ Barry J. Shainman
Name: Barry J. Shainman
Title: Secretary

UNIROYAL CHEMICAL COMPANY, INC.

By: /s/John R. Jepson
Name: John Jepson
Title: Treasurer

Attest:

/s/Barry J. Shainman
Name: Barry J. Shainman
Title: Secretary

STATE STREET BANK AND
TRUST COMPANY, as Trustee

By: /s/James E. Mogavero
Name: James E. Mogavero
Title: Vice President

Attest:

/s/Todd R. DiNezza
Name: Todd R. DiNezza
Title: Assistant Secretary

EXHIBIT 10.21

CROMPTON & KNOWLES CORPORATION

1993 Stock Option Plan for Non - Employee Directors

(As Amended as of 10/14/98)

1. Purpose

The purpose of this 1993 Stock Option Plan for Non - Employee Directors (the "Plan") of Crompton & Knowles Corporation (the "Company") is to attract and retain highly qualified non-employee directors of the Company and to encourage non-employee directors to own shares of the Company's Common Stock, $.10 par value ("Common Stock").

2. Participation

All directors of the Company who are not employees of the Company or any subsidiary of the Company shall be eligible to participate in the Plan.

3. Administration

(a) Grants. Grants of stock options under the Plan shall be governed by Section 6.

(b) Committee. A committee (the "Committee"), which shall be the Committee on Executive Compensation of the Board or such other committee composed of three or more directors or other persons appointed for such purpose by the Board, shall administer the Plan. If at any time no committee designated to administer the Plan shall be in office, the functions of the Committee shall be exercised by the Board.

(c) Rules; Committee Action. The Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines, and practices governing the Plan as it shall from time to time deem advisable and to interpret the terms and provisions of the Plan and any award issued under the Plan (and any agreement relating thereto). The Committee may act only by a majority of its members then in office, except that the members thereof may authorize any one or more of their number or any officer of the Company to execute and deliver documents on behalf of the Committee.

4. Stock Available for Options

(a) Shares Available. Subject to adjustment under subsection (b), options may be granted under the Plan in respect of a maximum of 200,000 shares of Common Stock. Shares subject to an option that expires or

terminates unexercised shall again be available for options hereunder to the extent of such expiration or termination. Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

(b) Adjustment. In the event of any stock dividend, extraordinary cash dividend, creation of a class of equity securities, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares, issuance of warrants or activation of rights to purchase Common Stock at a price substantially below fair market value, or similar change affecting the Common Stock, such adjustment shall be made in the maximum number and kind of shares subject to the Plan, in the number and kind of shares subject to outstanding options and subsequent options grants, and in the purchase price of outstanding options as the Board shall deem to be appropriate under the circumstances to prevent substantial dilution or enlargement of the rights granted to participants hereunder.

5. Nonstatutory Stock Options

All options granted under the Plan shall be nonstatutory options not intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

6. Terms and Conditions of Options

Each option granted under the Plan shall be evidenced by a written instrument in such form as the Committee may approve and shall be subject to the following terms and conditions:

(a) Grant of Options. As used in the Plan, the term "Grant Date" means the date of the first regular meeting of the Board in the forth quarter of each calendar year. Each year on the Grant Date, the Committee may grant an option to each eligible director to purchase up to 7,500 shares of Common Stock."

(b) Purchase Price. The purchase price for Common Stock subject to an option shall be 100% of the Fair Market Value of the Common Stock on the Grant Date.

(c) Fair Market Value. As used in the Plan, the term "Fair Market Value" means the mean, as of any given date, between the highest and lowest reported sales prices of the Common Stock on the New York Stock Exchange Composite Index on such date (or, if there is no reported sale on such date, on the last preceding date on which any reported sale occurred).

(d) Expiration Date of Options. The expiration date of each option shall be fixed by the Committee, but no option granted under the Plan shall be exercisable more than ten years after the Grant Date.

(e) Exercisability of Options. Options shall be exercisable in whole or in part with respect to 50% of the shares covered thereby on or after the

first anniversary of the Grant Date and as to the remaining 50% of such shares on or after the second anniversary of the Grant Date.

(f) Termination of Service. In the event service on the Board by the holder of any option terminates for any reason other than disability, death, or Change in Control (as hereinafter defined), the then outstanding options of such holder may thereafter be exercised, to the extent exercisable at the time of such termination, for a period of one year from the date of such termination but in no event after the stated expiration date of each option.

(g) Disability or Death; Change in Control. In the event service on the Board by the holder of any option terminates by reason of disability, death, or Change in Control, the then outstanding options of such holder will become immediately exercisable, to the extent not otherwise exercisable, and will expire one year after such termination. Such options may be exercised during such one-year period regardless of their stated expiration dates. The rights of the option holder may be exercised by the holder's guardian or legal representative in the case of disability and by the beneficiary designated by the holder in writing delivered to the Company or, if none has been designated, the holder's estate in the case of death.

(h) Exercise and Payment. Options may be exercised only by written notice to the Secretary of the Company accompanied by payment of the full purchase price for the shares as to which they are exercised. The purchase price may be paid in cash, in shares of Common Stock already owned for at least six months by the optionee (or other person entitled to exercise the option), or partly in cash and partly in such shares of Common Stock. The value of shares delivered in payment of the purchase price shall be their Fair Market Value, as determined above, as of the date of exercise. Upon receipt of such notice and payment, the Company shall promptly issue and deliver to the optionee (or other person entitled to exercise the option) a certificate or certificates for the number of shares as to which the exercise is made.

(i) Change in Control. As used herein, a "Change in Control" means a change in control of the Company of a nature that would be required to be reported in response to Item 1(a) of the Current Report on Form 8-K, as in effect on the effective date of the Plan, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); provided that, without limitation, such a "Change in Control" shall be deemed to have occurred if:

(i) A third person, including a "group" as such term is used in Section 13(d)(3) of the Exchange Act, other than the trustee of a Company employee benefit plan, becomes the beneficial owner, directly or indirectly, of 20 percent or more of the combined voting power of the Company's outstanding voting securities ordinarily having the right to vote for the election of directors of the Company;

(ii) During any period of 24 consecutive months individuals who, at the beginning of such consecutive 24-month period, constitute the Board of Directors of the Company (the "Board" generally and as of the

effective date of the Plan the "Incumbent Board") cease for any reason (other than retirement upon reaching normal retirement age, disability, or death) to constitute at least a majority of the Board; provided that any person becoming a director subsequent to the effective date of the Plan whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least three-quarters of the directors comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; or

(iii) The Company shall cease to be a publicly owned corporation having its outstanding stock listed on the New York Stock Exchange or quoted in the NASDAQ National Market System.

7. Options not Transferable

Options granted under the Plan shall not be transferable by the holder other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act ("ERISA") or the rules thereunder.

8. Limitation of Rights

Neither the Plan nor the granting of any option hereunder shall constitute an agreement or understanding that the Company will retain a director for any period of time or at any particular rate of compensation. The holder of an option shall have no rights as a shareholder with respect to shares as to which the option has not been exercised and payment made hereunder.

9. Purchase for Investment

Unless the options and shares of Common Stock covered by the Plan have been registered under the Securities Act of 1933, as amended, or the Company has determined that such registration is unnecessary, each holder exercising an option may be required by the Company to represent in writing that such holder is acquiring the shares subject to the option for his own account for investment and not with a view to, or for sale in connection with, the distribution of any part thereof.

10. Compliance with Regulations

It is the intention of the Company that the Plan comply in all respects with Rule 16b-3 promulgated under Section 16(b) of the Exchange Act and that eligible directors remain disinterested persons for purposes of administering other employee benefit plans of the Company and having such other plans be exempt from Section 16(b) of the Exchange Act. Therefore, if any Plan provision or Committee rule is later found not to be in compliance with Rule

16b-3 or if any Plan provision or Committee rule would disqualify eligible directors from remaining disinterested persons, that provision or rule shall be deemed null and void, and in all events the Plan shall be construed in favor of its meeting the requirements of Rule 16b-3.

11. Effective Date of the Plan

The Plan shall be effective as of the date it is adopted by the Board. Options granted under the Plan may not be exercised prior to the time the Plan shall have been approved by the holders of a majority of the outstanding Common Stock present or represented and entitled to vote at a meeting of shareholders of the Company. If such approval of the Plan by the shareholders is not obtained within one year of the adoption of the Plan by the Board, the Plan and any options granted pursuant to the Plan shall be null and void.

12. Amendment of the Plan

The Board may amend, suspend, or terminate the Plan or any portion thereof at any time, provided that no amendment affecting the amount of Common Stock subject to options granted under the Plan, the exercise price of options, or the timing of grants may be made more than once every six months, other than to comport with changes in the Code, ERISA, or the rules thereunder.

13. Governing Law

The Plan shall be governed by and interpreted in accordance with the laws of the Commonwealth of Massachusetts.

Amended 10/18/95
Amended 05/15/96
Amended 10/16/96
Amended 10/14/98

EXHIBIT 10.291

Receivables Sale Agreement

Dated as of December 11, 1998

among

Crompton & Knowles Receivables Corporation,
as the Seller,

Crompton & Knowles Corporation,
as the Initial Collection Agent

ABN AMRO Bank N.V.,
as the Agent,

the Liquidity Providers
from time to time party hereto,

ABN AMRO Bank N.V.,
as the Enhancer,

and

Windmill Funding Corporation

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Exhibit G	Lock-Boxes and Lock-Box Banks
Exhibit H	Form of Lock-Box Letter
Exhibit I	Compliance Certificate
Exhibit J	Credit and Collection Policy

Receivables Sale Agreement

Receivables Sale Agreement, dated as of December 11, 1998, among Crompton & Knowles Receivables Corporation, a Delaware corporation, as Seller (the "Seller"), Crompton & Knowles Corporation, a Massachusetts corporation, as the initial Collection Agent (the "Initial Collection Agent") ABN AMRO Bank N.V., as agent for the Purchasers (the "Agent"), the liquidity providers party hereto (the "Liquidity Providers"), ABN AMRO Bank N.V., as provider of the Program LOC (the "Enhancer"), and Windmill Funding Corporation ("Windmill"). Certain capitalized

terms used herein, and certain rules of construction, are defined in Schedule I. The sole initial Liquidity Provider and the Commitments of all Committed Purchasers are listed on Schedule II.

The parties hereto agree as follows:

Article
Purchases from Seller and Settlements

Section 1.1. Sales.

(a) The Sold Interest. Subject to the terms and conditions hereof, the Seller may, from time to time before the Liquidity Termination Date, sell to Windmill or ratably to the Committed Purchasers an undivided percentage ownership interest in the Receivables and all related Collections. Any such purchase (a "Purchase") shall be made by each relevant Purchaser remitting funds to the Seller, through the Agent, pursuant to Section 1.1(c) or by the Collection Agent remitting Collections to the Seller pursuant to Section 1.1(d). The aggregate percentage ownership interest so acquired by a Purchaser in the Receivables and related Collections (its "Purchase Interest") shall equal at any time the following quotient:

$$\frac{I + R}{ER}$$

where:

I = the outstanding Investment of such Purchaser at such time;

R = the Reserve for such Purchaser at such time; and

ER = the Eligible Receivables Balance at such time.

Except during a Liquidation Period for a Purchaser, such Purchaser's Purchase Interest will change whenever its Investment, its Reserve or the Eligible Receivables Balance changes. During a Liquidation Period for a Purchaser its Purchase Interest shall remain constant, except for redeterminations to reflect Investment acquired from or transferred to another Purchaser under Article II. The sum of all Purchasers' Purchase Interests at any time is referred to herein as the "Sold Interest", which at any time is the aggregate percentage ownership interest then held by the Purchasers in the Receivables and Collections.

(b) Windmill Purchase Option and Other Purchasers' Commitments. Subject to Section 1.1(d) concerning Reinvestment

Purchases, at no time will Windmill have any obligation to make a Purchase. Each Liquidity Provider and the Enhancer (together the "Committed Purchasers" and each a "Committed Purchaser") severally hereby agrees, subject to Section 7.2 and the other terms and conditions hereof, to make Purchases before the Liquidity Termination Date, based on its Ratable Share of each Purchase by the Committed Purchasers, to the extent its Investment would not thereby exceed its Commitment, the Aggregate Investment would not thereby exceed the Purchase Limit, and the Matured Aggregate Investment would not thereby exceed the Aggregate Commitments. Each Purchaser's first Purchase and each additional Purchase by such Purchaser not made from Collections pursuant to Section 1.1(d) is referred to herein as an "Incremental Purchase." Each Purchase made by a Purchaser with the proceeds of Collections in which it has a Purchase Interest, which does not increase the outstanding Investment of such Purchaser, is referred to herein as a "Reinvestment Purchase."

(c) Incremental Purchases. In order to request an Incremental Purchase from a Purchaser, the Seller must provide to the Agent an irrevocable written request (including by telecopier or other facsimile communication) substantially in the form of Exhibit A, by 10:00 a.m. (Chicago time) three Business Days before the requested date (the "Purchase Date") of such Purchase, specifying whether the Purchase is requested from Windmill or from the Committed Purchasers and which may, if Windmill is the requested Purchaser, request that the Committed Purchasers make such Purchase in lieu of Windmill should Windmill decline to do so, the requested Purchase Date (which must be a Business Day) and the requested amount (the "Purchase Amount") of such Purchase, which must be in a minimum amount of $1,000,000 and multiples thereof (or, if less, an amount equal to the Maximum Incremental Purchase Amount). The Agent shall promptly notify the contents of any such request to each Purchaser from which the Purchase is requested. If the Purchase is requested from Windmill and Windmill determines, in its sole discretion, to make the requested Purchase, Windmill shall transfer to the Agent's Account the amount of such Incremental Purchase on the requested Purchase Date. If (i) the Incremental Purchase is requested from the Committed Purchasers or (ii) the Incremental Purchase is requested from Windmill and Windmill declines to make such Incremental Purchase, then, subject to Section 7.2 and the other terms and conditions hereof, each Committed Purchaser shall transfer its Ratable Share of the requested Purchase Amount into the Agent's Account by no later than 12:00 noon (Chicago time) on the Purchase Date. The Agent shall transfer to the Seller Account the proceeds of any Incremental Purchase delivered into the Agent's Account. The Agent shall notify the Seller as to which Purchaser has made the requested Purchase.

(d) Reinvestment Purchases. Unless Windmill has

provided to the Agent, the Seller, and the Collection Agent a notice still in effect that it no longer wishes to make Reinvestment Purchases (in which case Windmill's Reinvestment Purchases, but not those of the Committed Purchasers, shall cease), at any time before the Liquidity Termination Date when no Interim Liquidation is in effect, on each day that any Collections are received by the Collection Agent a Purchaser's Purchase Interest in such Collections shall automatically be used to make a Reinvestment Purchase by such Purchaser, but only to the extent such Reinvestment Purchase would not cause the Purchaser's Investment to increase above the amount of such Investment at the start of the day plus any Incremental Purchases made by the Purchaser on that day. Windmill may revoke any notice provided under the first sentence of this Section 1.1(d) by notifying the Agent, the Seller, and the Collection Agent that it will make Reinvestment Purchases.

(e) Security Interest. To secure all of the Seller's obligations under the Transaction Documents, the Seller hereby grants to the Agent (for the benefit of the Purchasers) a security interest in all of the Seller's rights in the Receivables, the Collections, and the Lock- Box Accounts.

Section 1.2. Interim Liquidations. (a) Optional. The Seller may at any time direct that Reinvestment Purchases cease and that an Interim Liquidation commence for all Purchasers by giving the Agent and the Collection Agent at least three Business Days' written (including telecopy or other facsimile communication) notice specifying the date on which the Interim Liquidation shall commence and, if desired, when such Interim Liquidation shall cease before the Liquidity Termination Date (identified as a specific date or as when the Aggregate Investment is reduced to a specified amount). If the Seller does not so specify the date on which an Interim Liquidation shall cease, it may cause such Interim Liquidation to cease at any time before the Liquidity Termination Date, subject to Section 1.2(b) below, by notifying the Agent and the Collection Agent in writing (including by telecopy or other facsimile communication) at least three Business Days before the date on which it desires such Interim Liquidation to cease.

(b) Mandatory. If at any time before the Liquidity Termination Date any condition in Section 7.2 is not fulfilled, the Seller shall immediately notify the Agent and the Collection Agent, whereupon Reinvestment Purchases shall cease and an Interim Liquidation shall commence, which shall only cease upon the Seller confirming to the Agent that the conditions in Section 7.2 are fulfilled.

Section 1.3. Selection of Discount Rates and Tranche Periods. (a) All Investment shall be allocated to one or more

Tranches reflecting the Discount Rates at which such Investment accrues Discount and the Tranche Periods for which such Discount Rates apply. In each request for an Incremental Purchase and three Business Days before the expiration of any Tranche Period applicable to any Purchaser's Investment, the Seller may request the Discount Rate(s) and Tranche Period(s) to be applicable to such Investment. All Investment (i) of Windmill shall accrue Discount at the CP Rate and (ii) of the Committed Purchasers may accrue Discount at either the Eurodollar Rate or the Prime Rate, in all cases as established for each Tranche Period applicable to such Investment. Each Tranche shall be in the minimum amount of $1,000,000 and in multiples thereof or, in the case of Discount accruing at the Prime Rate, in any amount of Investment that otherwise has not been allocated to another Tranche Period. Any Investment not allocated to a Tranche Period shall be a Prime Tranche. During the pendency of a Termination Event, the Agent may reallocate any outstanding Investment of the Committed Purchasers to a Prime Tranche. All Discount accrued during a Tranche Period shall be payable by the Seller on the last day of such Tranche Period or, for a Eurodollar Tranche with a Tranche Period of more than three months, 90 days after the commencement, and on the last day, of such Tranche Period.

(b) If, by the time required in Section 1.3(a), the Seller fails to select a Tranche Period for any Investment of Windmill, the Agent may, in its sole discretion, select such Tranche Period. If, by the time required in Section 1.3(a), the Seller fails to select a Discount Rate or Tranche Period for any Investment of the Committed Purchasers, such amount of Investment shall automatically accrue Discount at the Prime Rate for a three Business Day Tranche Period. Any Investment purchased from Windmill pursuant to Section 2.1 shall have a Prime Tranche Period of three Business Days.

(c) If the Agent or any Committed Purchaser determines (i) that maintenance of any Eurodollar Tranche would violate any applicable law or regulation or (ii) by reason of circumstances affecting the interbank eurodollar market that deposits of a type and maturity appropriate to match fund any of such Purchaser's Eurodollar Tranches are not available, then the Agent, upon the direction of such Purchaser, shall suspend the availability of, and terminate any outstanding, Eurodollar Tranche so affected. All Investment allocated to any such terminated Eurodollar Tranche shall be reallocated to a Prime Tranche.

Section 1.4. Fees and Other Costs and Expenses. (a) The Seller shall pay to the Agent (i) for the ratable benefit of the Liquidity Providers, such amounts as agreed to with the Liquidity Providers and the Agent in the Pricing Letter, and (ii) for the account of the Enhancer and the Agent, such amounts as agreed to with the Enhancer and the Agent in the Fee Letter.

(b) If the amount of Investment allocated to any CP or Eurodollar Tranche is reduced before the last day of its Tranche Period, or if a requested Incremental Purchase at the Eurodollar Rate does not take place on its scheduled Purchase Date, the Seller shall pay the Early Payment Fee to each Purchaser that had its Investment so reduced or scheduled Purchase not made.

(c) Investment shall be payable solely from Collections and from amounts payable under Sections 1.5, 1.7 and 6.1 (to the extent amounts paid under Section 6.1 indemnify against reductions in or nonpayment of Receivables). The Seller shall pay, as a full recourse obligation, all other amounts payable hereunder, including, without limitation, all Discount, fees described in clauses (a) and (b) above and amounts payable under Article VI.

Section 1.5. Maintenance of Sold Interest; Deemed Collection. (a) General. If at any time before the Liquidity Termination Date the Eligible Receivables Balance is less than the sum of 100% plus the Reserve Percentage multiplied by the Aggregate Investment (or, if a Termination Event exists, the Matured Aggregate Investment), the Seller shall pay to the Agent an amount equal to such deficiency for application to reduce the Investments of the Purchasers ratably in accordance with the principal amount of their respective Investments, applied first to Prime Tranches and second to the other Tranches with the shortest remaining maturities unless otherwise specified by the Seller. Any amount so applied to reduce Windmill's Investment shall be deposited in the Special Transaction Subaccount.

(b) Deemed Collections. If on any day the outstanding balance of a Receivable is reduced or cancelled as a result of any defective or rejected goods or services, any cash discount or adjustment (including any adjustment resulting from the application of any special refund or other discounts or any reconciliation), any setoff or credit (whether such claim or credit arises out of the same, a related, or an unrelated transaction) or other similar reason not arising from the financial inability of the Obligor to pay undisputed indebtedness, the Seller shall be deemed to have received on such day a Collection on such Receivable in the amount of such reduction or cancellation. If on any day any representation, warranty, covenant or other agreement of the Seller related to a Receivable is not true or is not satisfied, the Seller shall be deemed to have received on such day a Collection in the amount of the outstanding balance of such Receivable. All such Collections deemed received by the Seller under this Section 1.5(b) shall be remitted by the Seller to the Collection Agent in accordance with Section 5.1(i).

(c) Adjustment to Sold Interest. At any time before the Liquidity Termination Date that the Seller is deemed to have received any Collection under Section 1.5(b) ("Deemed Collections") that derive from a Receivable that is otherwise reported as an Eligible Receivable, so long as no Liquidation Period then exists, the Seller may satisfy its obligation to deliver such amount to the Collection Agent by instead notifying the Agent that the Sold Interest should be recalculated by decreasing the Eligible Receivables Balance by the amount of such Deemed Collections, so long as such adjustment does not cause the Sold Interest to exceed 100%.

(d) Payment Assumption. Unless an Obligor otherwise specifies or another application is required by contract or law, any payment received by the Seller from any Obligor shall be applied as a Collection of Receivables of such Obligor (starting with the oldest such Receivable) and remitted to the Collection Agent as such.

Section 1.6. Reduction in Commitments. The Seller may, upon thirty days' notice to the Agent, reduce the Aggregate Commitment in increments of $1,000,000, so long as the Aggregate Commitment at all times equals at least the outstanding Matured Aggregate Investment. Each such reduction in the Aggregate Commitment shall reduce the Commitment of each Committed Purchaser in accordance with its Ratable Share and shall ratably reduce the Purchase Limit so that the Aggregate Commitment remains at least 102% of the Purchase Limit.

Section 1.7. Repurchases. (a) Optional. At any time that the Aggregate Investment is less than 10% of the Aggregate Commitment in effect on the date hereof, the Seller may, upon thirty days' notice to the Agent, repurchase the entire Sold Interest from the Purchasers at a price equal to the outstanding Matured Aggregate Investment and all other amounts then owed hereunder.

(b) Mandatory. If at any time before the Liquidity Termination Date the Sold Interest exceeds 100%, unless the Seller remedies the situation by satisfying its obligations under Section 1.5(a), any Purchaser may direct that all Purchasers ratably reassign to the Seller, without recourse, representation or warranty, a portion of the Purchase Interest of each Purchaser so that the Sold Interest does not exceed 100%. The Seller shall purchase such reassigned Purchase Interests at a purchase price equal to the Matured Value of the Investment so reassigned by each Purchaser.

Section 1.8. Assignment of Purchase Agreements. The Seller hereby assigns and otherwise transfers to the Agent (for the benefit of the Agent, each Purchaser and any other Person to

whom any amount is owed hereunder), all of the Seller's right, title and interest in, to and under each Purchase Agreement. The Seller shall execute, file and record all financing statements, continuation statements and other documents required to perfect or protect such assignment. This assignment includes (a) all monies due and to become due to the Seller from each Originator or the Parent under or in connection with each Purchase Agreement (including fees, expenses, costs, indemnities and damages for the breach of any obligation or representation related to such agreement) and (b) all rights, remedies, powers, privileges and claims of the Seller against each Originator or the Parent under or in connection with each Purchase Agreement. All provisions of each Purchase Agreement shall inure to the benefit of, and may be relied upon by, the Agent, each Purchaser and each such other Person. At any time that a Termination Event has occurred and is continuing, the Agent shall have the sole right to enforce the Seller's rights and remedies under each Purchase Agreement to the same extent as the Seller could absent this assignment, but without any obligation on the part of the Agent, any Purchaser or any other such Person to perform any of the obligations of the Seller under each Purchase Agreement (or any of the promissory notes executed thereunder). All amounts distributed to the Seller under each Purchase Agreement from Receivables sold to the Seller thereunder shall constitute Collections hereunder and shall be applied in accordance herewith.

Section 1.9. Extension of Liquidity Termination Date. The Seller may advise the Liquidity Providers and the Enhancer in writing of its desire to extend the Liquidity Termination Date for an additional 364 days, provided (i) such request is made not more than 120 days prior to, and not less than 90 days prior to, the Liquidity Termination Date, and (ii) not more than one such request for the extension of the Liquidity Termination Date may be made in any one calendar year and (iii) in no event shall the Liquidity Termination Date be extended beyond December 11, 2003. In the event that the Liquidity Providers and the Enhancer are agreeable to such extension, the Agent shall so notify the Seller in writing (it being understood that the Liquidity Providers and the Enhancer may accept or decline such a request in their sole discretion and on such terms as they may elect) not less than 45 days prior to the Liquidity Termination Date and the Seller and the Liquidity Providers and the Enhancer shall enter into such documents as the Liquidity Providers and the Enhancer may deem necessary or appropriate to reflect such extension, and all reasonable costs and expenses incurred by the Liquidity Providers and the Enhancer in connection therewith (including reasonable attorneys' fees) shall be paid by the Seller. The Liquidity Providers or the Enhancer shall be deemed to have refused to grant the requested extension in the event the Agent shall fail to so notify the Seller of their agreement to such an extension.

Article II
Sales to and from Windmill; Allocations

Section 2.1. Required Purchases from Windmill. (a) Windmill may, at any time, and on the earlier of the Windmill Termination Date and 10 Business Days following the Agent and Windmill learning of a continuing Termination Event, Windmill shall, sell to the Committed Purchasers any percentage designated by Windmill of Windmill's Investment and its related Windmill Settlement (each, a "Put"). If the Put occurs due to the Windmill Termination Date or a Termination Event, the designated percentage shall be 100% or such lesser percentage as is necessary to obtain the maximum available Purchase Price from each Committed Purchaser. Immediately upon notice of a Put from Windmill to the Agent, the Agent shall deliver to each Purchaser a notification of assignment in substantially the form of Exhibit B, and each Committed Purchaser shall purchase from Windmill its Purchase Percentage of Windmill's Investment and related Windmill Settlement by transferring to the Agent's Account an amount equal to such Purchaser's Purchase Price by not later than 1:00 p.m. (Chicago time) on the date such funds are requested; provided, however, that the Enhancer may exchange for part or all of the Purchase Price payable by it an equal amount of the Program Unreimbursed Draw Amount.

(b) If a Liquidity Provider fails to transfer to the Agent its full Purchase Price when required by Section 2.1(a) (the aggregate amount not made available to the Agent by each such Liquidity Provider being the "Unpaid Amount"), then, upon notice from the Agent by not later than 1:15 p.m. (Chicago time), each Liquidity Provider not owing an Unpaid Amount shall transfer to the Agent's Account, by not later than 1:45 p.m. (Chicago time), an amount equal to the lesser of such Liquidity Provider's proportionate share (based on its Commitment divided by the Commitments of all Liquidity Providers that have not so failed to pay their full Purchase Price) of the Unpaid Amount and its Unused Commitment. If the Agent does not then receive the Unpaid Amount in full, upon notice from the Agent by not later than 2:00 p.m. (Chicago time) on such day, each Liquidity Provider that has not failed to fund any part of its obligations on such day under this Section 2.1 shall pay to the Agent, by not later than 2:30 p.m. (Chicago time), its proportionate share (determined as described above) of the amount of such remaining deficiency up to the amount of its Unused Commitment. Any Liquidity Provider that fails to make a payment under this Section 2.1 on the date of a Put shall pay on demand to each other Liquidity Provider that makes a payment under this subsection (b) the amount paid by it to cover such failure, together with interest thereon, for each day from the date such payment was made until the date such other Liquidity Provider has been paid such amount in full, at a rate per annum equal to the

Federal Funds Rate plus two percent (2%) per annum. In addition, without prejudice to any other rights Windmill may have under applicable law, any Liquidity Provider that has failed to transfer to the Agent under Section 2.1(a) its full Purchase Price shall pay on demand to Windmill the difference between such unpaid Purchase Price and the amount paid by other Liquidity Providers or the Agent to cover such failure, together with interest thereon, for each day from the date such Purchase Price was due until the date paid, at a rate per annum equal to the Federal Funds Rate plus two percent (2%) per annum.

(c) Any portion of Windmill's Investment and related Windmill Settlement purchased by a Committed Purchaser (including any purchased under Section 2.1(b) in fulfillment of another Liquidity Provider's obligation unless such purchase is reimbursed in full, with interest, by such other Liquidity Provider under Section 2.1(b)) shall be considered part of such Purchaser's Investment and related Windmill Settlement from the date of the relevant Put. Each such sale by Windmill to a Committed Purchaser shall be without recourse, representation or warranty except for the representation and warranty that such Investment and related amounts are being sold by Windmill free and clear of any Adverse Claim created or granted by Windmill. Immediately upon any purchase by the Committed Purchasers of any portion of Windmill's Investment, the Seller shall pay to the Agent (for the ratable benefit of such Purchasers) an amount equal to the sum of the Assigned Windmill Settlement and the amount calculated for all such Purchasers pursuant to clause (b) of the definition of Purchase Price.

(d) The proceeds from each Put received by Windmill (other than amounts described in clauses (b)(ii) and (iii) of the definition of Purchase Price), shall be transferred into the Special Transaction Subaccount and used solely to pay that portion of the outstanding commercial paper of Windmill issued to fund or maintain the Investment of Windmill so transferred. Until used to pay CP Notes, all proceeds of any Put pursuant to this Section shall be invested in Permitted Investments. All earnings on such Permitted Investments shall be promptly remitted to the Seller.

(e) The obligation of each Committed Purchaser to make any purchase from Windmill pursuant to this Section 2.1 shall be several, not joint, and shall be absolute and unconditional; provided, however, that no Committed Purchaser shall have any obligation to make such a purchase at a time that (i) Windmill shall have voluntarily commenced any proceeding or filed any petition under any bankruptcy, insolvency or similar law seeking the dissolution, liquidation or reorganization of Windmill or (ii) involuntary proceedings or an involuntary petition shall have been commenced or filed against Windmill under any

bankruptcy, insolvency or similar law seeking the dissolution, liquidation or reorganization of Windmill and such proceeding or petition shall not have been dismissed or stayed for a period of thirty (30) days, or any of the actions sought in such proceeding or petition (including the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, Windmill or for any substantial part of Windmill's property) shall occur.

Section 2.2. Purchases by Windmill. If the Seller requests an increase in Windmill's Investment when any Committed Purchaser has any outstanding Investment, Windmill shall determine the amount, if any, by which it desires to increase its Investment (the "Desired Increase") and shall so notify the Agent. Such request may only be made at the end of a Tranche Period. If Windmill has a Desired Increase, the Agent shall deliver to the Committed Purchasers a notification of assignment in substantially the form of Exhibit C and, before purchasing any additional Investment from the Seller, Windmill shall purchase in full the Investment of the Committed Purchasers, at a purchase price equal to such Investment plus accrued and unpaid Discount thereon. If the Desired Increase is less than the sum of the total Investment of the Committed Purchasers and accrued Discount, Windmill shall purchase a ratable portion of each Liquidity Provider's Investment and only after all such Investment and accrued Discount thereon is purchased may Windmill purchase Investment of the Enhancer and Discount thereon. Any sale from any Committed Purchaser to Windmill pursuant to this Section 2.2 shall be without recourse, representation or warranty except for the representation and warranty that the Investment sold by such Purchaser is free and clear of any Adverse Claim created or granted by such Purchaser and that such Purchaser has not suffered a Bankruptcy Event.

Section 2.3. Allocations and Distributions.

(a) Windmill Termination and Non-Reinvestment Periods. Before the Liquidity Termination Date unless an Interim Liquidation is in effect, on each day during a period that Windmill is not making Reinvestment Purchases (as established under Section 1.1(d)) and at all times on and after the Windmill Termination Date, the Collection Agent (i) shall set aside and hold solely for the benefit of Windmill (or deliver to the Agent, if so instructed pursuant to Section 3.2(a)) Windmill's Purchase Interest in all Collections received on such day and (ii) shall distribute on the last day of each CP Tranche Period to the Agent (for the benefit of Windmill) the amounts so set aside up to the amount of Windmill's Investment allocated to such Tranche Period and, to the extent not already paid in full, all Discount thereon and all other amounts then due from the Seller in connection with such Investment and Tranche Period. The Sold Interest, and each Purchaser's Purchase Interest, shall be recalculated to give

effect to any application of any portion of the Sold Interest in Collections to pay Discount or other amounts (except Investment) under this Section 2.3(a), and the Seller shall comply with Section 1.5(a) after such recalculation.

(b) Liquidity Termination Date and Interim Liquidations. On each day on and after the Liquidity Termination Date, and during any Interim Liquidation, the Collection Agent shall set aside and hold solely for the account of the Agent, for the benefit of the Purchasers, (or deliver to the Agent, if so instructed pursuant to Section 3.2(a)) the Sold Interest in all Collections received on such day and such Collections shall be allocated as follows:

(i) first, only so long as (A) the sum of the Matured Value of the Windmill Investment, the Matured Value of the Liquidity Provider Investment, and the Enhancer Investment is less than (B) the product of the Sold Interest (or, if less, 100%) multiplied by the Eligible Receivables Balance, to the payment of all Discount then due and not paid to the Enhancer;

(ii) second, to Windmill and to the Liquidity Providers (ratably, based on the Matured Value of their Investments) until all Investment of, and Discount due but not already paid to, the Liquidity Providers and Windmill has been paid in full;

(iii) third, to the Enhancer until all Investment of, and Discount due but not already paid to, the Enhancer has been paid in full;

(iv) fourth, to the Purchasers until all other amounts owed to the Purchasers have been paid in full;

(v) fifth, to the Agent until all amounts owed to the Agent have been paid in full;

(vi) sixth, to any other Person to whom any amounts are owed under the Transaction Documents until all such amounts have been paid in full; and

(vii) seventh, to the Seller (or as otherwise required by applicable law).

Unless an Interim Liquidation has ended by such date (in which case Reinvestment Purchases shall resume to the extent provided in Section 1.1(d)), on the last day of each Tranche Period (unless otherwise instructed by the Agent pursuant to Section 3.2(a)), the Collection Agent shall deposit into the Agent's Account, from such set aside Collections, all amounts allocated to such Tranche Period and all Tranche Periods that ended before such date, due in accordance with the priorities in

clauses (i)-(iii) above. No distributions shall be made to pay amounts under clauses (iv) - (vii) until sufficient Collections have been set aside to pay all amounts described in clauses (i) - (iii) that may become payable for all outstanding Tranche Periods. All distributions by the Agent shall be made ratably within each priority level in accordance with the respective amounts then due each Person included in such level unless otherwise agreed by the Agent and all Purchasers. As provided in Section 1.4(c) all Discount and other amounts payable hereunder other than Investment are payable by the Seller. If any part of the Sold Interest in any Collections is applied to pay any such amounts pursuant to this Section 2.3(b), the Seller shall pay to the Collection Agent the amount so applied for distribution as part of the Sold Interest in Collections.

Article III
Administration and Collections

Section 3.1. Appointment of Collection Agent. (a) The servicing, administering and collecting of the Receivables shall be conducted by a Person (the "Collection Agent") designated to so act on behalf of the Purchasers under this Article III. As the Initial Collection Agent, the Parent is hereby designated as, and agrees to perform the duties and obligations of, the Collection Agent. The Parent acknowledges that the Agent and each Purchaser have relied on the Parent's agreement to act as Collection Agent (and the agreement of any of the sub-collection agents to so act) in making the decision to execute and deliver this Agreement and agrees that it will not voluntarily resign as Collection Agent. At any time after the occurrence of a Collection Agent Replacement Event, the Agent may designate a new Collection Agent to succeed the Parent (or any successor Collection Agent).

(b) The Parent may, and if requested by the Agent shall, delegate its duties and obligations as Collection Agent to an Affiliate (acting as a sub-collection agent). Notwithstanding such delegation, the Parent shall remain primarily liable for the performance of the duties and obligations so delegated, and the Agent and each Purchaser shall have the right to look solely to the Parent for such performance. The Agent may at any time after the occurrence of a Collection Agent Replacement Event remove or replace any sub-collection agent.

(c) If replaced, the Collection Agent agrees it will terminate, and will cause each existing sub-collection agent to terminate, its collection activities in a manner requested by the Agent to facilitate the transition to a new Collection Agent. The Collection Agent shall cooperate with and assist any new Collection Agent (including providing access to, and transferring, all Records and allowing the new Collection Agent

to use all licenses, hardware or software necessary or desirable to collect the Receivables). The Parent irrevocably agrees to act (if requested to do so) as the data-processing agent for any new Collection Agent in substantially the same manner as the Parent conducted such data-processing functions while it acted as the Collection Agent; provided, however, that the Parent receives a then market rate compensation for providing such services.

Section 3.2. Duties of Collection Agent. (a) The Collection Agent shall take, or cause to be taken, all action necessary or advisable to collect each Receivable in accordance with this Agreement, the Credit and Collection Policy and all applicable laws, rules and regulations using the skill and attention the Collection Agent exercises in collecting other receivables or obligations owed solely to it. The Collection Agent shall, in accordance herewith, set aside all Collections to which a Purchaser is entitled. If so instructed by the Agent, the Collection Agent shall transfer to the Agent the amount of Collections to which the Agent and the Purchasers are entitled by the Business Day following receipt and identification thereof. Each party hereto hereby appoints the Collection Agent to enforce such Person's rights and interests in the Receivables, but (notwithstanding any other provision in any Transaction Document) the Agent shall at all times after the occurrence of a Collection Agent Replacement Event have the sole right to direct the Collection Agent to commence or settle any legal action to enforce collection of any Receivable.

(b) If no Termination Event exists and the Collection Agent determines that such action is appropriate in order to maximize the Collections, the Collection Agent may, in accordance with the Credit and Collection Policy, extend the maturity of any Receivable (but no such extension shall be for a period more than thirty (30) days) or adjust the outstanding balance of any Receivable. Any such extension or adjustment shall not alter the status of a Receivable as a Defaulted Receivable or Delinquent Receivable or limit any rights of the Agent or the Purchasers hereunder. If a Termination Event exists, the Collection Agent may make such extensions or adjustments only with the prior consent of the Instructing Group.

(c) The Collection Agent shall turn over to the Seller (i) any percentage of Collections in excess of the Sold Interest, less all reasonable third party out-of-pocket costs and expenses of the Collection Agent for collecting the Receivables and (ii) subject to Section 1.5(d), the collections and records for any indebtedness owed to the Seller that is not a Receivable. The Collection Agent shall have no obligation to remit any such funds or records to the Seller until the Collection Agent receives evidence (satisfactory to the Agent) that the Seller is entitled to such items. The Collection Agent has no obligations

concerning indebtedness that is not a Receivable other than to deliver the collections and records for such indebtedness to the Seller when required by this Section 3.2(c).

Section 3.3. Reports. On or before the twentieth day of each month, the Collection Agent shall deliver to the Agent a report reflecting information as of the close of business of the Collection Agent for the immediately preceding calendar month or such other preceding period as is requested (each a "Periodic Report"), containing the information described on Exhibit D1 (with such modifications or additional information as requested by the Agent or the Instructing Group); provided, however, that in the event the senior unsecured long-term debt of the Parent is rated (i) less than BB- by S&P or (ii) less than Ba3 by Moody's (or either such rating is suspended or withdrawn) then the Collection Agent shall deliver a report containing the information described on Exhibit D2 to the Agent on each Business Day.

Section 3.4. Lock-Box Arrangements. The Agent is hereby authorized to give notice at any time after the occurrence of a Collection Agent Replacement Event to any or all Lock-Box Banks that the Agent is exercising its rights under the Lock-Box Letters and to take all actions permitted under the Lock-Box Letters. The Seller agrees to take any action requested by the Agent to facilitate the foregoing. After the Agent takes any such action under the Lock-Box Letters, the Seller shall immediately deliver to the Agent any Collections received by the Seller. If the Agent takes control of any Lock-Box Account, the Agent shall distribute Collections it receives in accordance herewith and shall deliver to the Collection Agent, for distribution under Section 3.2, all other amounts it receives from such Lock-Box Account.

Section 3.5. Enforcement Rights. (a) The Agent may, at any time after the occurrence of a Collection Agent Replacement Event, direct the Obligors and the Lock-Box Banks to make all payments on the Receivables directly to the Agent or its designee. The Agent may, and the Seller shall at the Agent's request, withhold the identity of the Purchasers from the Obligors and Lock-Box Banks. Upon the Agent's request after the occurrence of a Collection Agent Replacement Event, the Seller (at the Seller's expense) shall (i) give notice to each Obligor of the Agent's ownership of the Sold Interest and direct that payments on Receivables be made directly to the Agent or its designee, (ii) assemble for the Agent all Records and collateral security for the Receivables and transfer to the Agent (or its designee), or license to the Agent (or its designee) the use of, all software then used by the Collection Agent to collect the Receivables and (iii) segregate in a manner acceptable to the Agent all Collections the Seller receives and, promptly upon

receipt, remit such Collections in the form received, duly endorsed or with duly executed instruments of transfer, to the Agent or its designee.

(b) After the occurrence of a Collection Agent Replacement Event, Seller hereby irrevocably appoints the Agent as its attorney-in-fact coupled with an interest, with full power of substitution and with full authority in the place of the Seller, to take any and all steps deemed desirable by the Agent, in the name and on behalf of the Seller to (i) collect any amounts due under any Receivable, including endorsing the name of the Seller on checks and other instruments representing Collections and enforcing such Receivables, and (ii) exercise any and all of the Seller's rights and remedies under each Purchase Agreement. The Agent's powers under this Section 3.5(b) shall not subject the Agent to any liability if any action taken by it (except for any action taken pursuant thereto that constitutes gross negligence or willful misconduct) proves to be inadequate or invalid, nor shall such powers confer any obligation whatsoever upon the Agent.

(c) Neither the Agent nor any Purchaser shall have any obligation to take or consent to any action to realize upon any Receivable or to enforce any rights or remedies related thereto.

Section 3.6. Collection Agent Fee. On or before the twentieth day of each calendar month, the Seller shall pay to the Collection Agent a fee for the immediately preceding calendar month as compensation for its services (the "Collection Agent Fee") equal to (a) at all times the Parent or an Affiliate of any Crompton & Knowles Entity is the Collection Agent, such consideration as is acceptable to it, the receipt and sufficiency of which is hereby acknowledged, and (b) at all times any other Person is the Collection Agent, a reasonable amount agreed upon by the Agent and the new Collection Agent on an arm'slength basis reflecting rates and terms prevailing in the market at such time. The Collection Agent may only apply to payment of the Collection Agent Fee the portion of the Collections in excess of the Sold Interest or Collections that fund Reinvestment Purchases. The Agent may, with the consent of the Instructing Group, pay the Collection Agent Fee to the Collection Agent from the Sold Interest in Collections. The Seller shall be obligated to reimburse any such payment to the extent required by Section 1.5 or 2.3.

Section 3.7. Responsibilities of the Seller. The Seller shall, or shall cause each Originator to, pay when due all Taxes payable in connection with the Receivables or their creation or satisfaction. The Seller shall, and shall cause each Originator to, perform all of its obligations under agreements related to the Receivables to the same extent as if interests in the

Receivables had not been transferred hereunder or, in the case of each Originator, under each Purchase Agreement. The Agent's or any Purchaser's exercise of any rights hereunder shall not relieve the Seller or any Originator from such obligations. Neither the Agent nor any Purchaser shall have any obligation to perform any obligation of the Seller or of any Originator or any other obligation or liability in connection with the Receivables.

Section 3.8. Actions by Seller. The Seller shall defend and indemnify the Agent and each Purchaser against all costs, expenses, claims and liabilities for any action taken by the Seller, any Originator or any other Affiliate of the Seller or of such Originator (whether acting as Collection Agent or otherwise) related to any Receivable (other than with respect to the credit risk of an Obligor and for which reimbursement would constitute recourse for uncollectible Receivables), or arising out of any alleged failure of compliance of any Receivable with the provisions of any law or regulation. If any goods related to a Receivable are repossessed, the Seller agrees to resell, or to have the applicable Originator or another Affiliate resell, such goods in a commercially reasonable manner for the account of the Agent and remit, or have remitted, to the Agent the Purchasers' share in the gross sale proceeds thereof net of any out-of-pocket expenses and any equity of redemption of the Obligor thereon. Any such moneys collected by the Seller or the applicable Originator or other Affiliate of the Seller pursuant to this Section 3.8 shall be segregated and held in trust for the Agent and remitted to the Agent's Account within two Business Days of receipt as part of the Sold Interest in Collections for application as provided herein.

Section 3.9. Indemnities by the Collection Agent. Without limiting any other rights any Person may have hereunder or under applicable law, the Collection Agent hereby indemnifies and holds harmless the Agent and each Purchaser and their respective officers, directors, agents and employees (each an "Indemnified Party") from and against any and all damages, losses, claims, liabilities, penalties, Taxes, costs and expenses (including attorneys' fees and court costs) (all of the foregoing collectively, the "Indemnified Losses") at any time imposed on or incurred by any Indemnified Party arising out of or otherwise relating to:

(i) any written representation or warranty made by the Collection Agent (or any employee or agent of the Collection Agent) in this Agreement, any other Transaction Document, any Periodic Report or any other information or report delivered by the Collection Agent pursuant hereto, which shall have been false or incorrect in any material respect when made;

(ii) the failure by the Collection Agent to comply

with any applicable law, rule or regulation related to any Receivable, or the nonconformity of any Receivable with any such applicable law, rule or regulation;

(iii) any loss of a perfected security interest (or in the priority of such security interest) as a result of any commingling by the Collection Agent of funds to which the Agent or any Purchaser is entitled hereunder with any other funds; or

(iv) any failure of the Collection Agent, to perform its duties or obligations in accordance with the provisions of this Agreement or any other Transaction Document to which the Collection Agent is a party;

whether arising by reason of the acts to be performed by the Collection Agent hereunder or otherwise, excluding only Indemnified Losses to the extent (a) such Indemnified Losses resulted solely from negligence or willful misconduct of the Indemnified Party seeking indemnification, (b) solely due to the credit risk of the Obligor and for which reimbursement would constitute recourse to the Collection Agent for uncollectible Receivables, (c) such Indemnified Losses include Taxes on, or measured by, the overall net income of the Agent or any Purchaser computed in accordance with the Intended Tax Characterization, or (d) the applicable Originator is the plaintiff and the Indemnified Party is the defendant unless such Indemnified Party prevails in such legal action; provided, however, that nothing contained in this sentence shall limit the liability of the Collection Agent or limit the recourse of the Agent and each Purchaser to the Collection Agent for any amounts otherwise specifically provided to be paid by the Collection Agent hereunder.

Article IV
Representations and Warranties

Section 4.1. Representations and Warranties. The Seller represents and warrants to the Agent and each Purchaser that:

(a) Corporate Existence and Power. Each of the Seller and each Crompton & Knowles Entity is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation and has all corporate power and authority and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is now conducted, except where failure to obtain such license, authorization, consent or approval would not have a material adverse effect on (i) its ability to perform its obligations under, or the enforceability of, any Transaction Document, (ii) its business or financial condition, (iii) the interests of the Agent or any Purchaser

under any Transaction Document or (iv) the enforceability or collectibility of any Receivable.

(b) Corporate Authorization and No Contravention. The execution, delivery and performance by each of the Seller and each Crompton & Knowles Entity of each Transaction Document to which it is a party (i) are within its corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) do not contravene or constitute a default under (A) any applicable law, rule or regulation, (B) its or any Subsidiary's charter or by-laws or (C) any agreement, order or other instrument to which it or any Subsidiary is a party or its property is subject and (iv) will not result in any Adverse Claim on any Receivable or Collection or give cause for the acceleration of any indebtedness of the Seller, any Crompton & Knowles Entity or any Subsidiary.

(c) No Consent Required. No approval, authorization or other action by, or filings with, any Governmental Authority or other Person is required in connection with the execution, delivery and performance by the Seller or any Crompton & Knowles Entity of any Transaction Document or any transaction contemplated thereby.

(d) Binding Effect. Each Transaction Document to which the Seller or any Crompton & Knowles Entity is a party constitutes the legal, valid and binding obligation of such Person enforceable against that Person in accordance with its terms, except as limited by bankruptcy, insolvency, or other similar laws of general application relating to or affecting the enforcement of creditors' rights generally and subject to general principles of equity.

(e) Perfection of Ownership Interest. Immediately preceding its sale of Receivables to the Seller, each Originator was the owner of, and effectively sold, such Receivables to the Seller, free and clear of any Adverse Claim. The Seller owns the Receivables free of any Adverse Claim other than the interests of the Purchasers (through the Agent) therein that are created hereby, and each Purchaser shall at all times have a valid undivided percentage ownership interest, which shall be a first priority perfected security interest for purposes of Article 9 of the applicable Uniform Commercial Code, in the Receivables and Collections (subject to, in the case of Collections, the limitations on perfection of a security interest in proceeds set forth in the applicable Uniform Commercial Code) to the extent of its Purchase Interest then in effect.

(f) Accuracy of Information. All information furnished by the Seller, any Crompton & Knowles Entity or any Affiliate of any such Person to the Agent or any Purchaser in

connection with any Transaction Document, or any transaction contemplated thereby, is true and accurate in all material respects (and is not incomplete by omitting any information necessary to prevent such information from being materially misleading), in each case on the date the statement was made and in light of the circumstances under which the statements were made or the information was furnished.

(g) No Actions, Suits. There are no actions, suits or other proceedings (including matters relating to environmental liability) pending or threatened against or affecting the Seller, any Crompton & Knowles Entity or any Subsidiary, or any of their respective properties, that (i) if adversely determined (individually or in the aggregate), may have a material adverse effect on the financial condition of the Seller, any Crompton & Knowles Entity or any Subsidiary or on the collectibility of the Receivables or (ii) involve any Transaction Document or any transaction contemplated thereby. None of the Seller, any Crompton & Knowles Entity or any Subsidiary is in default of any contractual obligation or in violation of any order, rule or regulation of any Governmental Authority, which default or violation may have a material adverse effect upon (i) the financial condition of the Seller, the Crompton & Knowles Entities and the Subsidiaries taken as a whole or (ii) the collectibility of the Receivables.

(h) No Material Adverse Change. Since December 31, 1997, there has been no material adverse change in the collectibility of the Receivables or the Seller's, any Crompton & Knowles Entity's or any Subsidiary's (i) financial condition or (ii) ability to perform its obligations under any Transaction Document.

(i) Accuracy of Exhibits; Lock-Box Arrangements. All information on Exhibits E-G (listing offices and names of the Seller and each Originator and where they maintain Records; the Subsidiaries; and Lock Boxes) is true and complete, subject to any changes permitted by, and notified to the Agent in accordance with, Article V. The Seller has delivered a copy of all Lock-Box Agreements to the Agent. The Seller has not granted any interest in any Lock-Box or Lock-Box Account to any Person other than the Agent and, upon delivery to a Lock-Box Bank of the related Lock-Box Letter, the Agent will have exclusive ownership and control of the Lock-Box Account at such Lock-Box Bank.

(j) Sales by each Originator. Each sale by each Originator to the Seller of an interest in Receivables and their Collections has been made in accordance with the terms of the applicable Purchase Agreement, including the payment by the Seller to each Originator of the purchase price described in such Purchase Agreement. Each such sale has been made for "reasonably

equivalent value" (as such term is used in Section 548 of the Bankruptcy Code) and not for or on account of "antecedent debt" (as such term is used in Section 547 of the Bankruptcy Code) owed by such Originator to the Seller.

(k) Year 2000 Problem. Each of the Seller and each Crompton & Knowles Entity has reviewed the areas within its business and operations which could be adversely affected by, and have developed or are developing a program to address on a timely basis, the "Year 2000 Problem" (that is, the risk that computer applications used by such Person and its Subsidiaries may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date on or after December 31, 1999), and have made related appropriate inquiry of material suppliers and vendors. Based on such review and program, such Person believes that the "Year 2000 Problem" will not have a material adverse effect on such Person.

Article V
Covenants

Section 5.1. Covenants of the Seller. The Seller hereby covenants and agrees to comply with the following covenants and agreements, unless the Agent (with the consent of the Instructing Group) shall otherwise consent:

(a) Financial Reporting. The Seller will, and will cause each Crompton & Knowles Entity and each Subsidiary to, maintain a system of accounting established and administered in accordance with GAAP and will furnish to the Agent and each Purchaser:

(i) Annual Financial Statements. Within 95 days after each fiscal year of (A) the Parent copies of the Parent's consolidated annual audited financial statements (including a consolidated balance sheet, consolidated statement of income and retained earnings and statement of cash flows, with related footnotes) certified by a "Big 5" accounting firm or other firm of independent certified public accountants satisfactory to the Agent and prepared on a consolidated basis in conformity with GAAP, and (B) each of the Seller and each Originator the annual balance sheet for such Person (and, additionally for the Seller, an annual profit and loss statement) certified by a Designated Financial Officer thereof, in each case prepared on a consolidated basis in conformity with GAAP as of the close of such fiscal year for the year then ended;

(ii) Quarterly Financial Statements. Within 50 days after each (except the last) fiscal quarter of each fiscal year of (A) the Parent, copies of its unaudited financial statements (including at least a consolidated balance sheet as of

the close of such quarter and statements of earnings and sources and applications of funds for the period from the beginning of the fiscal year to the close of such quarter) certified by a Designated Financial Officer and prepared in a manner consistent with the financial statements described in part (A) of clause (i) of this Section 5.1(a) and (B) each of the Seller and each Originator, the quarterly balance sheet for such Person (and, additionally for the Seller, a profit and loss statement) for the period from the beginning of such fiscal year to the close of such quarter, in each case certified by a Designated Financial Officer thereof and prepared in a manner consistent with part (B) of clause (i) of Section 5.1(a);

(iii) Officer's Certificate. Each time financial statements are furnished pursuant to clause (i) or (ii) of Section 5.1(a), a compliance certificate (in substantially the form of Exhibit I) signed by a Designated Financial Officer, dated the date of such financial statements;

(iv) Public Reports. Promptly upon becoming available, a copy of each report or proxy statement filed by the Parent with the Securities Exchange Commission or any securities exchange;

(v) Crompton & Knowles Credit Agreement Certificate. When delivered to the banks party to the Crompton & Knowles Credit Agreement, a copy of the certificates and schedules described in Sections 5.03(b)(i) and (ii) and 5.03(c)(i) and (ii) of the Crompton & Knowles Credit Agreement; and

(vi) Other Information. With reasonable promptness, such other information (including non-financial information) as may be requested by the Agent or any Purchaser (with a copy of such request to the Agent).

(b) Notices. Immediately upon becoming aware of any of the following the Seller will notify the Agent and provide a description of:

(i) Potential Termination Events. The occurrence of any Potential Termination Event;

(ii) Representations and Warranties. The failure of any representation or warranty herein to be true (when made or at any time thereafter) in any material respect;

(iii) Downgrading. The downgrading, withdrawal or suspension of any rating by any rating agency of any indebtedness of the Seller;

(iv) Litigation. The institution of any litigation, arbitration proceeding or governmental proceeding reasonably likely to be material to the Seller, any Subsidiary or the collectibility or quality of the Receivables;

(v) Judgments. The entry of any judgment or decree against the Seller, any Crompton & Knowles Entity or any Subsidiary if the aggregate amount of all judgments then outstanding against the Seller, the Crompton & Knowles Entities and the Subsidiaries exceeds $1,000,000; or

(vi) Changes in Business. Any change in, or proposed change in, the character of the Seller's or any Originator's business that could impair the collectibility or quality of any Receivable.

If the Agent receives such a notice, the Agent shall promptly give notice thereof to each Purchaser and, until Windmill has no Investment after the Windmill Termination Date, to each CP Dealer and each Rating Agency.

(c) Conduct of Business. The Seller will perform, and will cause each Crompton & Knowles Entity and Subsidiary to perform, all actions necessary to remain duly incorporated, validly existing and in good standing in its jurisdiction of incorporation and to maintain all requisite authority to conduct its business in each jurisdiction in which it conducts business.

(d) Compliance with Laws. The Seller will comply, and will cause each Crompton & Knowles Entity and Subsidiary to comply, with all laws, regulations, judgments and other directions or orders imposed by any Governmental Authority to which such Person or any Receivable or Collection may be subject.

(e) Furnishing Information and Inspection of Records. The Seller will furnish to the Agent and the Purchasers such information concerning the Receivables as the Agent or a Purchaser may reasonably request. The Seller will, and will cause each Originator to, permit, at any time during regular business hours, the Agent or any Purchaser (or any representatives thereof), once per year or at any time after the occurrence of a Termination Event (at the expense of the Seller) or at any other time (at the expense of the Agent or such Purchaser (as applicable)) (i) to examine and make copies of all Records, (ii) to visit the offices and properties of the Seller for the purpose of examining the Records and (iii) to discuss matters relating hereto with any of the Seller's or any Originator's officers, directors, employees or independent public accountants having knowledge of such matters. Once a year, the Agent may (at the expense of the Seller provided such expenses are reasonable in amount) have an independent public accounting

firm conduct an audit of the Records or make test verifications of the Receivables and Collections.

(f) Keeping Records. (i) The Seller will, and will cause each Originator to, have and maintain (A) administrative and operating procedures (including an ability to recreate Records if originals are destroyed), (B) adequate facilities, personnel and equipment and (C) all Records and other information necessary or advisable for collecting the Receivables (including Records adequate to permit the immediate identification of each new Receivable and all Collections of, and adjustments to, each existing Receivable). The Seller will give the Agent prior notice of any material change in such administrative and operating procedures.

(ii) The Seller will, (A) at all times from and after the date hereof, clearly and conspicuously mark its computer and master data processing books and records with a legend describing the Agent's and the Purchasers' interest therein and (B) upon the request of the Agent, so mark each contract relating to a Receivable and deliver to the Agent all such contracts (including all multiple originals of such contracts), with any appropriate endorsement or assignment, or segregate (from all other receivables then owned or being serviced by the Seller) the Receivables and all contracts relating to each Receivable and hold in trust and safely keep such contracts so legended in separate filing cabinets or other suitable containers at such locations as the Agent may specify.

(g) Perfection. (i) The Seller will, and will cause each Originator to, at its expense, promptly execute and deliver all instruments and documents and take all action necessary or requested by the Agent (including the execution and filing of financing or continuation statements, amendments thereto or assignments thereof) to enable the Agent to exercise and enforce all its rights hereunder and to vest and maintain vested in the Agent a valid, first priority perfected security interest in the Receivables, the Collections, the Purchase Agreements, and proceeds thereof free and clear of any Adverse Claim (and a perfected ownership interest in the Receivables and Collections to the extent of the Sold Interest). The Agent will be permitted to sign and file any continuation statements, amendments thereto and assignments thereof without the Seller's signature.

(ii) The Seller will, and will cause each Originator to, only change its name, identity or corporate structure or relocate its chief executive office or the Records following thirty (30) days advance notice to the Agent and the delivery to the Agent of all financing statements, instruments and other documents (including direction letters) requested by the Agent.

(iii) The Seller and each Originator will at all times maintain its chief executive offices within a jurisdiction in the USA (other than in the states of Florida, Maryland and Tennessee) in which Article 9 of the UCC is in effect. If the Seller or any Originator moves its chief executive office to a location that imposes Taxes, fees or other charges to perfect the Agent's and the Purchasers' interests hereunder or the Seller's interests under the Purchase Agreements, the Seller will pay all such amounts and any other costs and expenses incurred in order to maintain the enforceability of the Transaction Documents, the Sold Interest and the interests of the Agent and the Purchasers in the Receivables and Collections.

(h) Performance of Duties. The Seller will perform, and will cause each Crompton & Knowles Entity and Subsidiary and the Collection Agent (if an Affiliate) to perform, its respective duties or obligations in accordance with the provisions of each of the Transaction Documents. The Seller (at its expense) will, and will cause each Crompton & Knowles Entity to, (i) fully and timely perform in all material respects all agreements required to be observed by it in connection with each Receivable, (ii) comply in all material respects with the Credit and Collection Policy, and (iii) refrain from any action that may impair the rights of the Agent or the Purchasers in the Receivables or Collections.

(i) Payments on Receivables, Accounts. The Seller will, and will cause each Originator to, at all times instruct all Obligors to deliver payments on the Receivables to a Lock-Box Account. If any such payments or other Collections are received by the Seller or any Originator, it shall hold such payments in trust for the benefit of the Agent and the Purchasers and promptly (but in any event within two Business Days after receipt and identification thereof) remit such funds into a Lock-Box Account. The Seller will cause each Lock-Box Bank to comply with the terms of each applicable Lock-Box Letter. The Seller will not permit the funds of any Affiliate to be deposited into any Lock-Box Account. If such funds are nevertheless deposited into any Lock-Box Account, the Seller will promptly identify such funds for segregation. The Seller will not, and will not permit any Collection Agent or other Person to, commingle Collections or other funds to which the Agent or any Purchaser is entitled with any other funds. The Seller shall only add, and shall only permit an Originator to add, a Lock-Box Bank, Lock-Box, or Lock-Box Account to those listed on Exhibit G if the Agent has received notice of such addition, a copy of any new Lock-Box Agreement and an executed and acknowledged copy of a Lock-Box Letter substantially in the form of Exhibit H (with such changes as are acceptable to the Agent) from any new Lock-Box Bank. The Seller shall only terminate a Lock-Box Bank or Lock-Box, or close

a Lock-Box Account, upon 30 days advance notice to the Agent.

(j) Sales and Adverse Claims Relating to Receivables. Except as otherwise provided herein, the Seller will not, and will not permit any Originator to, (by operation of law or otherwise) dispose of or otherwise transfer, or create or suffer to exist any Adverse Claim upon, any receivable or any proceed thereof.

(k) Extension or Amendment of Receivables. Except as otherwise permitted in Section 3.2(b) and then subject to Section 1.5, the Seller will not, and will not permit each Originator to, extend, amend, rescind or cancel any Receivable.

(l) Change in Business or Credit and Collection Policy. The Seller will not, and will not permit any Originator to, make any material change in the character of its business or in its Credit and Collection Policy.

(m) Accounting for Sale. Except as provided in Section 9.9, the Seller will not, and will not permit any Crompton & Knowles Entity to, account for, or otherwise treat, the transactions contemplated by the Transaction Documents other than as a sale of Receivables or inconsistent with the Agent's ownership interest in the Receivables and Collections.

Article VI
Indemnification

Section 6.1. Indemnities by the Seller. Without limiting any other rights any Person may have hereunder or under applicable law, the Seller hereby indemnifies and holds harmless, on an after-Tax basis, the Agent and each Purchaser and their respective officers, directors, agents and employees (each an "Indemnified Party") from and against any and all damages, losses, claims, liabilities, penalties, Taxes, costs and expenses (including attorneys' fees and court costs) (all of the foregoing collectively, the "Indemnified Losses") at any time imposed on or incurred by any Indemnified Party arising out of or otherwise relating to any Transaction Document, the transactions contemplated thereby or the acquisition of any portion of the Sold Interest, or any action taken or omitted by any of the Indemnified Parties (including any action taken by the Agent as attorney-in-fact for the Seller pursuant to Section 3.5(b)), whether arising by reason of the acts to be performed by the Seller hereunder or otherwise, excluding only Indemnified Losses to the extent (a) a final judgment of a court of competent jurisdiction holds such Indemnified Losses resulted solely from gross negligence or willful misconduct of the Indemnified Party seeking indemnification, (b) solely due to the credit risk of the Obligor and for which reimbursement would constitute recourse to

the Seller or the Collection Agent for uncollectible Receivables or (c) such Indemnified Losses include Taxes on, or measured by, the overall net income of the Agent or any Purchaser computed in accordance with the Intended Tax Characterization; provided, however, that nothing contained in this sentence shall limit the liability of the Seller or the Collection Agent or limit the recourse of the Agent and each Purchaser to the Seller or the Collection Agent for any amounts otherwise specifically provided to be paid by the Seller or the Collection Agent hereunder. Without limiting the foregoing indemnification, but subject to the limitations set forth in clauses (a), (b) and (c) of the previous sentence, the Seller shall indemnify each Indemnified Party for Indemnified Losses (including losses in respect of uncollectible Receivables, regardless for these specific matters whether reimbursement therefor would constitute recourse to the Seller or the Collection Agent) relating to or resulting from:

(i) any representation or warranty made by the Seller, any Crompton & Knowles Entity or the Collection Agent (or any employee or agent of the Seller, any Crompton & Knowles Entity or the Collection Agent) under or in connection with this Agreement, any Periodic Report or any other information or report delivered by the Seller, any Crompton & Knowles Entity or the Collection Agent pursuant hereto, which shall have been false or incorrect in any material respect when made or deemed made;

(ii) the failure by the Seller, any Crompton & Knowles Entity, or the Collection Agent to comply with any applicable law, rule or regulation related to any Receivable, or the nonconformity of any Receivable with any such applicable law, rule or regulation;

(iii) the failure of the Seller to vest and maintain vested in the Agent, for the benefit of the Purchasers, a perfected ownership or security interest in the Sold Interest and the property conveyed pursuant to Section 1.1(e) and Section 1.8, free and clear of any Adverse Claim;

(iv) any commingling of funds to which the Agent or any Purchaser is entitled hereunder with any other funds;

(v) any failure of a Lock-Box Bank to comply with the terms of the applicable Lock-Box Letter;

(vi) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable, or any other claim resulting from the sale or lease of goods or the rendering of services related to such Receivable or the furnishing or failure to furnish any such goods or services or other similar claim or defense not arising from the financial inability of any Obligor to pay

undisputed indebtedness;

(vii) any failure of the Seller or any Crompton & Knowles Entity, or any Affiliate of any thereof, to perform its duties or obligations in accordance with the provisions of this Agreement or any other Transaction Document to which such Person is a party (as a Collection Agent or otherwise);

(viii) any action taken by the Agent as attorney-in-fact for the Seller pursuant to Section 3.5(b); or

(ix) any environmental liability claim, products liability claim or personal injury or property damage suit or other similar or related claim or action of whatever sort, arising out of or in connection with any Receivable or any other suit, claim or action of whatever sort relating to any of the Transaction Documents.

Section 6.2. Increased Cost and Reduced Return. By way of clarification, and not of limitation, of Section 6.1, if the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof, or compliance by any Windmill Funding Source, the Agent or any Purchaser (collectively, the "Funding Parties") with any request or directive (whether or not having the force of law) of any such Governmental Authority (a "Regulatory Change") (a) subjects any Funding Party to any charge or withholding on or in connection with a Funding Agreement or this Agreement (collectively, the "Funding Documents") or any Receivable, (b) changes the basis of taxation of payments to any of the Funding Parties of any amounts payable under any of the Funding Documents (except for changes in the rate of Tax on the overall net income of such Funding Party), (c) imposes, modifies or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or any credit extended by, any of the Funding Parties, (d) has the effect of reducing the rate of return on such Funding Party's capital to a level below that which such Funding Party could have achieved but for such adoption, change or compliance (taking into consideration such Funding Party's policies concerning capital adequacy) or (e) imposes any other condition, and the result of any of the foregoing is (x) to impose a cost on, or increase the cost to, any Funding Party of its commitment under any Funding Document or of purchasing, maintaining or funding any interest acquired under any Funding Document, (y) to reduce the amount of any sum received or receivable by, or to reduce the rate of return of, any Funding Party under any Funding Document or (z) to require any payment calculated by reference to the amount of interests held or amounts received by it hereunder,

then, upon demand by the Agent, the Seller shall pay to the Agent for the account of the Person such additional amounts as will compensate the Agent or such Purchaser (or, in the case of Windmill, will enable Windmill to compensate any Windmill Funding Source) for such increased cost or reduction. Each Funding Party agrees that on the occurrence of any event giving rise to the operation of this Section 6.2 with respect to such Funding Party, it will, if requested by the Seller, use reasonable efforts (subject to overall policy considerations of such Funding Party) to designate another office for any credit accommodation affected by such event, provided that such designation is made on such terms that such Funding Party and its office suffer no economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of such Section.

Section 6.3. Other Costs and Expenses. Also by way of clarification, and not of limitation, of Section 6.1, the Seller shall pay to the Agent on demand all costs and expenses in connection with (a) the preparation, execution, delivery and administration (including amendments of any provision) of the Transaction Documents, (b) the sale of the Sold Interest, (c) the perfection of the Agent's rights in the Receivables and Collections, (d) the enforcement by the Agent or the Purchasers of the obligations of the Seller under the Transaction Documents or of any Obligor under a Receivable and (e) the maintenance by the Agent of the Lock-Boxes and Lock-Box Accounts, including fees, costs and expenses of legal counsel for the Agent and Windmill relating to any of the foregoing or to advising the Agent, Windmill and any Windmill Funding Source about its rights and remedies under any Transaction Document or any related Funding Agreement and all costs and expenses (including counsel fees and expenses) of the Agent, each Purchaser and each Windmill Funding Source in connection with the enforcement of the Transaction Documents or any Funding Agreement and in connection with the administration of the Transaction Documents following a Termination Event. The Seller shall reimburse the Agent and Windmill for the cost of the Agent's or Windmill's auditors (which may be employees of such Person) auditing the books, records and procedures of the Seller. The Seller shall reimburse Windmill for any amounts Windmill must pay to any Windmill Funding Source pursuant to any Funding Agreement on account of any Tax. The Seller shall reimburse Windmill on demand for all other costs and expenses incurred by Windmill or any shareholder of Windmill in connection with the Transaction Documents or the transactions contemplated thereby, including the cost of auditing Windmill's books by certified public accountants, the cost of the Ratings and the fees and out-of-pocket expenses of counsel of the Agent, Windmill or any shareholder, or administrator, of Windmill for advice relating to Windmill's operation.

Section 6.4. Withholding Taxes. (a) All payments made by the Seller hereunder shall be made without withholding for or on account of any present or future taxes (other than overall net income taxes on the recipient). If any such withholding is so required, the Seller shall make the withholding, pay the amount withheld to the appropriate authority before penalties attach thereto or interest accrues thereon and pay such additional amount as may be necessary to ensure that the net amount actually received by each Purchaser and the Agent free and clear of such taxes (including such taxes on such additional amount) is equal to the amount that Purchaser or the Agent (as the case may be) would have received had such withholding not been made. If the Agent or any Purchaser pays any such taxes, penalties or interest the Seller shall reimburse the Agent or such Purchaser for that payment on demand. If the Seller pays any such taxes, penalties or interest, it shall deliver official tax receipts evidencing that payment or certified copies thereof to the Purchaser or Agent on whose account such withholding was made (with a copy to the Agent if not the recipient of the original) on or before the thirtieth day after payment.

(b) Before the first date on which any amount is payable hereunder for the account of any Purchaser not incorporated under the laws of the USA such Purchaser shall deliver to the Seller and the Agent each two (2) duly completed copies of United States Internal Revenue Service Form 1001 or 4224 (or successor applicable form) certifying that such Purchaser is entitled to receive payments hereunder without deduction or withholding of any United States federal income taxes. Each such Purchaser shall replace or update such forms when necessary to maintain any applicable exemption and as requested by the Agent or the Seller.

Section 6.5. Payments and Allocations. If any Person seeks compensation pursuant to this Article VI, such Person shall deliver to the Seller and the Agent a certificate setting forth the amount due to such Person, a description of the circumstance giving rise thereto and the basis of the calculations of such amount, which certificate shall be conclusive absent demonstrable error. The Seller shall pay to the Agent (for the account of such Person) the amount shown as due on any such certificate within 10 Business Days after receipt of the notice.

Article VII
Conditions Precedent

Section 7.1. Conditions to Closing. This Agreement shall become effective on the first date all conditions in this Section 7.1 are satisfied. On or before such date, the Seller shall deliver to the Agent the following documents in form, substance and quantity acceptable to the Agent:

(a) A certificate of the Secretary of each of the Seller and each Crompton & Knowles Entity certifying (i) the resolutions of the Seller's and each Crompton & Knowles Entity's board of directors approving each Transaction Document to which it is a party, (ii) the name, signature, and authority of each officer who executes on the Seller's or any Crompton & Knowles Entity's behalf a Transaction Document (on which certificate the Agent and each Purchaser may conclusively rely until a revised certificate is received), (iii) the Seller's and each Crompton & Knowles Entity's certificate or articles of incorporation certified by the Secretary of State of its state of incorporation, (iv) a copy of the Seller's and each Crompton & Knowles Entity's by-laws and (v) good standing certificates issued by the Secretaries of State of each jurisdiction in which the Seller or any Crompton & Knowles Entity is incorporated.

(b) All instruments and other documents required, or deemed desirable by the Agent, to perfect the Agent's first priority interest in the Receivables and Collections in all appropriate jurisdictions.

(c) UCC search reports from all jurisdictions the Agent requests.

(d) Executed copies of (i) all consents and authorizations necessary in connection with the Transaction Documents (ii) direction letters executed by the Seller and each Originator authorizing the Agent to inspect and make copies from the Seller's and each Originator's books and records with respect to the Receivables maintained at any off-site data processing or storage facilities, (iii) all Lock-Box Letters, (iv) a compliance certificate in the form of Exhibit I covering the period ending August 31, 1998, (v) a Periodic Report covering the month ended August 31, 1998, and (vi) each Transaction Document.

(e) Favorable opinions of counsel to the Seller and each Crompton & Knowles Entity (and, if requested by Windmill, the Enhancer or any Liquidity Provider and then at the expense of the Seller) covering such matters as Windmill or the Agent may request.

(f) Such other approvals, opinions or documents as the Agent or Windmill may request.

Section 7.2. Conditions to Each Purchase. The obligation of each Committed Purchaser to make any Purchase, and the right of the Seller to request or accept any Purchase, are subject to the conditions (and each Purchase shall evidence the Seller's representation and warranty that clauses (a)-(e) of this Section 7.2 have been satisfied) that on the date of such Purchase before and after giving effect to the Purchase:

(a) no Potential Termination Event shall then exist or shall occur as a result of the Purchase;

(b) the Liquidity Termination Date has not occurred;

(c) after giving effect to the application of the proceeds of such Purchase, (x) the outstanding Matured Aggregate Investment would not exceed the Aggregate Commitment and (y) the outstanding Aggregate Investment would not exceed the Purchase Limit;

(d) the representations and warranties in Section 4.1 are true and correct in all material respects on and as of such date (except to the extent such representations and warranties relate solely to an earlier date and then as of such earlier date); and

(e) each of the Seller and each Crompton & Knowles Entity is in full compliance with the Transaction Documents (including all covenants and agreements in Article V).

Nothing in this Section 7.2 limits the obligations (including those in Section 2.1) of each Committed Purchaser to Windmill.

Article VIII
The Agent

Section 8.1. Appointment and Authorization. Each Purchaser hereby irrevocably designates and appoints ABN AMRO Bank N.V. as the "Agent" hereunder and authorizes the Agent to take such actions and to exercise such powers as are delegated to the Agent hereby and to exercise such other powers as are reasonably incidental thereto. The Agent shall hold, in its name, for the benefit of each Purchaser, the Purchase Interest of the Purchaser. The Agent shall not have any duties other than those expressly set forth herein or any fiduciary relationship with any Purchaser, and no implied obligations or liabilities shall be read into this Agreement, or otherwise exist, against the Agent. The Agent does not assume, nor shall it be deemed to have assumed, any obligation to, or relationship of trust or agency with, the Seller. Notwithstanding any provision of this Agreement or any other Transaction Document, in no event shall the Agent ever be required to take any action which exposes the Agent to personal liability or which is contrary to the provision of any Transaction Document or applicable law.

Section 8.2. Delegation of Duties. The Agent may execute any of its duties through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters

pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

Section 8.3. Exculpatory Provisions. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted (i) with the consent or at the direction of the Instructing Group or (ii) in the absence of such Person's gross negligence or willful misconduct. The Agent shall not be responsible to any Purchaser or other Person for (i) any recitals, representations, warranties or other statements made by the Seller, any Crompton & Knowles Entity or any of their Affiliates, (ii) the value, validity, effectiveness, genuineness, enforceability or sufficiency of any Transaction Document, (iii) any failure of the Seller, any Crompton & Knowles Entity or any of their Affiliates to perform any obligation or (iv) the satisfaction of any condition specified in Article VII. The Agent shall not have any obligation to any Purchaser to ascertain or inquire about the observance or performance of any agreement contained in any Transaction Document or to inspect the properties, books or records of the Seller, any Crompton & Knowles Entity or any of their Affiliates.

Section 8.4. Reliance by Agent. The Agent shall in all cases be entitled to rely, and shall be fully protected in relying, upon any document, other writing or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person and upon advice and statements of legal counsel (including counsel to the Seller), independent accountants and other experts selected by the Agent. The Agent shall in all cases be fully justified in failing or refusing to take any action under any Transaction Document unless it shall first receive such advice or concurrence of the Purchasers, and assurance of its indemnification, as it deems appropriate.

Section 8.5. Assumed Payments. Unless the Agent shall have received notice from the applicable Purchaser before the date of any Put or of any Incremental Purchase that such Purchaser will not make available to the Agent the amount it is scheduled to remit as part of such Put or Incremental Purchase, the Agent may assume such Purchaser has made such amount available to the Agent when due (an "Assumed Payment") and, in reliance upon such assumption, the Agent may (but shall have no obligation to) make available such amount to the appropriate Person. If and to the extent that any Purchaser shall not have made its Assumed Payment available to the Agent, such Purchaser (and the Seller in the case of any Incremental Purchase) hereby agrees to pay the Agent forthwith on demand such unpaid portion of such Assumed Payment up to the amount of funds actually paid by the Agent, together with interest thereon for each day from the date of such payment by the Agent until the date the

requisite amount is repaid to the Agent, at a rate per annum equal to the Federal Funds Rate plus 2%.

Section 8.6. Notice of Termination Events. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Potential Termination Event unless the Agent has received notice from any Purchaser or the Seller stating that a Potential Termination Event has occurred hereunder and describing such Potential Termination Event. The Agent shall take such action concerning a Potential Termination Event as may be directed by the Instructing Group (or, if required for such action, all of the Purchasers), but until the Agent receives such directions, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, as the Agent deems advisable and in the best interests of the Purchasers.

Section 8.7. Non-Reliance on Agent and Other Purchasers. Each Purchaser expressly acknowledges that neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by the Agent hereafter taken, including any review of the affairs of the Seller or any Crompton & Knowles Entity, shall be deemed to constitute any representation or warranty by the Agent. Each Purchaser represents and warrants to the Agent that, independently and without reliance upon the Agent or any other Purchaser and based on such documents and information as it has deemed appropriate, it has made and will continue to make its own appraisal of and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of the Seller, the Crompton & Knowles Entities, and the Receivables and its own decision to enter into this Agreement and to take, or omit, action under any Transaction Document. The Agent shall deliver each month to any Purchaser that so requests a copy of the Periodic Report(s) received covering the preceding calendar month. Except for items specifically required to be delivered hereunder, the Agent shall not have any duty or responsibility to provide any Purchaser with any information concerning the Seller, any Crompton & Knowles Entity or any of their Affiliates that comes into the possession of the Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

Section 8.8. Agent and Affiliates. The Agent and its Affiliates may extend credit to, accept deposits from and generally engage in any kind of business with the Seller, any Crompton & Knowles Entity or any of their Affiliates and, in its roles as a Liquidity Provider and the Enhancer, ABN AMRO may exercise or refrain from exercising its rights and powers as if it were not the Agent. The parties acknowledge that ABN AMRO acts as agent for Windmill and subagent for Windmill's management company in various capacities, as well as providing credit

facilities and other support for Windmill not contained in the Transaction Documents.

Section 8.9. Indemnification. Each Committed Purchaser shall indemnify and hold harmless the Agent and its officers, directors, employees, representatives and agents (to the extent not reimbursed by the Seller or any Crompton & Knowles Entity and without limiting the obligation of the Seller or any Crompton & Knowles Entity to do so), ratably in accordance with its Ratable Share from and against any and all liabilities, obligations, losses, damages, penalties, judgments, settlements, costs, expenses and disbursements of any kind whatsoever (including in connection with any investigative or threatened proceeding, whether or not the Agent or such Person shall be designated a party thereto) that may at any time be imposed on, incurred by or asserted against the Agent or such Person as a result of, or related to, any of the transactions contemplated by the Transaction Documents or the execution, delivery or performance of the Transaction Documents or any other document furnished in connection therewith (but excluding any such liabilities, obligations, losses, damages, penalties, judgments, settlements, costs, expenses or disbursements resulting solely from the gross negligence or willful misconduct of the Agent or such Person as finally determined by a court of competent jurisdiction).

Section 8.10. Successor Agent. The Agent may, upon at least five (5) days notice to the Seller and each Purchaser, resign as Agent. Such resignation shall not become effective until a successor agent is appointed by an Instructing Group and has accepted such appointment. Upon such acceptance of its appointment as Agent hereunder by a successor Agent, such successor Agent shall succeed to and become vested with all the rights and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under the Transaction Documents. After any retiring Agent's resignation hereunder, the provisions of Article VI and this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Agent.

Article IX
Miscellaneous

Section 9.1. Termination. Windmill shall cease to be a party hereto when the Windmill Termination Date has occurred, Windmill holds no Investment and all amounts payable to it hereunder have been indefeasibly paid in full. This Agreement shall terminate following the Liquidity Termination Date when no Investment is held by a Purchaser and all other amounts payable hereunder have been indefeasibly paid in full, but the rights and remedies of the Agent and each Purchaser concerning any representation, warranty or covenant made, or deemed to be made,

by the Seller and under Article VI and Section 8.9 shall survive such termination.

Section 9.2. Notices. Unless otherwise specified, all notices and other communications hereunder shall be in writing (including by telecopier or other facsimile communication), given to the appropriate Person at its address or telecopy number set forth on the signature pages hereof or at such other address or telecopy number as such Person may specify, and effective when received at the address specified by such Person. Each party hereto, however, authorizes the Agent to act on telephone notices of Purchases, Puts, and Discount Rate and Tranche Period selections from any person the Agent in good faith believes to be acting on behalf of the relevant party and, at the Agent's option, to tape record any such telephone conversation. Each party hereto agrees to deliver promptly to the Agent a confirmation of each telephone notice given or received by such party (signed by an authorized officer of such party), but the absence of such confirmation shall not affect the validity of the telephone notice. The Agent's records of all such conversations shall be deemed correct and, if the confirmation of a conversation differs in any material respect from the action taken by the Agent, the records of the Agent shall govern absent manifest error. The number of days for any advance notice required hereunder may be waived (orally or in writing) by the Person receiving such notice and, in the case of notices to the Agent, the consent of each Person to which the Agent is required to forward such notice.

Section 9.3. Payments and Computations. Notwithstanding anything herein to the contrary, any amounts to be paid or transferred by the Seller or the Collection Agent to, or for the benefit of, any Purchaser or any other Person shall be paid or transferred to the Agent (for the benefit of such Purchaser or other Person). The Agent shall promptly (and, if reasonably practicable, on the day it receives such amounts) forward each such amount to the Person entitled thereto and such Person shall apply the amount in accordance herewith. All amounts to be paid or deposited hereunder shall be paid or transferred on the day when due in immediately available Dollars (and, if due from the Seller or Collection Agent, by 11:00 a.m. (Chicago time), with amounts received after such time being deemed paid on the Business Day following such receipt). The Seller hereby authorizes the Agent to debit the Seller Account for application to any amounts owed by the Seller hereunder. The Seller shall, to the extent permitted by law, pay to the Agent upon demand, for the account of the applicable Person, interest on all amounts not paid or transferred by the Seller or the Collection Agent when due hereunder at a rate equal to the Prime Rate plus 2%, calculated from the date any such amount became due until the date paid in full. Any payment or other transfer of funds

scheduled to be made on a day that is not a Business Day shall be made on the next Business Day, and any Discount Rate or interest rate accruing on such amount to be paid or transferred shall continue to accrue to such next Business Day. All computations of interest, fees, and Discount shall be calculated for the actual days elapsed based on a 360 day year.

Section 9.4. Sharing of Recoveries. Each Purchaser agrees that if it receives any recovery, through set-off, judicial action or otherwise, on any amount payable or recoverable hereunder in a greater proportion than should have been received hereunder or otherwise inconsistent with the provisions hereof, then the recipient of such recovery shall purchase for cash an interest in amounts owing to the other Purchasers (as return of Investment or otherwise), without representation or warranty except for the representation and warranty that such interest is being sold by each such other Purchaser free and clear of any Adverse Claim created or granted by such other Purchaser, in the amount necessary to create proportional participation by the Purchasers in such recovery (as if such recovery were distributed pursuant to Section 2.3). If all or any portion of such amount is thereafter recovered from the recipient, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

Section 9.5. Right of Setoff. During a Termination Event, each Purchaser is hereby authorized (in addition to any other rights it may have) to setoff, appropriate and apply (without presentment, demand, protest or other notice which are hereby expressly waived) any deposits and any other indebtedness held or owing by such Purchaser (including by any branches or agencies of such Purchaser) to, or for the account of, the Seller against amounts owing by the Seller hereunder (even if contingent or unmatured).

Section 9.6. Amendments. Except as otherwise expressly provided herein, no amendment or waiver hereof shall be effective unless signed by the Seller and the Instructing Group. In addition, no amendment hereof shall, without the consent of (a) all the Liquidity Providers, (i) extend the Liquidity Termination Date or the date of any payment or transfer of Collections by the Seller to the Collection Agent or by the Collection Agent to the Agent, (ii) reduce the rate or extend the time of payment of Discount for any Eurodollar Tranche or Prime Tranche, (iii) reduce or extend the time of payment of any fee payable to the Liquidity Providers, (iv) except as provided herein, release, transfer or modify any Committed Purchaser's Purchase Interest or change any Commitment, (v) amend the definition of Required Liquidity Providers, Instructing Group, Termination Event or Section 1.1, 1.2, 1.5, 1.7(a), 2.1, 2.2,

2.3, 7.2 or 9.6, Article VI, or any obligation of any Crompton & Knowles Entity thereunder, (vi) consent to the assignment or transfer by the Seller or any Originator of any interest in the Receivables other than transfers under the Transaction Documents or permit any Crompton & Knowles Entity to transfer any of its obligations under any Transaction Document except as expressly contemplated by the terms of the Transaction Documents, or (vii) amend any defined term relevant to the restrictions in clauses (i) through (vi) in a manner which would circumvent the intention of such restrictions or (b) the Agent, amend any provision hereof if the effect thereof is to affect the indemnities to, or the rights or duties of, the Agent or to reduce any fee payable for the Agent's own account. Notwithstanding the foregoing, the amount of any fee or other payment due and payable from the Seller to the Agent (for its own account), Windmill or the Enhancer may be changed or otherwise adjusted solely with the consent of the Seller and the party to which such payment is payable. Any amendment hereof shall apply to each Purchaser equally and shall be binding upon the Seller, the Purchasers and the Agent.

Section 9.7. Waivers. No failure or delay of the Agent or any Purchaser in exercising any power, right, privilege or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right, privilege or remedy preclude any other or further exercise thereof or the exercise of any other power, right, privilege or remedy. Any waiver hereof shall be effective only in the specific instance and for the specific purpose for which such waiver was given. After any waiver, the Seller, the Purchasers and the Agent shall be restored to their former position and rights and any Potential Termination Event waived shall be deemed to be cured and not continuing, but no such waiver shall extend to (or impair any right consequent upon) any subsequent or other Potential Termination Event. Any additional Discount that has accrued after a Termination Event before the execution of a waiver thereof, solely as a result of the occurrence of such Termination Event, may be waived by the Agent at the direction of the Purchaser entitled thereto or, in the case of Discount owing to the Liquidity Providers, of the Required Liquidity Providers.

Section 9.8. Successors and Assigns; Participations; Assignments.

(a) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Except as otherwise provided herein, the Seller may not assign or transfer any of its rights or delegate any of its duties without the prior consent of the Agent and the Purchasers.

(b) Participations. Any Purchaser may sell to one or more Persons (each a "Participant") participating interests in the interests of such Purchaser hereunder. Such Purchaser shall remain solely responsible for performing its obligations hereunder, and the Seller and the Agent shall continue to deal solely and directly with such Purchaser in connection with such Purchaser's rights and obligations hereunder. Each Participant shall be entitled to the benefits of Article VI and shall have the right of setoff through its participation in amounts owing hereunder to the same extent as if it were a Purchaser hereunder, which right of setoff is subject to such Participant's obligation to share with the Purchasers as provided in Section 9.4. A Purchaser shall not agree with a Participant to restrict such Purchaser's right to agree to any amendment hereto, except amendments described in clause (a) of Section 9.6.

(c) Assignments by Liquidity Providers. Any Liquidity Provider may assign to one or more Persons ("Purchasing Liquidity Providers"), acceptable to the Agent in its sole discretion, any portion of its Commitment as a Liquidity Provider and Purchase Interest pursuant to a supplement hereto (a "Transfer Supplement") in form satisfactory to the Agent executed by each such Purchasing Liquidity Provider, such selling Liquidity Provider and the Agent. Any such assignment by a Liquidity Provider must be for an amount of at least Five Million Dollars. Each Purchasing Liquidity Provider shall pay a fee of Three Thousand Dollars to the Agent. Any partial assignment shall be an assignment of an identical percentage of such selling Liquidity Provider's Investment and its Commitment as a Liquidity Provider. Upon the execution and delivery to the Agent of the Transfer Supplement and payment by the Purchasing Liquidity Provider to the selling Liquidity Provider of the agreed purchase price, such selling Liquidity Provider shall be released from its obligations hereunder to the extent of such assignment and such Purchasing Liquidity Provider shall for all purposes be a Liquidity Provider party hereto and shall have all the rights and obligations of a Liquidity Provider hereunder to the same extent as if it were an original party hereto with a Commitment as a Liquidity Provider, an Investment and any related Assigned Windmill Settlement described in the Transfer Supplement.

(d) Replaceable Liquidity Providers. If any Liquidity Provider (a "Replaceable Liquidity Provider") shall (i) petition the Seller for any amounts under Section 6.2 or (ii) cease to have a short-term debt rating of "A-1+" by S&P and "P-1" by Moody's, the Seller or Windmill may designate a replacement financial institution (a "Replacement Liquidity Provider") acceptable to the Agent, in its sole discretion, to which such Replaceable Liquidity Provider shall, subject to its receipt of an amount equal to its Investment, any related Assigned Windmill Settlement, and accrued Discount and fees thereon and all amounts

payable under Section 6.2, promptly assign all of its rights, obligations and Liquidity Provider Commitment hereunder, together with all of its Purchase Interest, and any related Assigned Windmill Settlement, to the Replacement Liquidity Provider in accordance with Section 9.8(c).

(e) Assignment by Windmill. Each party hereto agrees and consents (i) to Windmill's assignment, participation, grant of security interests in or other transfers of any portion of, or any of its beneficial interest in, the Windmill Purchase Interest and the Windmill Settlement and (ii) to the complete assignment by Windmill of all of its rights and obligations hereunder to ABN AMRO or any other Person, and upon such assignment Windmill shall be released from all obligations and duties hereunder; provided, however, that Windmill may not, without the prior consent of the Required Liquidity Providers and the Enhancer, transfer any of its rights under Section 2.1 to cause the Liquidity Providers or the Enhancer to purchase the Windmill Purchase Interest and the Windmill Settlement unless the assignee (i) is a corporation whose principal business is the purchase of assets similar to the Receivables, (ii) has ABN AMRO as its administrative agent and (iii) issues commercial paper with credit ratings substantially comparable to the Ratings. Windmill shall promptly notify each party hereto of any such assignment. Upon such an assignment of any portion of Windmill's Purchase Interest and the Windmill Settlement, the assignee shall have all of the rights of Windmill hereunder relate to such Windmill Purchase Interest and Windmill Settlement.

(f) Opinions of Counsel. If required by the Agent or to maintain the Ratings, each Transfer Supplement must be accompanied by an opinion of counsel of the assignee as to such matters as the Agent may reasonably request.

Section 9.9. Intended Tax Characterization. It is the intention of the parties hereto that, for the purposes of all Taxes, the transactions contemplated hereby shall be treated as a loan by the Purchasers (through the Agent) to the Seller that is secured by the Receivables (the "Intended Tax Characterization"). The parties hereto agree to report and otherwise to act for the purposes of all Taxes in a manner consistent with the Intended Tax Characterization. As provided in Section 5.1(g), the Seller hereby grants to the Agent, for the ratable benefit of the Purchasers, a security interest in all Receivables and Collections to secure the payment of all amounts other than Investment owing hereunder and (to the extent of the Sold Interest) to secure the repayment of all Investment.

Section 9.10. Waiver of Confidentiality. The Seller hereby consents to the disclosure of any nonpublic information relating to the Seller, any Affiliate, or the Transaction

Documents among the Agent and the Purchasers and by the Agent or the Purchasers to (i) any officers, directors, members, managers, employees or outside accountants, auditors or attorneys thereof, (ii) any prospective or actual assignee or participant, (iii) any rating agency, surety, guarantor or credit or liquidity enhancer to the Agent or any Purchaser, (iv) any entity organized to purchase, or make loans secured by, financial assets for which ABN AMRO provides managerial services or acts as an administrative agent, (v) Windmill's administrator, management company, referral agents, issuing agents or depositaries or CP Dealers and (vi) Governmental Authorities with appropriate jurisdiction.

Section 9.11. Confidentiality of Agreement. Unless otherwise consented to by the Agent, the Seller hereby will not disclose the contents of any Transaction Document, or any other confidential or proprietary information furnished by the Agent or any Purchaser, to any Person other than to (i) its auditors and attorneys, Affiliates, officers, directors, members, managers, employees, outside accountants or as required by applicable law or (ii) Governmental Authorities with appropriate jurisdiction.

Section 9.12. Agreement Not to Petition. Each party hereto agrees, for the benefit of the holders of the privately or publicly placed indebtedness for borrowed money for Windmill, not, prior to the date which is one (1) year and one (1) day after the payment in full of all such indebtedness, to acquiesce, petition or otherwise, directly or indirectly, invoke, or cause Windmill to invoke, the process of any Governmental Authority for the purpose of (a) commencing or sustaining a case against Windmill under any federal or state bankruptcy, insolvency or similar law (including the Federal Bankruptcy Code), (b) appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official for Windmill, or any substantial part of its property, or (c) ordering the winding up or liquidation of the affairs of Windmill.

Section 9.13. Excess Funds. Other than amounts payable under Section 9.4, Windmill shall be required to make payment of the amounts required to be paid pursuant hereto only if Windmill has Excess Funds (as defined below). If Windmill does not have Excess Funds, the excess of the amount due hereunder (other than pursuant to Section 9.4) over the amount paid shall not constitute a "claim" (as defined in Section 101(5) of the Federal Bankruptcy Code) against Windmill until such time as Windmill has Excess Funds. If Windmill does not have sufficient Excess Funds to make any payment due hereunder (other than pursuant to Section 9.4), then Windmill may pay a lesser amount and make additional payments that in the aggregate equal the amount of deficiency as soon as possible thereafter. The term "Excess Funds" means the excess of (a) the aggregate projected value of

Windmill's assets and other property (including cash and cash equivalents), over (b) the sum of (i) the sum of all scheduled payments of principal, interest and other amounts payable on publicly or privately placed indebtedness of Windmill for borrowed money, plus (ii) the sum of all other liabilities, indebtedness and other obligations of Windmill for borrowed money or owed to any credit or liquidity provider, together with all unpaid interest then accrued thereon, plus (iii) all taxes payable by Windmill to the Internal Revenue Service, plus (iv) all other indebtedness, liabilities and obligations of Windmill then due and payable, but the amount of any liability, indebtedness or obligation of Windmill shall not exceed the projected value of the assets to which recourse for such liability, indebtedness or obligation is limited. Excess Funds shall be calculated once each Business Day.

Section 9.14. No Recourse. The obligations of Windmill, its management company, its administrator and its referral agents (each a "Program Administrator") under any Transaction Document or other document (each, a "Program Document") to which a Program Administrator is a party are solely the corporate obligations of such Program Administrator and no recourse shall be had for such obligations against any Affiliate, director, officer, member, manager, employee, attorney or agent of any Program Administrator.

Section 9.15. Limitation of Liability. No Person shall make a claim against the Agent or any Purchaser (or their respective Affiliates, directors, officers, members, managers, employees, attorneys or agents) for any special, indirect, consequential or punitive damages under any claim for breach of contract or other theory of liability in connection with the Transaction Documents or the transactions contemplated thereby, and the Seller (for itself, the Collection Agent and all other Persons claiming by or through the Seller) hereby waives any claim for any such damages.

Section 9.16. Headings; Counterparts. Article and Section Headings in this Agreement are for reference only and shall not affect the construction of this Agreement. This Agreement may be executed by different parties on any number of counterparts, each of which shall constitute an original and all of which, taken together, shall constitute one and the same agreement.

Section 9.17. Cumulative Rights and Severability. All rights and remedies of the Purchasers and Agent hereunder shall be cumulative and non-exclusive of any rights or remedies such Persons have under law or otherwise. Any provision hereof that is prohibited or unenforceable in any jurisdiction shall, in such jurisdiction, be ineffective to the extent of such prohibition or

unenforceability without invalidating the remaining provisions hereof and without affecting such provision in any other jurisdiction.

Section 9.18. Governing Law; Submission to Jurisdiction. This Agreement shall be governed by, and construed in accordance with, the internal laws (and not the law of conflicts) of the State of New York. The Seller hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York state court sitting in New York, New York for purposes of all legal proceedings arising out of, or relating to, the Transaction Documents or the transactions contemplated thereby. The Seller hereby irrevocably waives, to the fullest extent permitted by law, any objection it may now or hereafter have to the venue of any such proceeding and any claim that any such proceeding has been brought in an inconvenient forum. Nothing in this Section 9.18 shall affect the right of the Agent or any Purchaser to bring any action or proceeding against the Seller or its property in the courts of other jurisdictions.

Section 9.19. Waiver of Trial by Jury. To the extent permitted by applicable law, each party hereto irrevocably waives all right of trial by jury in any action, proceeding or counterclaim arising out of, or in connection with, any transaction document or any matter arising thereunder.

Section 9.20. Entire Agreement. The Transaction Documents constitute the entire understanding of the parties thereto concerning the subject matter thereof. Any previous or contemporaneous agreements, whether written or oral, concerning such matters are superseded thereby.

In Witness Whereof, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

ABN AMRO Bank N.V., as the Agent

By:/s/W. Robert Poff
Title:VP

By:/s/Paul Cronin
Title: SVP
Address: Structured Finance,
Asset Securitization
135 South LaSalle Street
Chicago, Illinois 60674-9135

ABN AMRO Bank N.V., as the Enhancer

By:/s/W. Robert Poff
Title: VP

By:/s/Paul Cronin
Title: SVP
Address: Structured Finance,
Asset Securitization
135 South LaSalle Street
Chicago, Illinois 60674-9135

Attention: Purchaser Agent
Windmill
Telephone: (312) 904-6263
Telecopy: (312) 904-6376

Attention: Enhancer-Windmill
Telephone: (312) 904-6263
Telecopy: (312) 904-6376

ABN AMRO Bank N.V.,
as a Liquidity Provider

By:/s/W. Robert Poff
Title: VP

By:/s/Paul Cronin
Title: SVP
Address: Structured Finance,
Asset Securitization
135 South LaSalle Street
Chicago, Illinois 60674-9135
Attention: Administrator -
Windmill
Telephone: (312) 904-6263
Telecopy: (312) 904-6376

Windmill Funding Corporation

By:/s/Andrew L. Stidd
Title: President

Address: c/o Global Securitization
Services, LLC
25 West 43rd Street, Suite 704
New York, New York 10036
Attention: Andrew Stidd

Telephone: (212) 302-8330
Telecopy: (212) 302-8767

with a copy to:

ABN AMRO Bank N.V.
Address: Structured Finance,
Asset Securitization
135 South LaSalle Street
Chicago, Illinois 60674-9135
Attention: Administrator -
Windmill
Telephone: (312) 904-6263
Telecopy: (312) 904-6376

Crompton & Knowles Receivables
Corporation, as Seller

By:/s/Charles J. Marsden
Title: President

Address:Station Place
Metro Center
Stamford,Connecticut 06902
Attention: Antonio Bucci,

Crompton & Knowles Corporation,
as Initial Collection Agent

By:/s/Charles J. Marsden
Title: Senior Vice President and
Chief Financial Officer

Address:Station Place
Metro Center
Stamford, Connecticut 06902
Attention: Antonio Bucci,

Assistant Treasurer	Assistant Treasurer
Telephone: (203) 573-3555	Telephone: (203) 573-3555
Telecopy: (203) 573-3751	Telecopy: (203) 573-3751
Notices sent to:	Notices sent to:
Crompton & Knowles Corporation	Cromption & Knowles Corporation
Benson Road	Benson Road
Middlebury, Conneticut 06749	Middlebury, Connecticut 06749

Schedule I
Definitions

The following terms have the meanings set forth, or referred to, below:

"ABN AMRO" means ABN AMRO Bank N.V. in its individual capacity and not in its capacity as the Agent.

"Adverse Claim" means, for any asset or property of a Person, a lien, security interest, charge, mortgage, pledge, hypothecation, assignment or encumbrance, or any other right or claim, in, of or on such asset or property in favor of any other Person, except (i) those in favor of the Agent and (ii) liens for taxes, assessments or charges of any Governmental Authority (other than Tax or ERISA liens) and liens of landlords, carriers, warehousemen, mechanics and materialmen imposed by law in the ordinary course of business, in each case (a) for amounts not yet due or (b) which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with GAAP.

"Affiliate" means, for any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with such Person. For purposes of this definition, "control" means the power, directly or indirectly, to cause the direction of the management and policies of a Person.

"Agent" is defined in the first paragraph hereof.

"Agent's Account" means the account designated to the Seller and the Purchasers by the Agent.

"Aggregate Commitment" means $81,600,000, as such amount may be reduced pursuant to Section 1.6.

"Aggregate Investment" means the sum of the Investments of all Purchasers.

"Assigned Windmill Settlement" means, for each Committed

Purchaser for any Put, the product of such Purchaser's Purchased Percentage and the amount of the Windmill Settlement being transferred pursuant to such Put.

"Bankruptcy Event" means, for any Person, that (a) such Person makes a general assignment for the benefit of creditors or any proceeding is instituted by or against such Person seeking to adjudicate it bankrupt or insolvent, or seeking the liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or any substantial part of its property or (b) such Person takes any corporate action to authorize any such action.

"Business Day" means any day other than (a) a Saturday, Sunday or other day on which banks in the States of New York, Connecticut or Illinois are authorized or required to close, (b) a holiday on the Federal Reserve calendar and, (c) solely for matters relating to a Eurodollar Tranche, a day on which dealings in Dollars are not carried on in the London interbank market.

"Charge-Off" means any Receivable that has or should have been (in accordance with the Credit and Collection Policy) charged off or written off by the Seller.

"Collection" means any amount paid, or deemed paid, on a Receivable, including from the proceeds of collateral securing, or any guaranty of, such Receivable or by the Seller under Section 1.5(b).

"Collection Agent" is defined in Section 3.1(a).

"Collection Agent Replacement Event" means the occurrence of any one or more of the following:

(a) any failure by the Collection Agent to make any payment, transfer or deposit required by any Transaction Document to be made by it which failure continues unremedied for one Business Day;

(b) failure on the part of the Collection Agent to observe or perform any covenant or agreement contained in Sections 3.2 or 3.3 of this Agreement;

(c) failure on the part of the Collection Agent to observe or perform any other covenant or agreement set forth in this Agreement or any other Transaction Document, which failure has a material adverse effect on any Purchaser and continues unremedied for a period of 30 days after the earlier of (i) the

date on which written notice of the failure, requiring the same to be remedied, shall have been given to the Collection Agent by any Purchaser, or to and (ii) the date on which the Collection Agent became aware of such failure;

(d) the Daily Report shall fail to have been correct in any material respect when made or delivered or shall not have been delivered when required under the terms hereof;

(e) the Monthly Report shall fail to have been correct in any material respect when made or delivered, or shall not have been delivered when required under the terms hereof, and such condition continues unremedied for a period of three Business Days;

(f) any written representation, warranty, certification or statement made by the Collection Agent in, or pursuant to, any Transaction Document proves to have been incorrect in any material adverse respect when made; or

(g) the Collection Agent suffers a Bankruptcy Event.

"Collection Agent Fee" is defined in Section 3.6.

"Commitment" means, for each Committed Purchaser, the amount set forth on Schedule II, as adjusted in accordance with Sections 1.6 and 9.8.

"Committed Purchasers" is defined in Section 1.1(b).

"Concentration Limit" means (i) with respect to Obligors with senior unsecured long-term indebtedness rated A- (or higher) by S&P or A3 (or higher) by Moody's, an amount not to exceed 5% of the Eligible Receivables Balance, and (ii) with respect to all other Obligors, an amount not to exceed 3% of the Eligible Receivables Balance.

"CP Dealer" means, at any time, each Person Windmill then engages as a placement agent or commercial paper dealer.

"CP Rate" means, for any CP Tranche Period, a rate per annum equal to (a) the weighted average of the rates at which commercial paper notes having a term equal to such CP Tranche Period may be sold by any CP Dealer selected by Windmill, as agreed between each such CP Dealer and Windmill, plus (b) on or after the occurrence of a Termination Event, 2%. If such rate is a discount rate, the CP Rate shall be the rate resulting from Windmill's converting such discount rate to an interest-bearing equivalent rate. If Windmill determines that due to disruptions in the commercial paper market that it is unable to issue

commercial paper, then the CP Rate shall be the Prime Rate for so long as such condition shall continue. The CP Rate shall include all costs and expenses to Windmill of issuing the related commercial paper notes, including all dealer commissions and note issuance costs in connection therewith.

"Credit and Collection Policy" means the Seller's credit and collection policy and practices relating to Receivables attached hereto as Exhibit J.

"Crompton & Knowles Credit Agreement" means that certain Amended and Restated Credit Agreement dated as of July 25, 1997 among Crompton & Knowles Corporation, Crompton & Knowles Colors Incorporated, Davis-Standard Corporation, Ingredient Technology Corporation, Uniroyal Chemical Company, Inc., The B2 Borrowers named therein, the B3 Borrowers named therein and Uniroyal Chemical Ltd., as the Initial Borrowers and the Initial Lenders, Initial Issuing Banks and Swing Line Bank named therein, as Initial Lenders, Initial Issuing Banks and Swing Line Bank and Citicorp USA, Inc., as Agent and The Chase Manhattan Bank, as Managing Agent.

"Crompton & Knowles Entity" means the Parent and each Originator.

"Deemed Collections" is defined in Section 1.5(c).

"Default Ratio" means, at any time, the ratio of (a) the then aggregate outstanding balance of all Defaulted Receivables (minus Charge-Offs) to (b) the then aggregate outstanding balance of all Receivables (minus Charge-Offs).

"Defaulted Receivable" means any Receivable (a) on which any amount is unpaid more than (i) for Davis-Standard Corporation, 90 days past its original invoice date and (ii) for all other Originators, 90 days past its original due date, or (b) the Obligor on which has suffered a Bankruptcy Event.

"Delinquency Ratio" means, at any time, the ratio of (a) the then aggregate outstanding balance of all Delinquent Receivables to (b) the then aggregate outstanding balance of all Receivables.

"Delinquent Receivable" means any Receivable (other than a Charge-Off or Defaulted Receivable) on which any amount is unpaid more than (i) for Davis Standard Corporation, 3190 days past its original invoice date and (ii) for all other Originators, 3190 days past its original due date.

"Designated Financial Officer" means each of Antonio Bucci and Kate Thomas.

"Dilution Ratio" means, for any period, the ratio of (a) the aggregate amount of payments owed by the Seller pursuant to the first sentence of Section 1.5(b) during such period to (b) the aggregate amount of Collections received during such period.

"Dilution Reserve" means, at any time prior to the occurrence of a Dilution Reserve Trigger Event, 0, and upon the occurrence of a Dilution Reserve Trigger Event, 2 times the highest Dilution Ratio (expressed as a decimal) as of the last day of each of the last twelve calendar months.

"Dilution Reserve Trigger Event" means either of the ratios described in Sections 5.04(a) and (b) of the Crompton & Knowles Credit Agreement as of any date is greater than a ratio that is .25 less than the required ratio for such date under the applicable Section.

"Discount" means, for any Tranche Period, (a) the product of (i) the Discount Rate for such Tranche Period, (ii) the total amount of Investment allocated to the Tranche Period, and (iii) the number of days elapsed during the Tranche Period divided by (b) 360 days.

"Discount Rate" means, for any Tranche Period, the CP Rate, the Eurodollar Rate or the Prime Rate, as applicable.

"Discount Reserve" means, at any time, the product of (a) 1.5 multiplied by (b) the rate announced by ABN AMRO as its "Prime Rate" (which may not be its best or lowest rate) multiplied by (c) a fraction, the numerator of which is 75 and the denominator of which is 360.

"Dollar" and "$" means lawful currency of the United States of America.

"Early Payment Fee" means, if any Investment of a Purchaser allocated (or, in the case of a requested Purchase not made by the Committed Purchasers for any reason other than their default, scheduled to be allocated) to a Tranche Period for a CP Tranche or Eurodollar Tranche is reduced or terminated before the last day of such Tranche Period (the amount of Investment so reduced or terminated being referred to as the "Prepaid Amount"), the cost to the relevant Purchaser of terminating or reducing such Tranche, which (a) for a CP Tranche means any compensation payable in prepaying the related commercial paper or, if not prepaid, any shortfall between the amount that will be available to Windmill on the maturity date of the related commercial paper from reinvesting the Prepaid Amount in Permitted Investments and the Face Amount of such commercial paper and (b) for a Eurodollar Tranche will be determined based on the difference between the LIBOR applicable to such Tranche and the LIBOR applicable for a

period equal to the remaining maturity of the Tranche on the date the Prepaid Amount is received.

"Eligible Receivable" means, at any time, any Receivable:

(i) the Obligor of which (a) is a resident of, or organized under the laws of, or with its chief executive office in, the USA; provided, however, that not more than 10% of Eligible Receivables at any time may consist of Receivables the Obligor of which is not a resident of, or organized under the laws of, or with its chief executive office in, the USA (each, a "Foreign Receivable") if the applicable Originator is the account party to a letter of credit or letters of credit issued by a financial institution acceptable to the Agent naming the Collection Agent (or a permitted sub-collection agent) as beneficiary in a face amount not less than the aggregate invoiced amount of Foreign Receivables of such Originator and in form and substance satisfactory to the Agent; (b) is not an Affiliate of any Crompton & Knowles Entity; (c) is not a government or a governmental subdivision or agency; (d) has not suffered a Bankruptcy Event; (e) is a customer of the Originator in good standing; and (f) is not the Obligor of Receivables 25% or more of which are Defaulted Receivables;

(ii) which is stated to be due and payable within 90 days after the invoice therefor; provided, however, that not more than 10% of Eligible Receivables at any time may consist of Receivables which are stated to be due and payable within 91 to 360 days after invoice therefor;

(iii) which is not a Defaulted Receivable or a Charge-Off;

(iv) which is an "account" within the meaning of Section 9105 of the UCC of all applicable jurisdictions;

(v) which is denominated and payable only in Dollars in the USA and is non-interest bearing; provided that a Receivable shall not be deemed to be interest bearing solely as a result of the Seller's lawful imposition of an interest or other charge on any Receivable that remains unpaid for some specified period of time;

(vi) which arises under a contract that is in full force and effect and constitutes the legal, valid and binding obligation of the related Obligor enforceable against such Obligor in accordance with its terms subject to no offset, counterclaim, defense or other Adverse Claim, and is not an executory contract or unexpired lease within the meaning of Section 365 of the Bankruptcy Code;

(vii) which arises under a contract that (a) contains an obligation to pay a specified sum of money and is subject to no contingencies and (b) does not contain a confidentiality provision that purports to restrict any Purchaser's exercise of rights under this Agreement, including, without limitation, the right to review such contract;

(viii) which does not, in whole or in part, contravene any law, rule or regulation applicable thereto (including, without limitation, those relating to usury, truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy); and

(ix) which satisfies all applicable requirements of the Credit and Collection Policy and was generated in the ordinary course of each Originator's business from the sale of goods or provision of services to a related Obligor solely by each Originator.

"Eligible Receivable Balance" means, at any time, the aggregate outstanding principal balance of all Eligible Receivables less the portion of the aggregate outstanding principal balance of Eligible Receivables which exceed the Concentration Limit.

"Enhancer" is defined in the first paragraph hereof.

"Enhancer Commitment Percentage" means 10%.

"Eurodollar Rate" means, for any Tranche Period for a Eurodollar Tranche, the sum of (a) LIBOR for such Tranche Period divided by 1 minus the "Reserve Requirement" plus (b)(i) for Investment of a Liquidity Provider, the amount specified in the Pricing Letter, or, (ii) for Investment of the Enhancer, the amount specified in the Fee Letter plus (c) during the pendency of a Termination Event, 1% for Investment of a Liquidity Provider and 2% for Investment of the Enhancer; where "Reserve Requirement" means, for any Tranche Period for a Eurodollar Tranche, the maximum reserve requirement imposed during such Tranche Period on "eurocurrency liabilities" as currently defined in Regulation D of the Board of Governors of the Federal Reserve System.

"Face Amount" means the face amount of any Windmill commercial paper issued on a discount basis or, if not issued on a discount basis, the principal amount of such note and interest scheduled to accrue thereon to its stated maturity.

"Federal Funds Rate" means, 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 immediately preceding Business Day) by the Federal Reserve Bank of New York or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such transactions received by ABN AMRO as of approximately 10:00 a.m. (Chicago time) on such day from three federal funds brokers of recognized standing selected by it.

"Fee Letter" means the letter agreement dated as of the date hereof among the Seller, the Agent, Windmill and the Enhancer.

"Funding Agreement" means any agreement or instrument executed by Windmill and executed by or in favor of any Windmill Funding Source or executed by any Windmill Funding Source at the request of Windmill (including the Program LOC).

"GAAP" means generally accepted accounting principles in the USA, applied on a consistent basis.

"Governmental Authority" means any (a) Federal, state, municipal or other governmental entity, board, bureau, agency or instrumentality, (b) administrative or regulatory authority (including any central bank or similar authority) or (c) court, judicial authority or arbitrator, in each case, whether foreign or domestic.

"Incremental Purchase" is defined in Section 1.1(b).

"Initial Collection Agent" is defined in the first paragraph hereof.

"Instructing Group" means the Required Liquidity Providers, the Enhancer and, unless the Windmill Termination Date has occurred and Windmill has no Investment, Windmill.

"Intended Tax Characterization" is defined in Section 9.9.

"Interim Liquidation" means any time before the Liquidity Termination Date during which no Reinvestment Purchases are made by any Purchaser, as established pursuant to Section 1.2.

"Investment" means, for each Purchaser, (a) the sum of (i) all Incremental Purchases by such Purchaser and (ii) the aggregate amount of any payments or exchanges made by, or on behalf of, such Purchaser to any other Purchaser under Article II minus (b) all Collections, amounts received from other Purchasers under Article II, and other amounts received or exchanged and, in each case, applied by the Agent or such Purchaser to reduce such Purchaser's Investment. A Purchaser's Investment shall be restored to the extent any amounts so received or exchanged and

applied are rescinded or must be returned for any reason.

"LIBOR" means, for any Tranche Period for a Eurodollar Tranche or other time period, the rate per annum (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) for deposits in Dollars for a period equal to such Tranche Period or other period, which appears on Page 3750 of the Telerate Service (or any successor page or successor service that displays the British Bankers' Association Interest Settlement Rates for Dollar deposits) as of 11:00 a.m. (London, England time) two Business Days before the commencement of such Tranche Period or other period. If for any Tranche Period for a Eurodollar Tranche no such displayed rate is available (or, for any other period, if such displayed rate is not available or the need to calculate LIBOR is not notified to the Agent at least 3 Business Days before the commencement of the period for which it is to be determined), the Agent shall determine such rate based on the rates ABN AMRO is offered deposits of such duration in the London interbank market.

"Limited Guaranty" means the Limited Guaranty, dated the date hereof, from the Parent in favor of the Agent.

"Liquidation Period" means, for Windmill only, all times when Windmill is not making Reinvestment Purchases pursuant to Section 1.1(d) and, for all Purchasers, all times (x) during an Interim Liquidation and (y) on and after the Liquidity Termination Date.

"Liquidity Providers" is defined in the first paragraph hereof.

"Liquidity Termination Date" means the earliest of (a) the date of the occurrence of a Termination Event described in clause (e) of the definition of Termination Event, (b) the date designated by the Agent to the Seller at any time after the occurrence of any other Termination Event, (c) the Business Day designated by the Seller with no less than five (5) Business Days prior notice to the Agent and (d) December 10, 1999.

"Lock-Box" means each post office box or bank box listed on Exhibit G, as revised pursuant to Section 5.1(i).

"Lock-Box Account" means each account maintained by the Collection Agent at a Lock-Box Bank for the purpose of receiving or concentrating Collections.

"Lock-Box Agreement" means each agreement between the Collection Agent and a Lock-Box Bank concerning a Lock-Box Account.

"Lock-Box Bank" means each bank listed on Exhibit G, as revised pursuant to Section 5.1(i).

"Lock-Box Letter" means a letter in substantially the form of Exhibit H (or otherwise acceptable to the Agent) from the Seller and the Collection Agent to each Lock-Box Bank, acknowledged and accepted by such Lock-Box Bank and the Agent.

"Loss Reserve" means, at any time, the greatest of (a) .12, (b) 0.75 times the highest Delinquency Ratio (expressed as a decimal) as of the last day of each of the last twelve calendar months and (c) 0.75 times the highest Default Ratio (expressed as a decimal) as of the last day of each of the last twelve calendar months.

"Loss-to-Liquidation Ratio" means, for any period, the ratio of the outstanding balance of Charge-Offs to the aggregate amount of Collections during such period.

"Matured Aggregate Investment" means, at any time, the Matured Value of Windmill's Investment plus the total Investments of all other Purchasers then outstanding.

"Matured Value" means, of any Investment, the sum of such Investment and all unpaid Discount, fees and other amounts scheduled to become due (whether or not then due) on such Investment during all Tranche Periods to which any portion of such Investment has been allocated.

"Maximum Incremental Purchase Amount" means, at any time, the lesser of (a) the difference between the Purchase Limit and the Aggregate Investment then outstanding and (b) the difference between the Aggregate Commitment and the Matured Aggregate Investment then outstanding.

"Moody's" means Moody's Investors Service, Inc.

"Obligor" means, for any Receivable, each Person obligated to pay such Receivable and each guarantor of such obligation.

"Originators" means each of Uniroyal Chemical Company, Inc., Uniroyal Chemical Export Ltd., Davis Standard Corporation and Crompton & Knowles Colors Incorporated.

"Parent" means Crompton & Knowles Corporation, a Massachusetts corporation.

"Periodic Report" is defined in Section 3.3.

"Permitted Investments" means (a) evidences of indebtedness, maturing within thirty (30) days after the date of purchase

thereof, issued by, or guaranteed by the full faith and credit of, the federal government of the USA, (b) repurchase agreements with banking institutions or broker-dealers the short-term unsecured obligations of which is rated at least "A-1+" (or the equivalent) by S&P and at least "P-1" (or the equivalent) by Moody's registered under the Securities Exchange Act of 1934 which are fully secured by obligations of the kind specified in clause (a), (c) money market funds (i) rated not lower than the highest rating category from Moody's and "AAA m" or "AAAm-g," from S&P or (ii) which are otherwise acceptable to the Rating Agencies or (d) commercial paper issued by any corporation incorporated under the laws of the USA and rated at least "A-1+" (or the equivalent) by S&P and at least "P-1" (or the equivalent) by Moody's.

"Person" means an individual, partnership, corporation, association, joint venture, Governmental Authority or other entity of any kind.

"Potential Termination Event" means any Termination Event or any event or condition that with the lapse of time or giving of notice, or both, would constitute a Termination Event.

"Pricing Letter" means the letter agreement dated as of the date hereof among the Liquidity Providers, the Agent and the Seller.

"Prime Rate" means, for any period, the daily average during such period of (a) the greater of (i) the floating commercial loan rate per annum of ABN AMRO (which rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer by ABN AMRO) announced from time to time as its prime rate or equivalent for Dollar loans in the USA, changing as and when said rate changes and (ii) the Federal Funds Rate plus 0.75% plus (b) during the pendency of a Termination Event, 1% for Investment of a Liquidity Provider and 2% for Investment of the Enhancer.

"Program LOC" means that certain amended and restated irrevocable transferable letter of credit No. S550115, dated November 3, 1995, issued by the Enhancer at the request of Windmill, and each letter of credit issued in substitution or replacement therefor.

"Program Unreimbursed Draw Amount" means the sum of all draws under the Program LOC in connection with this Transaction which have not been reimbursed (whether through the payment of cash or the exchange of assets), together with all interest thereon and all other amounts, if any, payable in connection therewith.

"Purchase" is defined in Section 1.1(a).

"Purchase Agreement" means the Receivables Purchase Agreement dated as of the date hereof among the Seller and each Originator.

"Purchase Amount" is defined in Section 1.1(c).

"Purchase Date" is defined in Section 1.1(c).

"Purchase Interest" means, for a Purchaser, the percentage ownership interest in the Receivables and Collections held by such Purchaser, calculated when and as described in Section 1.1(a); provided, however, that (except for purposes of computing a Purchase Interest or the Sold Interest in Section 1.5 or 1.7) at any time the Sold Interest would otherwise exceed 100% each Purchaser then holding any Investment shall have its Purchase Interest reduced by multiplying such Purchase Interest by a fraction equal to 100% divided by the Sold Interest otherwise then in effect, so that the Sold Interest is thereby reduced to 100%.

"Purchase Limit" means $80,000,000.

"Purchase Price" means, for each Committed Purchaser for any Put, such Purchaser's Purchased Percentage for such Put multiplied by the sum of (a) (i) for the Enhancer, the amount of Windmill's Investment being transferred pursuant to such Put (the "Put Investment") and (ii) for each Liquidity Provider, the lesser of (A), the Put Investment and (B) the sum of (I) the product of (1) the amount of Windmill Investment being transferred pursuant to such Put divided by the Windmill Investment (before giving effect to such Put), (2) Windmill's Purchase Interest at such time, (3) the Eligible Receivables Balance as most recently calculated, provided, however, that Collections used to reduce such most recently computed Eligible Receivables Balance but not yet received by the Agent shall be added back to the Eligible Receivables Balance, and (II) the amount of Windmill Settlement being transferred pursuant to such Put plus (b) (i) all unpaid Discount owed to Windmill (whether or not then due) to the end of each applicable Tranche Period to which any Investment being Put has been allocated, (ii) all accrued but unpaid fees (whether or not then due) payable to Windmill in connection herewith at the time of such purchase and (iii) all accrued and unpaid costs, expenses and indemnities due to Windmill from the Seller in connection herewith. Windmill shall calculate the Purchase Price on the date of such Put based on the information then available to it, and, regardless of whether such information is complete, such calculation shall be conclusive and binding absent manifest error; provided, however, that if such purchase occurs due to the occurrence of a

Termination Event, the Purchase Price shall be determined as of the date such Termination Event first occurred (without regard to any grace periods), adjusted to reflect amounts received by Windmill. In making any such calculation, Windmill shall be entitled to rely on information provided to it by the Seller without any obligation to investigate the accuracy or completeness of such information.

"Purchased Percentage" means, for any Put, for each Committed Purchaser, its Ratable Share or such lesser percentage as is necessary to prevent the Purchase Price of such Purchaser from exceeding its Unused Commitment (unless, in the case of the Enhancer, it elects not to reduce its Purchased Percentage in whole or in part).

"Purchasers" means the Liquidity Providers, the Enhancer and Windmill.

"Put" is defined in Section 2.1(a).

"Ratable Share" means, for each Committed Purchaser, such Purchaser's Commitment divided by the Aggregate Commitment. If, however, on the date any Incremental Purchase or payment for any Put is to be made by the Committed Purchasers, the Enhancer has outstanding Investment plus Program Unreimbursed Draw Amount in excess of its Ratable Share of the outstanding Investment and Program Unreimbursed Draw Amount of all Committed Purchasers, then for purposes of such Incremental Purchase or Put the Ratable Share of each Committed Purchaser shall be replaced with a percentage equal for each Committed Purchaser to (a) its Commitment minus its Investment and Program Unreimbursed Draw Amount before such Purchase or Put (its "Existing Investment") divided by (b) the Aggregate Commitment minus the sum of the Existing Investments of all Committed Purchasers.

"Rating Agency" means Moody's, S&P and any other rating agency Windmill chooses to rate its commercial paper notes.

"Ratings" means the ratings by the Rating Agencies of the indebtedness for borrowed money of Windmill.

"Receivable" means each obligation of an Obligor to pay for merchandise sold or services rendered by any Originator and includes such Originator's rights to payment of any interest or finance charges and in the merchandise (including returned goods) and contracts relating to such Receivable, all security interests, guaranties and property securing or supporting payment of such Receivable, all Records and all proceeds of the foregoing. During any Interim Liquidation and on and after the Liquidity Termination Date, the term "Receivable" shall only include receivables existing on the date such Interim Liquidation

commenced or Liquidity Termination Date occurred, as applicable. Deemed Collections shall reduce the outstanding balance of Receivables hereunder, so that any Receivable that has its outstanding balance deemed collected shall cease to be a Receivable hereunder after (x) the Collection Agent receives payment of such Deemed Collections under Section 1.5(b) or (y) if such Deemed Collection is received before the Liquidity Termination Date, an adjustment to the Sold Interest permitted by Section 1.5(c) is made.

"Records" means, for any Receivable, all contracts, books, records and other documents or information (including computer programs, tapes, disks, software and related property and rights) relating to such Receivable or the related Obligor.

"Reinvestment Purchase" is defined in Section 1.1(b).

"Required Liquidity Providers" means Liquidity Providers having Liquidity Provider Commitments in excess of 66-2/3% of the Commitment of all Liquidity Providers.

"Reserve" means, for each Purchaser, an amount equal to the Reserve Percentage multiplied by such Purchaser's Investment.

"Reserve Percentage" means, at any time, the sum of the Loss Reserve, the Dilution Reserve and the Discount Reserve.

"Seller" is defined in the first paragraph hereof.

"Seller Account" means the Seller's account number 035-1-084215 at The Chase Manhattan Bank, New York, New York or such other account designated by the Seller to the Agent with at least ten (10) days prior notice.

"Sold Interest" is defined in Section 1.1(a).

"Special Transaction Subaccount" means the special transaction subaccount established for this Agreement pursuant to Windmill's depositary agreement.

"S&P" means Standard & Poor's Ratings Group.

"Subordinated Notes" means each buyer note issued by the Seller to the applicable Originator under the Purchase Agreement.

"Subsidiary" means any Person of which at least a majority of the voting stock (or equivalent equity interests) is owned or controlled by the Seller or any Crompton & Knowles Entity or by one or more other Subsidiaries of the Seller or such Crompton & Knowles Entity. The Subsidiaries of the Parent on the date hereof are listed on Exhibit F.

"Taxes" means all taxes, charges, fees, levies or other assessments (including income, gross receipts, profits, withholding, excise, property, sales, use, license, occupation and franchise taxes and including any related interest, penalties or other additions) imposed by any jurisdiction or taxing authority (whether foreign or domestic).

"Termination Date" means (a) for Windmill, the Windmill Termination Date, (b) for the Liquidity Providers, the Liquidity Termination Date and (c) for the Enhancer, the earlier of (i) the third (3rd) Business Day following the Liquidity Termination Date and (ii) December 10, 1999.

"Termination Event" means the occurrence of any one or more of the following:

(a) any representation, warranty, certification or statement made by the Seller or any Crompton & Knowles Entity in, or pursuant to, any Transaction Document proves to have been incorrect in any material respect when made; or

(b) the Collection Agent, any Crompton & Knowles Entity or the Seller fails to make any payment or other transfer of funds hereunder when due (including any payments under Section 1.5(a)); or

(c) the Seller fails to observe or perform any covenant or agreement contained in Sections 3.3, 5.1(b), 5.1(e), 5.1(g), 5.1(i), or 5.1(j) of this Agreement or any Originator fails to perform any covenant or agreement in Sections 6.1(d), 6.1(f), 6.1(i), 6.1(j), 6.1(k), 6.2(b) or 6.3 of each Purchase Agreement; or

(d) the Seller or the Collection Agent (or any sub-collection agent) fails to observe or perform any other term, covenant or agreement under any Transaction Document, and such failure remains unremedied for thirty days; or

(e) the Seller, any Originator or any Subsidiary suffers a Bankruptcy Event; or

(f) the average of the Delinquency Ratios as of the end of each of the most recent three calendar months exceeds 25%, the average of the Default Ratios as of the end of each of the most recent three calendar months exceeds 25%, the Dilution Ratio at the end of any calendar month measured for the three month calendar period then ending exceeds 5% or the Loss-to-Liquidation Ratio at the end of any calendar month measured for the three month calendar period then ending exceeds 1%; or

(g) (i) the Seller, any Crompton & Knowles Entity or any Affiliate, directly or indirectly, disaffirms or contests the validity or enforceability of any Transaction Document or (ii) any Transaction Document fails to be the enforceable obligation of the Seller or any Affiliate party thereto; or

(h) the Seller or any Subsidiary (A) generally does not pay its debts as such debts become due or admits in writing its inability to pay its debts generally or (B) fails to pay any of its indebtedness (except in aggregate principal amount of less than $1,000,000) or defaults in the performance of any provision of any agreement under which such indebtedness was created or is governed and such default permits such indebtedness to be declared due and payable or to be required to be prepaid before the scheduled maturity thereof; or

(i) any event occurs or condition exists which constitutes a default or an event of default under the Crompton & Knowles Credit Agreement; or

(j) the average of the Turnover Rates for each of the most recent three calendar months exceeds 75 days; or

(k) a Collection Agent Replacement Event has occurred and is continuing with respect to the Initial Collection Agent; or

(l) the Parent shall fail to own and control, directly or indirectly, (i) 100% of the outstanding voting stock of the Seller and each Originator (other than with respect to Crompton & Knowles Colors Incorporated) and (ii) 80% of the outstanding voting stock of Crompton & Knowles Colors Incorporated; provided, however, that the Parent may own less than 80% of Crompton & Knowles Colors Incorporated so long as no Receivables in which the Purchasers' have a Sold Interest were originated by such entities.

Notwithstanding the foregoing, a failure of a representation or warranty or breach of any covenant described in clause (a), (c) or (d) above related to a Receivable shall not constitute a Termination Event if the Seller has been deemed to have collected such Receivable pursuant to Section 1.5(b) or, before the Liquidity Termination Date, has adjusted the Sold Interest as provided in Section 1.5(c) so that such Receivable is no longer considered to be outstanding.

"Tranche" means a portion of the Investment of Windmill or of the Committed Purchasers allocated to a Tranche Period pursuant to Section 1.3. A Tranche is a (i) CP Tranche, (ii) Eurodollar Tranche or (iii) Prime Tranche depending whether

Discount accrues during its Tranche Period based on a (i) CP Rate, (ii) Eurodollar Rate, or (iii) Prime Rate.

"Tranche Period" means a period of days ending on a Business Day selected pursuant to Section 1.3, which (i) for a CP Tranche shall not exceed 270 days, (ii) for a LIBOR Tranche shall not exceed 180 days, and (iii) for a Prime Tranche shall not be less than 2 days and shall not exceed 30 days.

"Transaction Documents" means this Agreement, the Fee Letter, the Limited Guaranty, the Pricing Letter, the Purchase Agreements, the Subordinated Notes, and all other documents, instruments and agreements executed or furnished in connection herewith and therewith.

"Transfer Supplement" is defined in Section 9.8.

"Turnover Rate" means, for any period for which it is calculated, the product, expressed in days, of (A) (1) the Eligible Receivables Balance at the beginning of such period divided by (2) the average daily Collections (other than Deemed Collections) during such period multiplied by (B) 30.

"UCC" means, for any state, the Uniform Commercial Code as in effect in such state.

"USA" means the United States of America (including all states and political subdivisions thereof).

"Unused Aggregate Commitment" means, at any time, the difference between the Aggregate Commitment then in effect and the outstanding Matured Aggregate Investment.

"Unused Commitment" means, for any Committed Purchaser at any time, the difference between its Commitment and its Investment then outstanding.

"Windmill" is defined in the first paragraph hereof.

"Windmill Funding Source" means any insurance company, bank or other financial institution providing liquidity, back-up purchase or credit support for Windmill.

"Windmill Settlement" means the sum of all claims and rights to payment pursuant to Section 1.5 or 1.7 or any other provision owed to Windmill (or owed to the Agent or the Collection Agent for the benefit of Windmill) by the Seller that, if paid, would be applied to reduce Windmill's Investment.

"Windmill Termination Date" means the earliest of (a) the Business Day designated by the Seller with no less than five (5)

Business Days prior notice to the Agent, (b) the Business Day designated by Windmill at any time to the Seller and (c) the Liquidity Termination Date.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms. Unless otherwise inconsistent with the terms of this Agreement, all accounting terms used herein shall be interpreted, and all accounting determinations hereunder shall be made, in accordance with GAAP. Amounts to be calculated hereunder shall be continuously recalculated at the time any information relevant to such calculation changes.

Schedule II
Liquidity Providers and Commitments of Committed Purchasers

Name of Liquidity Provider	Commitment
ABN AMRO Bank N.V.	$73,440,000
Enhancer	
ABN AMRO Bank N.V.	$8,160,000

Exhibit A
to
Receivables Sale Agreement

Form of Incremental Purchase Request

_____, 199_

ABN AMRO Bank N.V., as Agent
Asset Securitization, Structured Finance
Suite 725
135 South LaSalle Street
Chicago, Illinois 60674-9135
Attn: Purchaser Agent-Windmill

Re: Receivables Sale Agreement dated as of December 11, 1998 (the "Sale Agreement") among Crompton & Knowles Receivables Corporation, as Seller, Crompton & Knowles Corporation, as Initial Collection Agent, ABN AMRO Bank N.V., as Agent, and the Purchasers thereunder

Ladies and Gentlemen:

The undersigned Seller under the above-referenced Sale Agreement hereby confirms its has requested an Incremental Purchase of $_____ by [Windmill/the Committed Purchasers]

under the Sale Agreement. The Seller further confirms it has requested a Tranche Period beginning on _____ for such increased Investment [or insert different Tranche Periods for different Tranches. Also, if purchases by Committed Purchasers are requested, insert for each Tranche whether it is a Eurodollar or Prime Tranche.]

Attached hereto as Schedule I is information relating to the proposed Incremental Purchase required by the Sale Agreement. If on the date of this Incremental Purchase Request ("Notice"), an Interim Liquidation is in effect, this Notice revokes our request for such Interim Liquidation so that Reinvestment Purchases shall immediately commence in accordance with Section 1.1(d) of the Sale Agreement.

The Seller hereby certifies that both before and after giving effect to [each of] the proposed Incremental Purchase[s] contemplated hereby and the use of the proceeds therefrom, all of the requirements of Section 7.2 of the Sale Agreement have been satisfied.

Very truly yours,
Crompton & Knowles Receivables Corporation
By
Title

Schedule I
to
Incremental Purchase Requests

Summary of Information Relating to Proposed Sale(s)

1. Dates, Amounts, Purchaser(s), Proposed Tranche Periods

A1	Date of Notice				_____
A2	Measurement Date (the last Business Day of the week immediately preceding the week in which the Date of Notice occurs)				_____
A3	Proposed Purchase Dates (each of which is a Business Day)	_____	_____	_____	_____
A4	Respective Proposed Incremental Purchase on each such Purchase Date (each Incremental Purchase must be in a minimum amount of	$_____ (A4A)	$_____ (A4B)	$_____ (A4C)	$_____ (A4D)

$1,000,000 and multiples
thereof, or, if less, an
amount equal to the
Maximum Incremental
Purchase Amount)

A5 Proposed Allocation
among Purchasers

Windmill	$_____	$_____	$_____	$_____
Liquidity Providers	$_____	$_____	$_____	$_____
Enhancer	$_____	$_____	$_____	$_____

A6 Tranche Period
and, for Committed
Purchasers, Tranche Rate(s)

Starting Date	_____	_____	_____	_____
Ending Date	_____	_____	_____	_____
Number of Days	_____	_____	_____	_____
Prime or Eurodollar (for Committed Purchasers only)	_____	_____	_____	_____

Each proposed Purchase Date must be a Business Day and must occur no later than two weeks after the Measurement Date set forth above. The choice of Measurement Date is a risk undertaken by the Seller. If a selected Measurement Date is not the applicable Purchase Date, the Seller's choice and disclosure of such date shall not in any manner diminish or waive the obligation of the Seller to assure the Purchasers that, after giving effect to the proposed Purchase, the actual Sold Interest as of the date of such proposed Purchase does not exceed 100%.

Exhibit B
to
Receivables Sale Agreement

Form of Notification of Assignment from Windmill
to the Committed Purchasers

_____, 199_

Crompton & Knowles
Receivables Corporation
_____
_____

ABN AMRO Bank N.V., as Agent
Asset Securitization, Structured Finance
Suite 725
135 South LaSalle Street
Chicago, Illinois 60674-9135
Attn: Enhancer-Windmill

[Insert Name and Address of each
Liquidity Provider]

Re: Receivables Sale Agreement dated as of December 11,1998 (the "Sale Agreement") among Crompton & Knowles Receivables Corporation, as Seller, Crompton & Knowles Corporation, as Initial Collection Agent, ABN AMRO Bank N.V., as Agent, and the Purchasers thereunder

Ladies and Gentlemen:

The Agent under the above-referenced Sale Agreement hereby notifies each of you that Windmill has notified the Agent pursuant to Section 2.1(a) of the Sale Agreement that it will sell to the Committed Purchasers on _____ (the "Put Date") ____% of Windmill's Investment and related Windmill Settlement (the "Assigned Interest"). In accordance with the terms of the Sale Agreement, each Liquidity Provider and the Enhancer must purchase from Windmill on the Put Date its respective Purchase Percentage of the Assigned Interest by paying its Purchase Price therefor described on Schedule I hereto. As further provided in Section 2.1 of the Sale Agreement, upon payment by a Committed Purchaser of its Purchase Price to the Agent, effective as of the Put Date the assignment by Windmill to such Committed Purchaser of its Purchased Percentage of the Assigned Interest shall be complete, subject to the purchase of any additional portion of the Assigned Interest pursuant to Section 2.1(b) upon the failure of a Liquidity Provider to pay its Purchase Price.

In accordance with the Sale Agreement, Windmill's acceptance of the Purchase Price payable by each Committed Purchaser constitutes its representation and warranty that it is the legal and beneficial owner of the Assigned Interest free and clear of any Adverse Claim created by Windmill and that on the Put Date it is not subject to any bankruptcy, insolvency or similar proceeding described in Section 2.1(e) of the Sale Agreement.

Very truly yours,
ABN AMRO Bank N.V., as Agent
By _____
Name_____
Title_____
By_____

Name_____
Title_____

Schedule I
to
Notification of Assignment

Dated _____, 199_

I. Percentage of Windmill Investment and related Windmill Settlement assigned: ___%

II. Information for each Committed Purchaser.

Purchaser	Purchased Percentage	Purchase Price
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

III. Information for Seller.

A. Aggregate Windmill Investment Assigned: $_____.

B. Aggregate Windmill Settlement Assigned: $_____.

C. Aggregate amounts allocated to clause (b) of the definition of Purchase Price:
$_____.

Exhibit C
to
Receivables Sale Agreement

Form of Notification of Assignment to Windmill
From the Committed Purchasers

_____, 199_

Crompton & Knowles
Receivables Corporation
_____

_____

ABN AMRO Bank N.V., as Agent
Asset Securitization, Structured Finance
Suite 725
135 South LaSalle Street
Chicago, Illinois 60674-9135
Attn: Enhancer-Windmill

[Insert Name and Address of each
Liquidity Provider]

Re: Receivables Sale Agreement dated as of December 11, 1998 (the "Sale Agreement") among Crompton & Knowles Receivables Corporation, as Seller, Crompton & Knowles Corporation, as Initial Collection Agent, ABN AMRO Bank N.V., as Agent, and the Purchasers thereunder

Ladies and Gentlemen:

The Agent under the above-referenced Sale Agreement hereby notifies each of you that Windmill has notified the Agent pursuant to Section 2.2 of the Sale Agreement that it will purchase from the Committed Purchasers on _____ (the "Purchase Date") that portion of the Committed Purchasers' Investments identified on Schedule I hereto (the "Assigned Interest"). As further provided in Section 2.2 of the Sale Agreement, upon payment by Windmill to the Agent of the purchase price of such Investments described on Schedule I hereto, effective as of the Purchase Date the assignment by the Committed Purchasers to Windmill of the Assigned Interest shall be complete and all payments thereon under the Sale Agreement shall be made to Windmill.

In accordance with the Sale Agreement, each Committed Purchaser's acceptance of the portion purchase price payable to it described on Schedule I hereto constitutes its representation and warranty that it is the legal and beneficial owner of the portion of the Assigned Interest related to its Purchase Interest identified on Schedule I free and clear of any Adverse Claim created or granted by it and that on the Purchase Date it is not subject to a Bankruptcy Event.

Very truly yours,
ABN AMRO Bank N.V., as Agent

By_____
Name_____
Title_____

By_____
Name_____
Title_____

Schedule I
to
Notification of Assignment

Dated _____, 199_

I. Amount of Committed Purchaser Investment Assigned: $_____

II. Information for each Committed Purchaser.

Purchaser	Purchase Interest	Purchase Price*
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

III. Information for Seller.

Aggregate amounts of purchase price in excess of amount of Investment assigned: $_____.

Exhibit D-1
Form of Periodic Report

Exhibit D-2
Form of Daily Report

Exhibit E
Addresses and Names of Seller and Originators

1. Locations. (a) The chief executive office of the Seller and each Originator are located at the following address:

Crompton & Knowles Receivables Corporation
Benson Road
Middlebury, Connecticut 06749

Uniroyal Chemical Company, Inc.
Benson Road
Middlebury, Connecticut 06749

Uniroyal Chemical Export Ltd.
Benson Road
Middlebury, Connecticut 06749

Davis Standard Corporation
1 Extrusion Drive
Pawcatuck, Connecticut 06379

Crompton & Knowles Colors Incorporated
3001 North Graham Street
Charlotte, North Carolina 28206

No such address was different at any time since December 31, 1997

(b) The following are all the locations where the Seller and each Originator directly or through its agents maintain any Records:

Station Place
Metro Center
Stamford, Connecticut 06902

Route 724
Bidsboro, Pennsylvania 19508

2. Names. The following is a list of all names (including trade names or similar appellations) used by the Seller and each Originator or any of its divisions or other business units:

None.

Exhibit F
Subsidiaries

Exhibit G

Lock Boxes and Lock-Box Banks

Bank	Lock-Box Number	Collection Account
Citibank	8429, 2049, and 8129	4049-8376
Fleet Bank	30586	058-8001
First Union National Bank	9595	8126-1733
First Union		

Exhibit H

to Receivables Sale Agreement

Form of Lock Box Letter

[Name of Lock Box Bank]

Ladies and Gentlemen:

Reference is made to the lock-box numbers _____ in _____ and the associated the lock-box demand deposit account number _____ maintained with you (such lock-boxes and associated lock-box demand deposit account, collectively, the "Accounts"), each in the name of [Name of Originator] ("[___]"). [___] hereby confirms it has sold all Receivables (as defined below) to Crompton & Knowles Receivables Corporation (the "Seller").

In connection with the Receivables Sale Agreement, dated as of December 11, 1998 (as amended, supplemented or otherwise modified from time to time, the "Receivables Sale Agreement"), among the Seller, Windmill Funding Corporation ("Windmill"), the financial institutions from time to time party thereto (collectively, the "Liquidity Providers"), ABN AMRO Bank N.V., as provider of the program letter of credit (the "Enhancer"), and ABN AMRO Bank N.V., as agent (the "Agent") for Windmill, the Liquidity Providers and the Enhancer (collectively, the "Purchasers"), the Seller has assigned to the Agent for the benefit of the Purchasers an undivided percentage interest in the accounts, chattel paper, instruments or general intangibles (collectively, the "Receivables") under which payments are or may hereafter be made to the Accounts, and has granted to the Agent for the benefit of the Purchasers a security interest in its retained interest in such Receivables. As is the customary practice in this type of transaction, we hereby request that you execute this letter agreement. All references herein to "we" and "us" refer to [_____] and the Seller, jointly and severally. Your execution hereof is a condition precedent to our continued maintenance of the Accounts with you.

We hereby transfer exclusive dominion and control of the Accounts to the Agent, subject only to the condition subsequent that the Agent shall have given you notice that a "Termination Event" has occurred and is continuing under the Receivables Sale Agreement and of its election to assume such dominion and control, which notice shall be in substantially the form attached hereto as Annex A (the "Agent's Notice").

At all times prior to the receipt of the Agent's Notice described above, all payments to be made by you out of, or in connection with the Accounts, are to be made in accordance with

the instructions of the Seller or its agent.

We hereby irrevocably instruct you, at all times from and after the date of your receipt of the Agent's Notice as described above, to make all payments to be made by you out of, or in connection with, the Accounts directly to the Agent, at its address set forth below its signature hereto or as the Agent otherwise notifies you, or otherwise in accordance with the instructions of the Agent.

We also hereby notify you that, at all times from and after the date of your receipt of the Agent's Notice as described above, the Agent shall be irrevocably entitled to exercise in our place and stead any and all rights in connection with the Accounts, including, without limitation, (a) the right to specify when payments are to be made out of, or in connection with, the Accounts and (b) the right to require preparation of duplicate monthly bank statements on the Accounts for the Agent's audit purposes and mailing of such statements directly to an address specified by the Agent. At all times from and after the date of your receipt of the Agent's Notice, neither we nor any of our affiliates shall be given any access to the Accounts.

The Agent's Notice may be personally served or sent by telex, facsimile or U.S. mail, certified return receipt requested, to the address, telex or facsimile number set forth under your signature to this letter agreement (or to such other address, telex or facsimile number as to which you shall notify the Agent in writing). If the Agent's Notice is given by telex or facsimile, it will be deemed to have been received when the Agent's Notice is sent and the answerback is received (in the case of telex) or receipt is confirmed by telephone or other electronic means (in the case of facsimile). All other notices will be deemed to have been received when actually received or, in the case of personal delivery, delivered.

By executing this letter agreement, you acknowledge the existence of the Agent's right to dominion and control of the Accounts and its ownership of and security interest in the amounts from time to time on deposit therein and agree that from the date hereof the Accounts shall be maintained by you for the benefit of, and amounts from time to time therein held by you as agent for, the Agent on the terms provided herein. The Accounts are to be entitled "Crompton & Knowles Receivables Corporation and ABN AMRO Bank N.V., as Agent for the Purchasers" with the subline ["Name of Originator"]. Except as otherwise provided in this letter agreement, payments to the Accounts are to be processed in accordance with the standard procedures currently in effect. All service charges and fees in connection with the Accounts shall continue to be payable by us under the arrangements currently in effect.

By executing this letter agreement, you (a) irrevocably waive and agree not to assert, claim or endeavor to exercise, (b) irrevocably bar and estop yourself from asserting, claiming or exercising and (c) acknowledge that you have not heretofore

received a notice, writ, order or other form of legal process from any other party asserting, claiming or exercising, any right of set-off, banker's lien or other purported form of claim with respect to the accounts or any funds from time to time therein. Except for your right to payment of your service charge and fees and to make deductions for returned items, you shall have no rights in the Accounts or funds therein, except deductions for service charges, fees and returned or misplaced items. To the extent you may ever have any additional rights, you hereby expressly subordinate all such rights to all rights of the Agent.

You may terminate this letter agreement by cancelling the Accounts maintained with you, which cancellation and termination shall become effective only upon thirty (30) days prior written notice thereof from you to the Agent in the absence of fraud or abuse. Incoming mail addressed to the Accounts (including, without limitation, any direct funds transfer to the Accounts) received after such cancellation shall be forwarded in accordance with the Agent's instructions. This letter agreement may also be terminated upon written notice to you by the Agent stating that the Receivables Sale Agreement is no longer in effect. Except as otherwise provided in this paragraph, this letter agreement may not be terminated without the prior written consent of the Agent.

This letter agreement contains the entire agreement between the parties with respect to the subject matter hereof, and may not be altered, modified or amended in any respect, nor may any right, power or privilege of any party hereunder be waived or released or discharged, except upon execution by you, us and the Agent of a written instrument so providing. The terms and conditions of any agreement between us and you (a "Lock-Box Service Agreement") (whether now existing or executed hereafter) with respect to the lock-box arrangements, to the extent not inconsistent with this letter agreement, will remain in effect between you and us. In the event that any provision in this letter agreement is in conflict with, or inconsistent with, any provision of any such Lock-Box Service Agreement, this letter agreement will exclusively govern and control. Each party agrees to take all actions reasonably requested by any other party to carry out the purposes of this letter agreement or to preserve and protect the rights of each party hereunder.

[___] agrees to indemnify, defend and hold harmless you and your affiliates, directors, officers, employees, agents, successors and assigns (each, an "Indemnitee") from and against any and all liabilities, losses, claims, damages, demands, costs and expenses of every kind (including but not limited to costs incurred as a result of items being deposited in the Account and being unpaid for any reason, reasonable attorney's fees and the reasonable charges of your in-house counsel) incurred or sustained by any Indemnitee arising out of your performance of the services contemplated by this Lock-Box Letter, except to the extent such liabilities, losses, claims, damages, demands, costs and expenses are the direct result of your gross negligence or

willful misconduct. The provisions of this paragraph shall survive the termination of this Lock-Box Letter.

In the event [___] becomes subject to a voluntary or involuntary proceeding under the United States Bankruptcy Code, or if you are otherwise served with legal process which you in good faith believe affects funds in the Account you may suspend disbursements from the Account otherwise required by the terms hereof until such time as you receive an appropriate court order or other assurances satisfactory to you establishing that the funds may continue to be disbursed according to the instructions contained in this Lock-Box Letter.

This letter agreement and the rights and obligations of the parties hereunder will be governed by and construed and interpreted in accordance with the laws of the state of New York. This letter agreement may be executed in any number of counterparts and all of such counterparts taken together will be deemed to constitute one and the same instrument.

Please indicate your agreement to the terms of this letter agreement by signing in the space provided below. This letter agreement will become effective immediately upon execution of a counterpart of this letter agreement by all parties hereto.

Very truly yours,
[Name of Originator]
By:_____
Title:_____
Crompton & Knowles Receivables Corporation
By:_____
Title:_____

Accepted and confirmed as of
the date first written above:

By: ABN AMRO Bank N.V., as Agent

By:_____
Title:_____

By:_____
Title:_____

Address of notice:

ABN AMRO Bank N.V.
Structured Finance, Asset Securitization
135 South LaSalle Street
Chicago, Illinois 60674
Attention: Purchaser Agent-Windmill
Telephone Number: (312) 904-6263
Telecopy Number: (312) 904-6376

Acknowledged and agreed to as of the date first written above:

[Name of Bank]

By:_____
Title:_____

Address for notice:

_____
_____

Annex A to Lock-Box Letter

[Name of Bank]

Re: Crompton & Knowles Receivables Corporation
Lock Box Numbers _____
Lock-Box Account Number _____

Ladies and Gentlemen:

Reference is made to the letter agreement dated _____ (the "Letter Agreement") among [Name of Originator], Crompton & Knowles Receivables Corporation, the undersigned, as Agent, and you concerning the above-described lock-boxes and lock-box account (collectively, the "Accounts"). We hereby give you notice that a "Termination Event" has occurred and is continuing under the Receivables Sale Agreement (as defined in the Letter Agreement) and of our assumption of dominion and control of the Accounts as provided in the Letter Agreement.

We hereby instruct you not to permit any other party to have access to the Accounts and to make all payments to be made by you out of or in connection with the Accounts directly to the undersigned upon our instructions, at our address set forth above.

Very truly yours,
ABN AMRO Bank N.V.
By:_____
Title:_____
By:_____
Title:_____

cc: Crompton & Knowles Receivables Corporation

Exhibit I

To Receivables Sale Agreement

Compliance Certificate

To: ABN AMRO Bank N.V., as Agent, and
each Purchaser

This Compliance Certificate is furnished pursuant to Section 5.1(a)(iii) of the Receivables Sale Agreement, dated as of December 11, 1998 (as amended, supplemented or otherwise modified through the date hereof, the "Sale Agreement"), among Crompton & Knowles Receivables Corporation (the "Seller"), Crompton & Knowles Corporation (the "Initial Collection Agent"), the liquidity providers from time to time party thereto (collectively, the "Liquidity Providers"), Windmill Funding Corporation ("Windmill") and ABN AMRO Bank N.V., as the provider of the program letter of credit (the "Enhancer" and together with the Liquidity Providers and Windmill, the "Purchasers"), and ABN AMRO Bank N.V. as agent for the Purchasers (in such capacity, the "Agent"). Terms used in this Compliance Certificate and not otherwise defined herein shall have the respective meanings ascribed thereto in the Sale Agreement.

The undersigned hereby represents, warrants, certifies and confirms that:

1. The undersigned is a duly elected Designated Financial Officer of the undersigned.

2. Attached hereto is a copy of the financial statements described in Section 5.1(a)(i) or 5.1(a)(ii) of the Sale Agreement.

3. The undersigned has reviewed the terms of the Transaction Documents and has made, or caused to be made under his/her supervision, a detailed review of the transactions and the conditions of the Seller and each Originator during and at the end of the accounting period covered by the attached financial statements.

4. The examinations described in paragraph 3 hereof did not disclose, and the undersigned has no knowledge of, the existence of any condition or event which constitutes a Potential Termination Event, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Compliance Certificate, except as set forth below.

5. Based on the examinations described in paragraph 3 hereof, the undersigned confirms that the representations and warranties contained in Article IV of the Sale Agreement are true and correct as though made on the date hereof, except as set forth below.

6. The undersigned confirms that Year 2000 remediation efforts are proceeding as scheduled.

7. [Indicate whether an auditor, regulator or third party consultant of the undersigned has issued a management letter or other communication regarding Year 2000 exposure, program or progress].

Described below are the exceptions, if any, to paragraphs 4 and 5 listing, in detail, the nature of the condition or event,

the period during which it has existed and the action the undersigned has taken, is taking or proposes to take with respect to each such condition or event:

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Compliance Certificate in support hereof, are made and delivered this ____ day of _____, 199__.

[Name of Seller or Originator]

By:_____

Designated Financial Officer

Exhibit J
Credit and Collection Polic

Pricing Letter
December 11, 1998

Crompton & Knowles Receivables Corporation
Station Place
Metro Center
Stamford, Connecticut 06902

Ladies and Gentlemen:

Reference is made to the Receivables Sale Agreement (the "Sale Agreement"), dated as of December 11, 1998, among Crompton & Knowles Receivables Corporation ("Seller"), Crompton & Knowles Corporation (the "Initial Collection Agent"), ABN AMRO Bank N.V., as agent (the "Agent"), the Liquidity Providers party thereto, the Enhancer and Windmill Funding Corporation. For purposes of this letter, unless otherwise defined herein, all terms defined in the Sale Agreement and used herein have the same meaning herein as in the Sale Agreement. This letter is the "Pricing Letter" referred to in, and supplements, the Sale Agreement and is subject to all of the terms and provisions thereof.

Liquidity Provider Eurodollar Rate. The rate referred to in clause (b)(i) of the definition of Eurodollar Rate is 0.75%.

This letter shall be governed by and construed in accordance with the laws of the State of New York and may be executed in counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute but one instrument.

If this is acceptable to you, please so indicate by signing below.

Sincerely,

ABN AMRO Bank N.V., as the Agent and
as the sole Liquidity Provider
By:
Name:
Title:
By:
Name:
Title:
Windmill Funding Corporation
By:
Name:
Title:

Accepted and Agreed:
Crompton & Knowles Receivables Corporation
By
Name:
Title:

Fee Letter

December 11, 1998

Crompton & Knowles Receivables Corporation
Station Place
Metro Center
Stamford, Connecticut 06902

Ladies and Gentlemen:

Reference is made to the Receivables Sale Agreement (the "Sale Agreement"), dated as of December 11, 1998, among Crompton & Knowles Receivables Corporation ("Seller"), Crompton & Knowles Corporation (the "Initial Collection Agent"), ABN AMRO Bank N.V., as agent (the "Agent"), the Liquidity Providers party thereto, the Enhancer and Windmill Funding Corporation. For purposes of this letter, unless otherwise defined herein, all terms defined in the Sale Agreement and used herein have the same meaning herein as in the Sale Agreement. This letter is the "Fee Letter" referred to in, and supplements, the Sale Agreement and is subject to all of the terms and provisions thereof.

Program Fee. The Seller agrees to pay to the Agent, during the period from the date hereof to the date on or after the Liquidity Termination Date when no Aggregate Investment is outstanding, a program fee equal to 25 basis points (0.25%) per annum, payable monthly in arrears on the twentieth day of each calendar month, on an amount equal to the daily average amount of the Aggregate Commitment during the immediately preceding calendar month, calculated on the basis of actual number of days elapsed during the immediately preceding calendar month and a 360 day year.

Bank Upfront Fee. The Seller agrees to pay to the Agent, on

the date hereof, for its own account, a onetime bank upfront fee equal to $75,000.

Enhancer Eurodollar Rate. The rate referred to in clause (b)(ii) of the definition of Eurodollar Rate is 0.75%.

The Seller shall pay to the Agent on the date hereof all rating agency, legal and accounting expenses of the Agent and Purchasers arising in connection with the execution, delivery, amendment and enforcement of the Transaction Documents.

This letter shall be governed by and construed in accordance with the laws of the State of New York, and may be executed in counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute but one instrument.

If this is acceptable to you, please so indicate by signing below.

Sincerely,
ABN AMRO Bank N.V., as the Agent
and as the Enhancer

By:

Name:

Title:

By:

Name:

Title:

Windmill Funding Corporation

By:

Name:

Title:

Accepted and Agreed:
Crompton & Knowles Receivables Corporation
By:
Name:
Title:

Limited Guaranty

For Value Received and in consideration of advances made or to be made, or credit given or to be given, or other financial accommodation afforded or to be afforded to Crompton & Knowles Receivables Corporation, a corporation organized and existing under the laws of the State of Delaware (hereinafter designated

as "Debtor"), by the Purchasers (the "Purchasers") in the below referenced Sale Agreement and ABN AMRO Bank N.V. as the agent (in such capacity, the "Agent") from time to time, the undersigned (the "Guarantor") hereby guarantees the performance by the Debtor of the obligations now or hereafter existing pursuant to the Sale Agreement that are full recourse obligations of the Debtor as provided in Section 1.4(c) of the Receivables Sale Agreement dated as of December 11, 1998 (said agreement, as it may hereafter be amended or otherwise modified from time to time, being the "Sale Agreement") among the Purchasers, the Agent, the Guarantor, in its capacity as Initial Collection Agent and the Debtor (such full recourse obligations of the Debtor as provided in Section 1.4(c) of the Sale Agreement being, collectively, the "Obligations"), and agrees to pay any and all expenses (including counsel fees and expenses) incurred by the Purchasers and the Agent in enforcing any rights under this guaranty (the "Guaranty"). Capitalized terms used herein without definition shall have the same meanings herein as such terms have in the Sale Agreement.

The Guarantor absolutely, irrevocably and unconditionally guarantees to the Agent and each Purchaser the full and prompt payment when due (by acceleration or otherwise) of all Obligations of the Debtor to such Persons. The books and records of the Agent showing the amount of the Obligations of the Debtor shall be admissible in evidence in any action or proceeding, shall be binding upon the Guarantor and shall be conclusive (absent demonstrable error) for the purpose of establishing the amount of the Obligations of the Debtor to the Agent or any Purchaser. The liability of the Guarantor under this Guaranty shall be absolute and unconditional irrespective of any lack of genuineness, validity, legality or enforceability of any Transaction Document or any other document, agreement or instrument relating thereto or any assignment or transfer of any thereof. This is a continuing guaranty and shall remain in full force and effect and be binding upon the Guarantor and the Guarantor's successors and assigns.

Waiver of Suretyship Defenses. The Guarantor authorizes the Agent and each Purchaser, without notice or demand and without affecting the Guarantor's liability hereunder, from time to time to renew, extend, accelerate, compromise, settle, restructure, refinance, refund or otherwise change the amount and time for payment of the Obligations, or otherwise change the terms of the Obligations or any part thereof. Neither the Agent nor any Purchaser shall have any obligation to perfect, secure, marshall, protect or insure any collateral or any collateral agreement and the Guarantor's liability hereunder shall not be affected by the non-perfection, invalidity, impairment or unenforceability of any collateral or collateral agreement.

Insolvency of Debtor. This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time payment or performance of the Obligations of the Debtor, or any

part thereof, is, upon the insolvency, bankruptcy or reorganization of the Debtor or otherwise pursuant to applicable law, rescinded or reduced in amount or must otherwise be restored or returned by the Agent or any Purchaser, all as though such payment or performance had not been made.

Exhaustion of Other Remedies Not Required. The obligations of the Guarantor hereunder are those of a primary obligor, and not merely a surety, and are independent of the Obligations. The Guarantor unconditionally waives any right to require the Agent or any Purchaser to (a) proceed against the Debtor or any other obligor in respect of the Obligations; (b) proceed against or exhaust any security held directly or indirectly on account of the Obligations; or (c) pursue any other remedy in the Agent's or Purchaser's powers whatsoever. No failure or delay by the Agent or any Purchaser in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Waiver of Notices. The Guarantor hereby waives (i) notice of acceptance of this Guaranty and of any extension of any loan or other financial accommodation by the Agent or any Purchaser to the Debtor; (ii) presentment and demand for payment of any of the Obligations; (iii) protest and notice of dishonor or default to the Guarantor or to any other party with respect to any of the Obligations; and (iv) all other notices to which the Guarantor might otherwise be entitled.

Amendments. No amendment or waiver of any provision of this Guaranty shall in any event be effective unless the same shall be in writing and signed by the Agent and each Purchaser.

Payment of Expenses. The Guarantor agrees to pay all reasonable attorneys' fees and charges, including the reasonable disbursements of internal counsel, and all other reasonable costs and expenses which may be incurred by the Agent or any Purchaser in the enforcement of this Guaranty.

Governing Law/Trial By Jury. This Guaranty and the rights and obligations of the Guarantor, the Agent and each Purchaser under this Guaranty shall be governed by, and construed and interpreted in accordance with, the law of the State of New York. The Guarantor waives any right it may have to a jury trial in connection with any action, suit or proceeding arising out of or related in any way to this Guaranty.

Subrogation. The Guarantor shall not exercise any subrogation rights which it may have under this Guaranty nor shall the Guarantor seek any reimbursement from the Debtor unless and until all of the Obligations have been paid in full.

In Witness Whereof, the Guarantor has caused this Guaranty to be executed as of the date and year first above written.

Crompton & Knowles Corporation

By:
Title:

EXHIBIT 10.292

RECEIVABLES PURCHASE AGREEMENT

dated as of December 11, 1998

among

CROMPTON & KNOWLES CORPORATION
as Initial Collection Agent,

UNIROYAL CHEMICAL COMPANY, INC.
UNIROYAL CHEMICAL EXPORT LTD.
DAVIS STANDARD CORPORATION
and
CROMPTON & KNOWLES COLORS INCORPORATED
as Sellers,

and

CROMPTON & KNOWLES RECEIVABLES CORPORATION
as Buyer

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APPENDICES

APPENDIX A Definitions

This RECEIVABLES PURCHASE AGREEMENT, dated as of December 11, 1998 (this "Agreement"), is made among CROMPTON & KNOWLES CORPORATION, a Massachusetts corporation (the "Parent"), as the Initial Collection Agent, certain Affiliates of the Parent that are listed on the signature pages hereto as a seller (each a "Seller" and collectively, the "Sellers"), and CROMPTON & KNOWLES RECEIVABLES CORPORATION, a Delaware corporation ("Buyer"). Except as otherwise defined herein, capitalized terms used in this Agreement have the meanings assigned to them in Appendix A. This Agreement shall be interpreted in accordance with the conventions set forth in Part B of such Appendix A.

WHEREAS, pursuant to the Receivables Sale Agreement, Buyer intends to transfer its interests in the Receivables sold pursuant hereto, together with Receivables contributed to Buyer from time to time, to Windmill Funding Corporation and the Committed Purchasers (as such term is defined in the Receivables Sale Agreement) in order to, among other things, finance its purchases hereunder;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE I
PURCHASE AND SALE

SECTION 1.1 Purchase and Sale. Each Seller hereby sells, transfers, assigns, sets over and otherwise conveys to Buyer and Buyer hereby purchases from each Seller, at the times set forth in Section 1.2, all of such Seller's right, title and interest in, to and under:

(a) all Receivables of such Seller (other than Contributed Receivables) that existed and were owing to such Seller as at the closing of such Seller's business on the Initial Cut-Off Date,

(b) all Receivables created by such Seller (other than Contributed Receivables) that arise during the period from and including the closing of such Seller's business on the Initial Cut-Off Date to but excluding the Purchase Termination Date,

(c) all Related Security with respect to all Receivables (other than Contributed Receivables) of such Seller,

(d) the Lockboxes, the Bank Accounts, all documents, instruments and agreements relating to the Lockboxes or the Bank Accounts, and all amounts from time to time on deposit in the Lockboxes or the Bank Accounts,

(e) all Collections and other proceeds of the foregoing, including all funds received by any Person in payment of any amounts owed (including invoice prices, finance charges, interest and all other charges, if any) in respect of any Receivable described above (other than a Contributed Receivable) or Related Security with respect to any such Receivable, or otherwise applied to repay or discharge any such Receivable (including insurance payments that a Seller or Initial Collection Agent applies in the ordinary course of its business to amounts owed in respect of any such Receivable and net proceeds of any sale or other disposition of repossessed goods that were the subject of any such Receivable) or other collateral or property of any Obligor or any other Person directly or indirectly liable for payment of such Receivables, and

(f) all Records relating to any of the foregoing.

As used herein, (i) "Purchased Receivables" means the items listed above in clauses (a) and (b), (ii) "Related Purchased Assets" means the items listed above in clauses (c), (d), (e), and (f), (iii) "Related Assets" means the Related Purchased Assets and the Related Contributed Assets, (iv) "Purchased Assets" means the Purchased Receivables and the Related Purchased Assets, and (v) "Specified Assets" means the Purchased Receivables, the Contributed Receivables and the Related Assets.

SECTION 1.2 Timing of Purchases.

(a) Initial First Issuance Date Purchases. All of the Purchased Assets of each Seller that existed at the closing of such Seller's business on the Initial Cut-Off Date shall be sold automatically to Buyer on the First Issuance Date.

(b) Regular Purchases. Except to the extent otherwise provided in Section 8.2, after the closing of a Seller's business on the Initial Cut-Off Date until the closing of such Seller's business on the Business Day immediately preceding the Purchase Termination Date, each and every Receivable and the Related Assets of each Seller shall be sold automatically to Buyer

pursuant hereto immediately (and without further action by any Person) upon the creation of such Receivable.

SECTION 1.3 Consideration for Purchases. On the terms and subject to the conditions set forth in this Agreement, Buyer agrees to make Purchase Price payments to the Sellers in accordance with Article III.

SECTION 1.4 No Recourse. Except as specifically provided in this Agreement, the sale and purchase of Purchased Assets, and the transfer and assignment of the Contributed Assets, under this Agreement shall be without recourse to the Sellers; it being understood that each Seller shall be liable to Buyer for all representations, warranties, covenants and indemnities made by such Seller pursuant to the terms of this Agreement, all of which obligations are limited so as not to constitute recourse to such Seller for the credit risk of the Obligors.

SECTION 1.5 No Assumption of Obligations Relating to Receivables, Related Assets or Contracts. None of Buyer, the Initial Collection Agent nor the Agent shall have any obligation or liability to any Obligor or other customer or client of a Seller (including any obligation to perform any of the obligations of such Seller under any Receivable, related contracts or any other related purchase orders or other agreements). No such obligation or liability is intended to be assumed by Buyer, the Initial Collection Agent or the Agent hereunder, and any assumption is expressly disclaimed.

SECTION 1.6 True Sales. The Sellers and Buyer intend the transfers of Purchased Assets and Contributed Assets hereunder to be true sales or contributions to capital, respectively by the Sellers to Buyer that are absolute and irrevocable and that provide Buyer with the full benefits of ownership of the Receivables, and none of the Sellers nor Buyer intends the transactions contemplated hereunder to be, or for any purpose to be characterized as, loans from Buyer to any Seller.

It is, further, not the intention of Buyer or any Seller that the conveyance of the Specified Assets by such Seller be deemed a grant of a security interest in the Specified Assets by such Seller to Buyer to secure a debt or other obligation of such Seller. However, in the event that, notwithstanding the intent of the parties, any Specified Assets are property of any Seller's estate, then (i) this Agreement also shall be deemed to be and hereby is a security agreement within the meaning of the UCC, and (ii) the conveyance by such Seller provided for in this Agreement shall be deemed to be a grant by such Seller to Buyer of, and such Seller hereby grants to Buyer, a security interest in and to all of such Seller's right, title and interest in, to and under the Specified Assets, whether now or hereafter existing or created, to secure (1) the rights of Buyer hereunder, (2) a loan by Buyer to such Seller in the amount of the related Purchase Price of the Purchased Assets sold by it or the Unpaid Balance of any Contributed Receivables and the related Contributed Assets, as the case may be and (3) without limiting the foregoing, the payment and performance of such Seller's obligations (whether monetary or otherwise) hereunder. Each Seller and Buyer shall, to the extent consistent with this Agreement, take such actions as may be necessary to

ensure that, if this Agreement were deemed to create a security interest in the Specified Assets, such security interest would be deemed to be a perfected security interest of first priority (subject to Permitted Adverse Claims) in favor of Buyer under applicable law and will be maintained as such throughout the term of this Agreement.

SECTION 1.7 Contribution of Receivables. If at any time, the Parent will become a Seller under the Agreement, then the Parent may, in its sole discretion, from time to time, transfer to Buyer, as a contribution to the capital of Buyer, all its right, title and interest in, to and under:

(a) such Receivables of the Parent that the Parent may from time to time designate in a Periodic Report as part of a contribution to the capital of Buyer (collectively, the "Contributed Receivables"),

(b) all Related Security with respect to the Contributed Receivables,

(c) all Collections and other proceeds of the foregoing, including all funds received by any Person in payment of any amounts owed (including invoice prices, finance charges, interest and all other charges, if any other than sales tax) in respect of any Contributed Receivable, or Related Security with respect to any such Contributed Receivable, or otherwise applied to repay or discharge any such Contributed Receivable (including insurance payments that the Parent or the Initial Collection Agent applies in the ordinary course of its business to amounts owed in respect of any such Contributed Receivable and net proceeds of any sale or other disposition of repossessed goods that were the subject of any such Contributed Receivable) or other collateral or property of any Obligor or any other party directly or indirectly liable for payment of such Contributed Receivables, and

(d) all Records relating to any of the foregoing (the items listed above in clauses (b), (c) and (d) being referred to herein as the "Related Contributed Assets").

The value of the capital contribution attributable to each Contributed Receivable and its Related Contributed Assets shall be an aggregate amount equal to the Unpaid Balance of such Contributed Receivable as of the Cut-Off Date immediately preceding the applicable date of contribution (or, in the case of contributions deemed to occur pursuant to Section 3.1, equal to the portion of the Unpaid Balance of the Receivables so contributed).

ARTICLE II
CALCULATION OF PURCHASE PRICE

SECTION 2.1 Calculation of Purchase Price. (a) On or before the twentieth day of each month, the Initial Collection Agent shall deliver to Buyer and the Agent a Periodic Report with respect to Buyer's purchases of Receivables from the Sellers:

(i) that are to be made on the First Issuance Date (in the case of the Periodic Report to be delivered on the First Issuance Date) or

(ii) that were made during the immediately preceding Calendar Cycle.

(b) On each day when Receivables are purchased by Buyer from a Seller pursuant to Article I, the "Purchase Price" to be paid to such Seller on such day for the Purchased Receivables and Related Purchased Assets that are to be sold by such Seller on such day shall be determined in accordance with the following formula:

PP = AUB x PPP

where:

PP = the aggregate Purchase Price for the Purchased Receivables and Related Purchased Assets to be purchased from such Seller on such day.

AUB = the Aggregate Unpaid Balance of the Purchased Receivables that are to be purchased from such Seller on such day. "Aggregate Unpaid Balance" shall mean (i) for purposes of calculating the Purchase Price to be paid to such Seller on the First Issuance Date, the sum of the Unpaid Balance of each Receivable generated by such Seller, as measured as at the closing of such Seller's business on the Initial Cut-Off Date, and (ii) for purposes of calculating the Purchase Price on each Business Day thereafter, the sum of the Unpaid Balance of each Receivable to be purchased from such Seller on such day, calculated at the time of the Receivable's sale to Buyer.

PPP = the Purchase Price Percentage applicable to the Receivables to be purchased from such Seller on such day, as determined pursuant to Section 2.2.

SECTION 2.2 Definitions and Calculations Related to Purchase Price Percentage.

(a) "Purchase Price Percentage" for the Receivables to be sold by a Seller on any day during a Distribution Period shall mean the percentage determined in accordance with the following formula:

PPP = 100% - (LP + PD)

where:

PPP = the Purchase Price Percentage in effect during such Distribution Period.

LP = a loss percentage of three quarters of one percent (.75%)

PD = a profit discount equal to one quarter of one percent (.25%).

ARTICLE III
PAYMENT OF PURCHASE PRICE; SERVICING, ETC.

SECTION 3.1 Purchase Price Payments. (a) On the First Issuance Date and on the Business Day following each day on which any Receivables and Related Purchased Assets are purchased by Buyer pursuant to Article I, on the terms and subject to the conditions of this Agreement, Buyer shall pay to the Sellers the Purchase Price for the Receivables and Related Purchased Assets purchased on such day by Buyer from the Sellers by (i) making a cash payment to the Sellers to the extent that Buyer has cash available to make the payment pursuant to Section 3.3 and (ii) if the Purchase Price to be paid for the Receivables and Related Assets of any Seller exceeds the amount of any cash payment for the account of such Seller on such day pursuant to clause (i), by automatically increasing the principal amount outstanding under the relevant Buyer Notes by the amount of the excess (or at the option of the Parent, if and to the extent it shall become a Seller (as evidenced by notice to Initial Collection Agent if the Initial Collection Agent is other than the Parent), and only in the case of the Parent, when and if it shall become a Seller, such excess shall be deemed to have been contributed to Buyer by the Parent as a capital contribution).

The obligation of Buyer to pay the Purchase Price for Receivables that has been deferred pursuant to the preceding paragraph shall be evidenced by Buyer Notes. Each Seller agrees that, prior to the Seller Maturity Date, Buyer shall be required to make payments in respect of the payment obligations evidenced by the Buyer Notes only to the extent that it has cash available under Section 3.3.

(b) On the last day of each Calendar Cycle, the "Noncomplying Receivables Adjustment" for each Seller shall be equal to the difference (whether the difference is positive or negative) between (i) the aggregate Seller Noncomplying Receivables Adjustments in respect of such Seller, if any, for the immediately preceding Calendar Cycle, as shown in the Periodic Report for such Calendar Cycle, as such amount is determined pursuant to Section 3.5, minus (ii) the amount of the payments (if any) that Buyer shall have received during such Calendar Cycle from such Seller on account of any Seller Noncomplying Receivables that had been the subject of an earlier Seller Noncomplying Receivables Adjustment. If the Noncomplying Receivables Adjustment for any Seller is positive for any Calendar Cycle, Buyer shall reduce the Purchase Price payable to such Seller on such day pursuant to subsection (a) above by the amount of the Noncomplying Receivables Adjustment. If instead the Noncomplying Receivables Adjustment for any Seller is negative for any Calendar Cycle, Buyer shall increase the Purchase Price payable to such Seller pursuant to subsection (a) above on such day by the amount of the Noncomplying Receivables Adjustment.

(c) If for any Calendar Cycle the Seller Noncomplying Receivables Adjustments in respect of any Seller (as determined pursuant to Section 3.5), less any amounts in clause (b)(ii) relating to such Seller's Receivables, exceeds the Purchase Price payable by Buyer to such Seller pursuant to subsection (a) above on such day, or if such day falls on or after the Purchase Termination Date, then the principal amount of such Seller's Buyer Note shall be reduced automatically by the amount of such excess.

(d) If, on any day prior to the Purchase Termination Date, the principal amount of a Seller's Buyer Note is zero and such Seller is not a Terminating Seller, then the amount of the excess of the Seller Noncomplying Receivables Adjustments in respect of such Seller (as determined pursuant to Section 3.5), less any amounts in clause (b)(ii) relating to such Seller's Receivables, on such day over the Purchase Price payable by Buyer to Initial Collection Agent (for the account of such Seller) on such day pursuant to subsection (a) above (the "Purchase Price Credit") shall be credited against the Purchase Price payable by Buyer for subsequent Purchases of Receivables and Related Assets of such Seller by Buyer. If any such Purchase Price Credit has not been fully applied on or prior to the tenth Business Day (or a mutually agreed upon earlier day) after the creation of such Purchase Price Credit, then, on the Business Day that follows the end of the tenth Business Day (or shorter) period, such Seller shall pay to Buyer in cash the remaining unapplied amount of the Purchase Price Credit.

(e) If, on any day on or after the Purchase Termination Date, or, with respect to any Seller, the date such Seller becomes a Terminating Seller, the principal amount of any Seller's Buyer Note has been reduced to zero, an amount equal to the Seller Noncomplying Receivables Adjustments, if any, in respect of such Seller (as determined pursuant to Section 3.5), less any amounts in clause (b)(ii) relating to such Seller's Receivables, shall be paid by such Seller to Buyer in cash on the next succeeding Business Day.

(f) If, on any day, the amounts, if any, relating to any Seller's Receivables pursuant to clause (b)(ii) above exceeds the Seller Noncomplying Receivables Adjustments, if any, in respect of such Seller (as determined pursuant to Section 3.5) for such day, then Buyer shall either (i) pay Initial Collection Agent (for the account of such Seller) in cash the amount of such excess, or (ii) if Buyer does not have sufficient cash to pay such amount in full, increase the principal amount of such Seller's Buyer Note by the amount of such excess that is not paid in cash to Initial Collection Agent.

(g) Amounts received by the Initial Collection Agent pursuant to this Section 3.1 shall be allocated among the Sellers in accordance with Section 3.3, and the Seller Noncomplying Receivables Adjustments in respect of each such Seller (as determined pursuant to Section 3.5). The Initial Collection Agent shall maintain a bookkeeping account (the "Seller Account") for purposes of tracking:

(i) the Purchase Price payable to each Seller in respect of Receivables sold by it to Buyer (including the extent to which cash and

non-cash payments made by Buyer should be allocated to each Seller),

(ii) the extent to which such Purchase Price should be reduced on account of such Seller's Seller Noncomplying Receivables Adjustments (including any allocation of a Purchase Price Credit),

(iii) if a Seller makes cash payments in respect of the Noncomplying Receivables (including any payment in respect of a Purchase Price Credit), the obligation of each other Seller to reimburse such Seller for its proportionate share thereof,

(iv) if Purchase Price payments attributable to a Seller's Receivables have been reduced on account of another Seller's Seller Noncomplying Receivables Adjustment, the obligation of such other Seller to reimburse the Seller subject to such reduction,

(v) the extent to which payments (whether cash or non-cash) by Buyer in respect of a negative Noncomplying Receivables Adjustment should be allocated to each Seller, and

(vi) cash payments made to and by each Seller in respect of the items described above.

The Initial Collection Agent shall maintain sufficient records with respect to the Seller Account such that, on any day, it would be able to calculate each of the items set forth above. Intercompany accounts among Sellers resulting from the items described above will be settled in accordance with the intercompany cash management system customarily employed by the Parent and its Subsidiaries.

SECTION 3.2 The Buyer Notes. On the First Issuance Date, Buyer will deliver to each Seller a promissory note, substantially in the form of Exhibit A, payable to the order of such Seller (each such promissory note, as the same may be amended, amended and restated, supplemented, endorsed or otherwise modified from time to time, together with any promissory note issued from time to time in substitution therefor or renewal thereof in accordance with the Transaction Documents, being herein called a "Buyer Note"), that is subordinated to all amounts payable by the Buyer to the Purchasers pursuant to the Receivables Sale Agreement. Each Buyer Note is payable in full on the date (the "Seller Maturity Date") that is one year and one day after the date on which all Investments (as defined in the Receivables Sale Agreement) and other amounts then due and owing by the Buyer to the Purchasers under the Transaction Documents have been paid in full. Buyer may prepay all or part of the outstanding balance of any Buyer Note from time to time without any premium or penalty, unless the prepayment would result in a default in Buyer's payment of any other amount required to be paid by it under any Transaction Document. By its execution of this Agreement, the Parent acknowledges receipt of the Buyer Notes made in favor of the Sellers which on the First Issuance Date are party hereto.

(b) The Initial Collection Agent (or its designee) shall hold all Buyer

Notes for the benefit of the Sellers and shall make all appropriate recordkeeping entries with respect to the Buyer Notes or otherwise to reflect the payments on and adjustment of the Buyer Notes. The Initial Collection Agent's books and records shall constitute rebuttable presumptive evidence of the principal amount of and accrued interest on each Buyer Note at any time. Each Seller hereby irrevocably authorizes and directs the Initial Collection Agent to mark its Buyer Note "CANCELLED" and return it to Buyer upon the final payment thereof.

SECTION 3.3 Application of Collections and Other Funds. If, on any day, Buyer (or, the Initial Collection Agent, on behalf of the Buyer) receives (i) proceeds of transfers pursuant to the Receivables Sale Agreement or (ii) Collections on Receivables that are not allocable to the Sold Interest pursuant to the Receivables Sale Agreement, Buyer shall apply the funds as follows:

(a) first, to pay its existing expenses and to set aside funds for the payment of expenses that are then accrued (in each case to the extent such expenses are permitted to exist under the Receivables Sale Agreement),

(b) second, to pay the Purchase Price pursuant to Section 3.1 for Receivables and Related Assets purchased by Buyer from the Sellers on such day (in the case of the First Issuance Date) or the next preceding Business Day, such payment to be made on a pro rata basis to the Seller based on the Purchase Price then payable to each such Seller, and

(c) third, (A) to pay amounts owed by Buyer to the Sellers under the Buyer Notes on a pro rata basis based on the then unpaid principal balance of the Buyer Notes, (B) to pay amounts to the Sellers owed pursuant to Section 3.1(f) on a pro rata basis based on the then unpaid amounts owing to all Sellers pursuant to Section 3.1(f), or (C) to declare and pay dividends to the Parent to the extent permitted by law.

SECTION 3.4 Servicing of Receivables and Related Assets. Consistent with Buyer's ownership of the Receivables and the Related Assets, as between the parties to this Agreement, Buyer shall have the sole right to service, administer and collect the Receivables and to assign and/or delegate the right to others. Without limiting the generality of Section 10.11, each Seller hereby acknowledges and agrees that Buyer shall assign to the Purchaser the rights and interests of Buyer hereunder and agrees to cooperate fully with the Initial Collection Agent (and any successor thereto appointed in accordance with the Receivables Sale Agreement), the Agent and the Purchasers in the exercise of such rights.

SECTION 3.5 Adjustments for Noncomplying Receivables. If at any time any of the Buyer, Initial Collection Agent, the Agent, any of the Purchasers, or a Seller shall determine that any of the representations and warranties made by the related Seller in Section 5.1 with respect to any Receivable originated by such Seller was not true on the date of the purchase thereof by Buyer or the date of contribution thereof to Buyer, such Seller shall be deemed to have received on the date of such determination a Collection of the

Receivable in an amount equal to the Unpaid Balance of the Receivable (the sum of all such amounts for such Seller on any day being called the "Seller Noncomplying Receivables Adjustment" for such Seller for such day), and such Seller Noncomplying Receivables Adjustment shall be settled in the manner provided for in Section 3.1.

SECTION 3.6 Payments and Computations Etc. (a) All amounts to be paid by a Seller to Buyer hereunder shall be paid in accordance with the terms hereof no later than 1:00 p.m., New York City time, on the day when due in Dollars in immediately available funds to an account that Buyer shall from time to time specify in writing. Payments received by Buyer after such time shall be deemed to have been received on the next Business Day. In the event that any payment becomes due on a day that is not a Business Day, then the payment shall be made on the next Business Day. Each Seller shall, to the extent permitted by law, pay to Buyer, on demand, interest on all amounts not paid when due hereunder at 2% per annum above the interest rate on the applicable Buyer Note in effect on the date the payment was due; provided, however, that the interest rate shall not at any time exceed the maximum rate permitted by applicable law. All computations of interest payable hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first but excluding the last day) elapsed.

(b) All amounts to be paid by Buyer to a Seller hereunder shall be paid to Initial Collection Agent (for the account of the applicable Seller) no later than 2:00 p.m., New York City time, on the day when due in Dollars in immediately available funds to an account that the Initial Collection Agent shall from time to time specify in writing. Payments received by Initial Collection Agent after such time shall be deemed to have been received on the next Business Day. Initial Collection Agent shall promptly remit payments received by it in immediately available funds to such account as the applicable Seller shall from time to time specify in writing. In the event that any payment becomes due on a day that is not a Business Day, then such payment shall be made on the next Business Day.

ARTICLE IV
CONDITIONS TO PURCHASES

SECTION 4.1 Conditions Precedent to Initial Purchase. The initial purchase hereunder is subject to the conditions precedent that (i) each of the conditions precedent to the execution, delivery and effectiveness of each other Transaction Document (other than a condition precedent in any other Transaction Document relating to the effectiveness of this Agreement) shall have been fulfilled to the satisfaction of Buyer, and (ii) Buyer shall have received (or in the case of subsection (f) below, shall have delivered) each of the following, on or before the First Issuance Date, each (unless otherwise indicated) dated the date hereof or the First Issuance Date and each in form and substance satisfactory to Buyer:

(a) Seller Assignment Certificates. A Seller Assignment Certificate from each Seller, duly completed, executed and delivered by such

Seller,

(b) Resolutions. A copy of the resolutions of the Board of Directors of each Seller approving this Agreement and the other Transaction Documents to be delivered by it hereunder and the transactions contemplated hereby and thereby and addressing such other matters as may be required by Buyer, certified by its Secretary or Assistant Secretary, each as of a recent date acceptable to Buyer,

(c) Good Standing Certificate of each Seller. A good standing certificate for each Seller, issued as of a recent date by the Secretary of State of the jurisdiction of its incorporation,

(d) Incumbency Certificate. A certificate of the Secretary or Assistant Secretary of each Seller certifying, as of a recent date reasonably acceptable to Buyer, the names and true signatures of the officers authorized on such Seller's behalf to sign the Transaction Documents to be delivered by such Seller (on which certificate Buyer, the Agent and the Initial Collection Agent may conclusively rely until such time as Buyer shall receive from such Seller (with a copy to the Agent and the Initial Collection Agent), a revised certificate meeting the requirements of this subsection),

(e) Other Transaction Documents. Original copies, executed by each of the parties thereto in such reasonable number as shall be specified by Buyer, of each of the other Transaction Documents to be executed and delivered in connection herewith, and

(f) Buyer Notes. The Buyer Notes, executed by Buyer.

SECTION 4.2 Certification as to Representations and Warranties. Each Seller, by accepting the Purchase Price paid for each Purchase, shall be deemed to have certified, with respect to the Receivables and Related Assets to be sold by it on such day, that its representations and warranties contained in Article V are true and correct on and as of such day, with the same effect as though made on and as of such day.

SECTION 4.3 Effect of Payment of Purchase Price. Upon the payment of the Purchase Price (whether in cash or by an increase in a Buyer Note in each case pursuant to Section 3.1) for any Purchase, title to the Receivables and the Related Assets included in the Purchase shall vest in Buyer, whether or not the conditions precedent to the Purchase were in fact satisfied; provided, however, that Buyer shall not be deemed to have waived any claim it may have under this Agreement for the failure by a Seller in fact to satisfy any such condition precedent.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

SECTION 5.1 Representations and Warranties of the Sellers. In order to induce Buyer to enter into this Agreement and to make purchases hereunder,

each Seller hereby makes, with respect to itself, the representations and warranties set forth in this section at the times and to the extent set forth in Section 4.2 (it being understood that only the Parent makes the representations and warranties set forth below with respect to the Contributed Receivables, if any, and Related Assets with respect thereto).

(a) Corporate Existence and Power. The Seller is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation and has all corporate power and authority and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is now conducted, except where failure to obtain such license, authorization, consent or approval would not have a material adverse effect on (i) its ability to perform its obligations under, or the enforceability of, any Transaction Document, (ii) its business or financial condition, (iii) the interests of the Agent or any Purchaser under any Transaction Document or (iv) the enforceability or collectibility of any Receivable.

(b) Corporate Authorization and No Contravention. The execution, delivery and performance by the Seller of each Transaction Document to which it is a party (i) are within its corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) do not contravene or constitute a default under (A) any applicable law, rule or regulation, (B) its or any Subsidiary's charter or by-laws or (C) any agreement, order or other instrument to which it or any Subsidiary is a party or its property is subject and (iv) will not result in any Adverse Claim on any Receivable or Collection or give cause for the acceleration of any indebtedness of the Seller or any Subsidiary.

(c) [Reserved]

(d) Valid Sale; Reasonably Equivalent Value. Each sale of Receivables and Related Assets made by such Seller pursuant to this Agreement, and each contribution of Receivables and Related Assets made to Buyer pursuant to this Agreement, shall constitute a valid transfer and assignment of all of such Seller's right, title and interest in, to and under such Receivables and the Related Assets of such Seller to Buyer that is perfected and of first priority under the UCC and otherwise, enforceable against creditors of, and purchasers from, such Seller and free and clear of any Adverse Claim (other than any Permitted Adverse Claim or any Adverse Claim arising solely as a result of any action taken by Buyer hereunder or by the Agent under the Receivables Sale Agreement); Each such sale, and/or contribution, has been made for "reasonably equivalent value" (as such term is used in Section 548 of the Bankruptcy Code) and not for or on account of "antecedent debt" (as such term is used in Section 547 of the Bankruptcy Code) owed by such Originator to the Seller.

(e) Binding Effect. Each Transaction Document to which the Seller is a party constitutes the legal, valid and binding obligation of the Seller enforceable against the Seller in accordance with its terms, except as limited by bankruptcy, insolvency, or other similar laws of general

application relating to or affecting the enforcement of creditors' rights generally and subject to general principles of equity.

(f) Litigation and Other Proceedings. Except as described in Schedule 1, there are no actions, suits or other proceedings (including matters relating to environmental liability) pending or, to the knowledge of Seller, threatened against or affecting the Seller or any Subsidiary, or any of their respective properties, that (i) if adversely determined (individually or in the aggregate), may have a material adverse effect on the financial condition of the Seller or any Subsidiary or on the collectibility of the Receivables or (ii) involve any Transaction Document or any transaction contemplated thereby. None of the Seller or any Subsidiary is in default of any contractual obligation or in violation of any order, rule or regulation of any Governmental Authority, which default or violation may have a material adverse effect upon (i) the financial condition of the Seller and its Subsidiaries taken as a whole or (ii) the collectibility of the Receivables.

(g) Approvals. All authorizations, consents, filings, orders and approvals of, or other action by, any Governmental Authority or other Person that are required to be obtained by such Seller, and all notices to and filings with any Governmental Authority or other Person that are required to be made by it, in the case of each of the foregoing in connection with the conveyance of Receivables and Related Assets or the due execution, delivery and performance by such Seller of this Agreement, such Seller's Seller Assignment Certificate or any other Transaction Document to which it is a party and the consummation of the transactions contemplated by this Agreement, have been obtained or made and are in full force and effect, except where the failure to obtain or make any such authorization, consent, order, approval, action, notice or filing, individually or in the aggregate for all such failures, would not reasonably be expected to have a Material Adverse Effect.

(h) Bulk Sales Act. No transaction contemplated by this Agreement or any other Transaction Document requires compliance with, or will be subject to avoidance under, any bulk sales act or similar law.

(i) No Material Adverse Change. Since December 27, 1997, there has been no material adverse change in (i) the collectibility of the Receivables, or (ii) the Seller's financial condition or (iii) the Seller's ability to perform its obligations under any Transaction Document.

(j) Margin Regulations. No use of any funds obtained by such Seller under this Agreement will conflict with or contravene any of Regulations G, T, U and X promulgated by the Federal Reserve Board from time to time.

(k) Quality of Title.

(i) Immediately before each purchase to be made by Buyer hereunder and (in the case of the Parent) each contribution to be made hereunder to Buyer, each Receivable and Specified Asset of such Seller that is then to be transferred to Buyer thereunder, and the related contracts, shall

be owned by such Seller free and clear of any Adverse Claim (other than any Permitted Adverse Claim or any Adverse Claim arising solely as the result of any action taken by Buyer hereunder or by the Agent under the Receivables Sale Agreement); provided that the existence of an Adverse Claim that is released on the First Issuance Date shall not constitute a breach of this representation and warranty; and such Seller shall have made all UCC filings and shall have taken all other action under applicable law in each relevant jurisdiction in order to protect and perfect the ownership interest of Buyer and its successors in the Receivables and Related Assets against all creditors of, and purchasers from, such Seller.

(ii) Whenever Buyer makes a purchase hereunder from such Seller or (in the case of the Parent) accepts a contribution hereunder from such Seller, it shall have acquired a valid and perfected first priority ownership interest in each Receivable and other Specified Asset, free and clear of any Adverse Claim (other than any Permitted Adverse Claim or any Adverse Claim arising solely as the result of any action taken by Buyer hereunder or by the Agent under the Receivables Sale Agreement).

(iii) No effective UCC financing statement or other instrument similar in effect that covers all or part of any Receivable originated by such Seller, any interest therein or any other Specified Asset with respect thereto is on file in any recording office except (x) such as may be filed (A) in favor of such Seller in accordance with the related contracts, (B) in favor of Buyer pursuant to this Agreement and (C) in favor of the Agent, in accordance with the Receivables Sale Agreement and (y) such as may have been identified to Buyer prior to the First Issuance Date and UCC termination statements (or appropriate releases releasing any Receivables and Related Assets described therein) relating to which have been filed and recorded on or prior to the First Issuance Date. No effective financing statement or instrument similar in effect relating to perfection that covers any inventory of such Seller that might give rise to Receivables is on file in any recording office.

(iv) No Purchase by Buyer from such Seller (and, in the case of the Parent, no capital contribution to Buyer, whether or not made in connection with a Purchase) constitutes a fraudulent transfer or fraudulent conveyance under the United States Bankruptcy Code or applicable state bankruptcy or insolvency laws or is otherwise void or voidable or subject to subordination under similar laws or principles or for any other reason.

(v) Each Purchase by Buyer from such Seller constitutes a true and valid sale of the Receivables and Related Assets under applicable state law and true and valid assignments and transfers for consideration (and not merely a pledge of the Receivables and Related Assets for security purposes), enforceable against the creditors of such Seller, and no Receivables or Related Assets transferred to Buyer hereunder shall constitute property of such Seller.

(l) Eligible Receivables. On the date of each Daily Report or Periodic Report that identifies a Receivable originated by such Seller as an Eligible Receivable, such Receivable exists and is an Eligible Receivable.

(m) Accuracy of Information. All information furnished by the Seller or any Affiliate thereof to the Buyer, the Agent or any Purchaser in connection with any Transaction Document, or any transaction contemplated thereby, is true and accurate in all material respects (and is not incomplete by omitting any information necessary to prefect such information from being materially misleading, in each case on the date the statement was made and in light of the circumstances under which the statements were made or the information was furnished.

(n) Offices. (i) The principal place of business and chief executive office of such Seller is located at the address set forth under such Seller's signature hereto, and have been located at such address since six months prior to the First Issuance Date, and (ii) any other location in which such Seller keeps (or has kept during the past four months) Records related to the Receivables or Related Assets (and all original documents relating thereto) is specified in Schedule 3 (or in the case of each of clause (i) and clause (ii), at such other locations, notified to the Initial Collection Agent and the Agent in accordance with Section 6.1(f), in jurisdictions where all action required pursuant to Section 7.3 has been taken and completed).

(o) Account Banks and Payment Instructions. The names and addresses of all the banks, together with the account numbers of the accounts at such banks (and all related lockboxes and post office boxes), into which Collections are paid as of the First Issuance Date have been accurately identified to Buyer, the Purchaser and the Agent. Such Seller has instructed all Obligors to submit all payments on the Receivables and Related Assets directly to one of the Lockboxes or Lockbox Accounts. The Lockbox Agreements to which such Seller is a party constitute the legal, valid and binding obligations of the parties thereto in accordance with their respective terms subject to applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors' rights generally and general equitable principles. The Seller has delivered a copy of all Lockbox Agreements to the Agent. The Seller has not granted any interest in any Lockbox or Lockbox Account to any Person other than the Agent and, upon delivery to a Lockbox Bank of the related Lockbox Letter, the Agent will have exclusive ownership and control of the Lockbox Account at such Lockbox Bank.

(p) Compliance with Applicable Laws. Such Seller is in compliance with the requirements of all applicable laws, rules, regulations and orders of all Governmental Authorities (federal, state, local or foreign, and including environmental laws), a violation of any of which, individually or in the aggregate for all such violations, would have a substantial likelihood of having a Material Adverse Effect.

(q) Legal Names. Except as set forth in Schedule 4, since 1993 (i) such Seller has not been known by any legal name other than its corporate name as of the date hereof (which corporate name is set forth on its signature page hereto, except to the extent permitted otherwise pursuant to Section 6.3(e), and (ii) such Seller has not been the subject of any merger or other corporate reorganization that resulted in a change of name, identity or corporate structure. Such Seller uses no trade names other than its actual corporate

name and the trade names set forth in Schedule 4.

(r) Investment Company Act; Public Utility Holding Company Act. Neither such Seller nor any of such Seller's Subsidiaries is (i) an "investment company", or controlled by an "investment company", registered or required to be registered under the Investment Company Act of 1940, as amended or (ii) a "holding company", or a "subsidiary company" or an "affiliate" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(s) Taxes. Such Seller has filed or caused to be filed all tax returns and reports required by law to have been filed by it and has paid all taxes, assessments and governmental charges thereby shown to be owing, except any such taxes, assessments or charges (i) that are being diligently contested in good faith by appropriate proceedings, (ii) for which adequate reserves in accordance with GAAP shall have been set aside on its books and (iii) with respect to which no Adverse Claim, except Permitted Adverse Claims, has been imposed upon any Receivables or Related Assets.

(t) Pension Plans. Each Pension Plan or employee benefit plan as to which such Seller has liability complies in all material respects with applicable laws and regulations (except where failure to comply would not give rise to a Material Adverse Effect), no steps have been taken to terminate any Pension Plan and no contribution failure with respect thereto sufficient to give rise to an Adverse Claim in favor of the PBGC has occurred. No condition exists or event or transaction has occurred with respect to any Pension Plan which could result in the incurrence by such Seller of any liability, fine or penalty which could have a Material Adverse Effect.

(u) Credit and Collection Policy. A true, complete and correct copy of the Credit and Collection Policy utilized by the Seller in the origination of its Receivables is set forth as Schedule 2 hereto.

(v) Ownership. All of the issued and outstanding capital stock of such Seller is owned, directly or indirectly, by the Parent.

(w) Year 2000 Compliance. The Seller has reviewed the areas within its business and operations which could be adversely affected by, and have developed or are developing a program to address on a timely basis, the "Year 2000 Problem" (that is, the risk that computer applications used by such Person and its Subsidiaries may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date on or after December 31, 1999), and have made related appropriate inquiry of material suppliers and vendors. Based on such review and program the Seller believes that the "Year 2000 Problem" will not have a material adverse effect on such Seller.

(x) Certain Financial Matters. Such Seller is not in financial difficulty, is not having trouble paying its accounts payable and is current in the payment thereof (including in respect of amounts payable by such Seller to suppliers of produce and other agricultural commodities to such Seller).

SECTION 5.2 Representations and Warranties of Buyer. From the date hereof until the Purchase Termination Date, Buyer hereby represents and warrants that (a)(i) this Agreement has been duly authorized, executed and delivered by Buyer and (ii) constitutes the legal, valid and binding obligation of Buyer, enforceable against it in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether enforceability is considered in a proceeding in equity or at law, and (b) the execution, delivery and performance of this Agreement does not violate any applicable law or any agreement to which Buyer is a party or by which its properties are bound.

ARTICLE VI
GENERAL COVENANTS OF THE SELLERS

SECTION 6.1 Affirmative Covenants. From the First Issuance Date until the first day following the Purchase Termination Date on which all Obligations of the Sellers under the Transaction Documents shall have been finally and fully paid and performed, unless the Agent (as assignee of Buyer) shall otherwise give its prior written consent, each Seller hereby agrees that it will perform the covenants and agreements set forth in this section.

(a) Compliance with Laws, Etc. The Seller will comply, and will cause each Subsidiary to comply, with all laws, regulations, judgments and other directions or orders imposed by any Governmental Authority to which such Person or any Receivable or Collection may be subject.

(b) Preservation of Corporate Existence. The Seller will perform, and will cause each Subsidiary to perform, all actions necessary to remain duly incorporated, validly existing and in good standing in its jurisdiction of incorporation and to maintain all requisite authority to conduct its business in each jurisdiction in which it conducts business.

(c) Receivables Reviews. The Seller will furnish to the Buyer, the Agent and the Purchasers such information concerning the Receivables as the Agent or a Purchaser may reasonably request and as may be generated by the then existing data processing capacity of the Seller. The Seller will permit, at any time during regular business hours, the Agent or any Purchaser (or any representatives thereof), once per year or at anytime after the occurrence of a Termination Event (at the expense of the Seller) or at any other time (at the expense of the Agent or such Purchaser (as applicable)) (i) to examine and make copies of all Records, (ii) to visit the offices and properties of the Seller for the purpose of examining the Records and (iii) to discuss matters relating hereto with any of the Seller's officers, directors, employees or independent public accountants having knowledge of such matters. Once a year, the Agent may (at the expense of the Seller) have an independent public accounting firm conduct an audit of the Records or make test verifications of the Receivables and Collections.

(d) Keeping of Records and Books of Account. The Seller will have and maintain (A) administrative and operating procedures including an ability to recreate Records if originals are destroyed), (B) adequate facilities, personnel and equipment and (C) all Records and other information necessary or advisable for collecting the Receivables (including Records adequate to permit the immediate identification of each new Receivable and all Collections of, and adjustments to, each existing Receivable). The Seller will give each of the Buyer and the Agent prior notice of any material change in such administrative and operating procedures.

(e) Performance and Compliance with Receivables and Contracts. Such Seller will, at its expense, timely and fully perform and comply with all provisions, covenants and other promises required to be observed by it under the contracts of such Seller related to the Receivables and Related Assets, in each case to the extent failure to perform or comply, individually or in the aggregate for all such failures, would have a substantial likelihood of having a Material Adverse Effect.

(f) Location of Records and Offices. Such Seller keeps (i) its principal place of business and chief executive office at the address set forth under such Seller's signature hereto, and (ii) the offices where it maintains all Records related to the Receivables and the Related Assets (and all original documents relating thereto) at the addresses referred to in Schedule 3 (or, in the case of each of clause (i) and clause (ii), upon not less than 30 days' prior written notice given by such Seller to Buyer and the Agent at such other locations in jurisdictions where all action required by Section 7.3 shall have been taken and completed).

(g) Credit and Collection Policies. Such Seller will comply in all material respects with its Credit and Collection Policy in regard to each Receivable of such Seller and the Related Assets and the contracts related to each such Receivable.

(h) Separate Corporate Existence of Buyer. Such Seller hereby acknowledges that the Buyer is entering into the transactions contemplated by the Transaction Documents in reliance upon Buyer's identity as a legal entity separate from such Seller. Therefore, such Seller will take all reasonable steps to continue their respective identities as separate legal entities and to make it apparent to third Persons that each is an entity with assets and liabilities distinct from those of Buyer and that Buyer is not a division of the Initial Collection Agent, such Seller, the Parent or any other Person. Without limiting the foregoing, each Seller will operate, conduct their respective businesses and otherwise act in a manner which is consistent with the factual assumptions in each of the opinions of Thacher Proffitt & Wood dated the First Issuance Date regarding certain substantive consolidation and true sale issues.

(i) Payment Instructions to Obligors. Such Seller will instruct all Obligors to submit all payments either (i) to one of the Lockboxes for deposit in a Lockbox Account or (ii) directly to one of the Lockbox Accounts.

(j) Segregation of Collections. Such Seller shall use reasonable efforts to minimize the deposit of any funds other than Collections into any of the Transaction Accounts and, to the extent that any such funds nevertheless are deposited into any of the Transaction Accounts, shall promptly identify any such funds, or shall cause the funds to be so identified, to Buyer, the Initial Collection Agent and the Agent (following which notice, Buyer shall cause the Initial Collection Agent to return all the funds to such Seller).

(k) Identification of Eligible Receivables. Such Seller will establish and maintain such procedures as are necessary for determining no less frequently than each Business Day whether each Receivable qualifies as an Eligible Receivable, and for identifying, on any Business Day, all Receivables to be sold on that date that are not Eligible Receivables.

(l) Accuracy of Information. All written information furnished on and after the First Issuance Date by or on behalf of such Seller to Buyer or the Agent pursuant to or in connection with any Transaction Document or any transaction contemplated herein or therein shall not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements made not misleading, in each case on the date the statement was made and in light of the circumstances under which the statements were made or the information was furnished.

(m) Taxes. Such Seller shall file or cause to be filed, and cause each Person with whom it shares consolidated tax liability to file, all Federal, state and local tax returns that are required to be filed by it (except where the failure to file such returns does not have a substantial likelihood of having a Material Adverse Effect) and pay or cause to be paid all taxes shown to be due and payable on taxes or assessments (except only such taxes or assessments the validity of which are being contested in good faith by appropriate proceedings and with respect to which such Seller shall have set aside adequate reserves on its books in accordance with GAAP and which proceedings do not have a substantial likelihood of having a Material Adverse Effect).

(n) Software Licenses. Such Seller shall cause all software licenses or similar agreements used by the Sellers or Initial Collection Agent in the origination or servicing of Receivables to expressly permit use by any Successor Initial Collection Agent of the materials subject to such licenses or agreements.

(o) Payment of Accounts Payable. Such Seller shall pay all of its accounts payable in accordance with its normal business.

SECTION 6.2 Reporting Responsibilities. From the First Issuance Date until the first day following the Purchase Termination Date on which all Obligations of the Sellers shall have been finally and fully paid and performed under the Transaction Document, unless the Agent (as assignee of Buyer) shall otherwise give its prior written consent, each Seller hereby

agrees that it will perform the covenants and agreements set forth in this section.

(a) Financial Reporting. The Seller will, and will cause each Subsidiary to, maintain a system of accounting established and administered in accordance with GAAP and will furnish (or will cause to be furnished) to the Agent and each Purchaser:

(i) Annual Financial Statements. Within 95 days after each fiscal year of (A) the Parent, copies of the Parent's consolidated annual audited financial statements (including a consolidated balance sheet, consolidated statement of income and retained earnings and statement of cash flows, with related footnotes) certified by Parent's firm of independent certified public accountants and prepared on a consolidated basis in conformity with GAAP, and (B) the Seller, the annual balance sheet and annual profit and loss statement of the Seller certified by a Designated Financial Officer thereof, in each case prepared on a consolidated basis in conformity with GAAP as of the close of such fiscal year for the year then ended;

(ii) Quarterly Financial Statements. Within 50 days after each (except the last) fiscal quarter of each fiscal year of (A) the Parent, copies of its unaudited financial statements (including at least a consolidated balance sheet as of the close of such quarter and statements of earnings and sources and applications of funds for the period from the beginning of the fiscal year to the close of such quarter) certified by a Designated Financial Officer and prepared in a manner consistent with the financial statements described in part (A) of clause (i) of this Section 5.1(a), and (B) the Seller, the quarterly balance sheet and a profit and loss statement of the Seller for the period from the beginning of such fiscal year to the close of such quarter, in each case certified by a Designated Financial Officer thereof and prepared in a manner consistent with part (B) of clause (i) of Section 5. 1 (a);

(iii) Officer's Certificate. Each time financial statements are furnished pursuant to clause (i) or (ii) of Section 6.2 (a), a compliance certificate (in substantially the form of Exhibit I to the Receivables Sale Agreement) signed by a Designated Financial Officer, dated the date of such financial statements;

(iv) Public Reports. Promptly upon becoming available, a copy of each report or proxy statement filed by the Parent with the Securities Exchange Commission or any securities exchange;

(v) Crompton & Knowles Credit Agreement Certificate. When delivered to the banks party to the Crompton & Knowles Credit Agreement, a copy of the certificates and schedules described in Section Sections 5.03(b)(i) and (ii) and 5.03(c)(i) and (ii) of the Crompton & Knowles Credit Agreement; and

(vi) Other Information. With reasonable promptness, such other information (including non-financial information) as may be reasonably

requested by the Agent or any Purchaser (with a copy of such request to the Agent).

(b) Notices. Immediately upon becoming aware of any of the following the Seller will notify the Agent and provide a description of:

(i) Potential Termination Events. The occurrence of any Potential Termination Event;

(ii) Representations and Warranties. The failure of any representation or warranty herein to be true (when made or at any time

(iii) Downgrading. The downgrading, withdrawal or suspension of any rating by any rating agency of any indebtedness of the Seller;

(iv) Litigation. The institution of any litigation, arbitration proceeding or governmental proceeding reasonably likely to be material to the Seller, any Subsidiary or the collectibility or quality of the Receivables;

(v) Judgments. The entry of any judgment or decree against the Seller or any Subsidiary if the aggregate amount of all judgments then outstanding against the Seller and the Subsidiaries exceeds $5,000,000; or

(vi) Changes in Business. Any change in, or proposed change in, the character of the Seller's business that could impair the collectibility or quality of any Receivable.

SECTION 6.3 Negative Covenants. From the First Issuance Date until the first day following the Purchase Termination Date on which all Obligations of the Sellers under the Transaction Documents shall have been finally and fully paid and performed, unless the Agent (as assignee of Buyer) shall otherwise give its prior written consent, each Seller hereby agrees that it will perform the covenants and agreements set forth in this section.

(a) Sales, Liens, Etc. Except as otherwise provided in the Receivables Sale Agreement, such Seller will not (i)(A) sell, assign (by operation of law or otherwise) or otherwise transfer to any Person, (B) pledge any interest in, (C) grant, create, incur, assume or permit to exist any Adverse Claim (other than Permitted Adverse Claims) to or in favor of any Person upon or with respect to, or (D) cause to be filed any UCC financing statement or equivalent document relating to perfection with respect to any Transferred Asset or any contract related to any Receivable, or upon or with respect to any lockbox or account to which any Collections of any such Receivable or any Related Assets are sent or any interest therein, or (ii) assign to any Person any right to receive income from or in respect of any of the foregoing.

In the event that such Seller fails to keep any Specified Assets free and clear of any Adverse Claim (other than a Permitted Adverse Claim, any Adverse Claims arising hereunder, and other Adverse Claims permitted by any other Transaction Document), Buyer may (without limiting its other rights with

respect to such Seller's breach of its obligations hereunder) make reasonable expenditures necessary to release the Adverse Claim. Buyer shall be entitled to indemnification for any such expenditures pursuant to the indemnification provisions of Article IX. Alternatively, Buyer may deduct such expenditures as an offset to the Purchase Price owed to such Seller hereunder.

Such Seller will not pledge or grant any security interest in the Buyer Note or the capital stock of Buyer unless prior to any pledge or grant such Seller, Buyer, the Agent and the Person for whose benefit the pledge or grant is being made have entered into an Intercreditor Agreement reasonably acceptable to the Agent.

(b) Extension or Amendment of Receivables; Change in Credit and Collection Policy or Contracts. Such Seller will not extend, amend, waive or otherwise modify the terms of any Receivable or contract related thereto except as permitted pursuant to Section 3.2(b) of the Receivables Sale Agreement and subject to the limitation set forth in Section 1.5 of the Receivables Sale Agreement. Such Seller shall not change the terms and provisions of the Credit and Collection Policy in any material respect.

(c) Change in Payment Instructions to Obligors. Such Seller will not (i) add or terminate any bank as an Account Bank (or add or terminate any related Lockbox or Bank Account) from those listed in the letter referred to in Section 5.1(o) unless, prior to any such addition or termination, Buyer and the Agent shall have received not less than ten Business Days' prior written notice of the addition or termination and, not less than ten Business Days prior to the effective date of any such proposed addition or termination, Buyer and the Agent shall have received (A) counterparts of the applicable type of Account Agreement with each new Account Bank, duly executed by such new Account Bank and all other parties thereto and (B) copies of all other agreements and documents signed by the Account Bank and such other parties with respect to any new Bank Account and any new Lockbox, or (ii) make any change in its instructions to Obligors, given in accordance with Section 5.1(o) regarding payments to be made by Obligors, other than changes in the instructions that direct Obligors to make payments to another Lockbox or Bank Account that in each case is subject to an Account Agreement.

(d) Mergers, Acquisitions, Sales, etc. Except for (i) mergers or consolidations in which such Seller is the surviving Person, (ii) mergers or consolidations of a Subsidiary of the Parent into such Seller or (iii) mergers or consolidations in which the surviving Person expressly assumes the performance of this Agreement, such Seller will not be a party to any merger or consolidation. Such Seller will give the Agent notice of any such permitted merger or consolidation promptly following completion thereof. Such Seller will not, directly or indirectly, transfer, assign, convey or lease, whether in one transaction or in a series of transactions, all or substantially all of its assets or sell or assign, with or without recourse, any Receivables or Related Assets, in each case other than pursuant to this Agreement.

(e) Change in Name. Such Seller will not (i) change its corporate name or (ii) change the name under or by which it does business, in each case

unless such Seller shall have given Buyer, the Initial Collection Agent and the Agent 30 days' prior written notice thereof and unless, prior to any change in name, such Seller shall have taken and completed all action required by Section 7.3. The Seller will at all times maintain its chief executive offices within a jurisdiction in the United States of America (other than in the states of Florida, Maryland and Tennessee) in which Article 9 of the UCC is in effect. If the Seller moves its chief executive office to a location that imposes taxes, fees or other charges to perfect the Agent's and the Purchasers' interests hereunder (as assignee of Buyer), the Seller will pay all such amounts and any other costs and expenses incurred in order to maintain the enforceability of the Transaction Documents and the interests of the Agent and the Purchasers (as assignee of Buyer) in the Receivables and Collections.

(f) Certificate of Incorporation. Such Seller will not cause or permit Buyer to amend its Certificate of Incorporation without the Agent's prior written consent, which consent will not be unreasonably withheld or delayed.

(g) Amendments to Transaction Documents. Such Seller will not amend or otherwise modify or waive any Transaction Document to which it is a party unless the Agent (as assignee of Buyer) shall have given its prior written consent to each amendment, modification or waiver.

(h) Accounting for Purchases. Such Seller shall prepare its financial statements in accordance with GAAP, and any financial statements which are consolidated to include Buyer will contain footnotes stating that such Seller has sold or contributed its Receivables to Buyer and that the assets of Buyer will not be available to the Parent and its Subsidiaries unless Buyer's liabilities have been paid in full. Such Seller shall not prepare any financial statements that account for the transactions contemplated in this Agreement in any manner other than as a sale of the Purchased Assets by such Seller to Buyer, or in any other respect account for or treat the transactions contemplated in this Agreement (including but not limited to accounting and, where taxes are not consolidated, for tax reporting purposes) in any manner other than as a sale of the Purchased Assets by such Seller to Buyer.

ARTICLE VII
ADDITIONAL RIGHTS AND OBLIGATIONS IN RESPECT OF THE SPECIFIED ASSETS

SECTION 7.1 Rights of Buyer. (a) Each Seller hereby authorizes Buyer, the Initial Collection Agent and/or their respective designees to take any and all steps in such Seller's name and on behalf of such Seller that Buyer, the Initial Collection Agent and/or their respective designees determine are reasonably necessary or appropriate to collect all amounts due under any and all Specified Assets, including endorsing the name of such Seller on checks and other instruments representing Collections and enforcing such Seller's rights under such Specified Assets.

(b) Except as set forth in Section 3.1 with respect to Seller

Noncomplying Receivables, Buyer shall have no obligation to account for any Specified Asset to any Seller. Buyer shall have no obligation to account for, or to return Collections, or any interest or other finance charge collected pursuant thereto, to any Seller, irrespective of whether such Collections and charges are in excess of the Purchase Price for the Purchased Assets.

(c) Buyer shall have the unrestricted right to further assign, transfer, deliver, hypothecate, subdivide or otherwise deal with the Specified Assets, and all of Buyer's right, title and interest in, to and under this Agreement, on whatever terms Buyer shall determine, pursuant to the Receivables Sale Agreement or otherwise.

(d) Buyer shall have the sole right to retain any gains or profits created by buying, selling or holding the Specified Assets and shall have the sole risk of and responsibility for losses or damages created by such buying, selling or holding.

SECTION 7.2 Responsibilities of the Sellers. Anything herein to the contrary notwithstanding, each Seller hereby agrees:

(a) to deliver directly to the Initial Collection Agent (for Buyer's account), within two Business Days after receipt and identification thereof, any Collections that it receives, in the form so received, and agrees that all such Collections shall be deemed to be received in trust for Buyer and shall be maintained and segregated separate and apart from all other funds and moneys of such Seller until delivery of such Collections to the Initial Collection Agent,

(b) to perform all of its obligations hereunder and under the contracts related to the Receivables and Related Assets to the same extent as if the Receivables had not been sold hereunder, and the exercise by Buyer or its designee or assignee of Buyer's rights hereunder or in connection herewith shall not relieve such Seller from any of its obligations under the contracts or Related Assets related to the Receivables,

(c) that it hereby grants to Buyer an irrevocable power of attorney, with full power of substitution, coupled with an interest, to take in the name of such Seller all steps necessary or advisable to endorse, negotiate or otherwise realize on any writing or other right of any kind held or transmitted by such Seller or transmitted or received by Buyer (whether or not from such Seller) in connection with any Transferred Asset, and

(d) to the extent that such Seller does not own the computer software that such Seller uses to account for Receivables, such Seller shall provide Buyer and the Agent with such licenses, sublicenses and/or assignments of contracts as Buyer or the Agent shall require with regard to all services and computer hardware or software used by such Seller that relate to the servicing of the Specified Assets.

SECTION 7.3 Further Action Evidencing Purchases. Each Seller agrees that from time to time, at its expense, it will promptly, upon reasonable

request by Buyer, Initial Collection Agent or a Purchaser, execute and deliver all further instruments and documents, and take all further action, in order to perfect, protect or more fully evidence the purchase by Buyer or contribution to Buyer of the Receivables and the Related Assets under this Agreement, or to enable Buyer to exercise or enforce any of its rights under any Transaction Document. Each Seller further agrees that from time to time, at its expense, it will promptly, upon request, take all action that Buyer, the Initial Collection Agent or the Agent may reasonably request in order to perfect, protect or more fully evidence the purchase or contribution of the Receivables and the Related Assets or to enable Buyer or the Agent (as the assignee of Buyer) to exercise or enforce any of its rights hereunder or under any other Transaction Document. Without limiting the generality of the foregoing, upon the request of Buyer, each Seller will:

(a) execute and file such UCC financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as Buyer or the Agent may reasonably determine to be necessary or appropriate, and

(b) mark the master data processing records evidencing the Receivables with the following legend:

"THE RECEIVABLES DESCRIBED HEREIN HAVE BEEN SOLD TO CROMPTON & KNOWLES RECEIVABLES CORPORATION PURSUANT TO A RECEIVABLES PURCHASE AGREEMENT, DATED AS OF DECEMBER 11, 1998, AMONG CROMPTON & KNOWLES CORPORATION ("C&K") AS INITIAL COLLECTION AGENT AND SELLER, CERTAIN SUBSIDIARIES OF C&K, AS SELLERS, AND CROMPTON & KNOWLES RECEIVABLES CORPORATION."

Each Seller hereby authorizes Buyer or its designee to file one or more UCC financing or continuation statements, and amendments thereto and assignments thereof, relative to all or any of the Receivables and Related Assets of such Seller, in each case whether now existing or hereafter generated by such Seller. Except for material performance obligations of such Seller to any Obligor hereunder or under any contracts relating to such Obligor, if (i) such Seller fails to perform any of its agreements or obligations under this Agreement and does not remedy the failure within the applicable cure period, if any, and (ii) Buyer in good faith reasonably believes that the performance of such agreements and obligations is necessary or appropriate to protect its interests under this Agreement, then Buyer or its designee may (but shall not be required to) perform, or cause performance of, such agreement or obligation and the reasonable expenses of Buyer or its designee or assignee incurred in connection with such performance shall be payable by such Seller as provided in Section 9.1.

SECTION 7.4 Collection of Receivables; Rights of Buyer and Its Assignees. (a) Each Seller hereby transfers to the Agent (as transferee of Buyer's interest in the Specified Assets) the ownership of, and the exclusive dominion and control over, each of the Bank Accounts and all related lockboxes owned by such Seller, and such Seller hereby agrees to take any further action that Buyer or the Agent may reasonably request in order to effect or complete the transfer. Each Seller further agrees to use reasonable efforts to prevent

funds other than proceeds of the Specified Assets from being deposited in any Bank Account.

(b) Each Seller shall, at the request of Buyer and at such Seller's expense, promptly give notice of interest in the Receivables of the Obligor and the Related Assets to each such Obligor and direct that payments be made directly to the Agent or its designee, which notice shall be acceptable in form and substance to Buyer. In addition, each Seller hereby authorizes Buyer to take any and all steps in such Seller's name and on its behalf that are necessary or desirable, in the reasonable determination of Buyer, to collect all amounts due under any and all Specified Assets, including endorsing such Seller's name on checks and other instruments representing Collections and enforcing the Specified Assets and the contracts related to the Receivables.

ARTICLE VIII
TERMINATION

SECTION 8.1 Termination by the Sellers. The Sellers may terminate all of their agreements to sell Receivables hereunder to Buyer by giving Buyer and the Agent not less than five Business Days' prior written notice of their election not to continue to sell Receivables to Buyer (the "Termination of Sale Notice"); provided that the Termination of Sale Notice must specify the effective date of termination.

SECTION 8.2 Automatic Termination. (a) The agreement of Buyer to purchase Receivables from a Seller hereunder shall terminate automatically upon (i) the first date on which an event specified in the definition of Bankruptcy Event occurs as a result of a case or proceeding being filed against such Seller, (ii) the first date on which Crompton & Knowles Corporation fails to own and control, directly or indirectly, (A) in the case of Crompton & Knowles Colors Incorporated, less than eighty percent (80%) of the outstanding voting stock of such entity, or (B) in the case of all other Sellers not covered by clause (A), one hundred percent (100%) of the outstanding voting stock of such entity or (iii) the occurrence of a Termination Event, as defined in the Receivables Sale Agreement as in effect on the Closing Date. The termination referred to in clauses (i) and (ii) of the preceding sentence shall apply only to the relevant Seller and the termination referred to in clause (iii) shall apply to all Sellers.

(b) If the Internal Revenue Service or the PBGC files one or more Tax or ERISA Liens against the assets of Buyer or any Seller (including Receivables), then (and for so long as such Tax or ERISA Liens remain in place) Buyer shall not purchase any Receivables or Related Assets from such Seller (or from any Seller if such Tax or ERISA Lien is filed against Buyer).

ARTICLE IX
INDEMNIFICATION

SECTION 9.1 Indemnities by the Seller. Without limiting any other rights any Person may have hereunder or under applicable law, each Seller, on a several basis, hereby indemnifies and holds harmless, on an after-Tax basis,

the Buyer, the Agent and each Purchaser and their respective officers, directors, agents and employees (each an "Indemnified Party") from and against any and all damages, losses, claims, liabilities, penalties, Taxes, costs and expenses (including attorneys' fees and court costs) (all of the foregoing collectively, the "Indemnified Losses") at any time imposed on or incurred by any Indemnified Party arising out of or otherwise relating to any Transaction Document, the transactions contemplated thereby or the acquisition of any portion of the Sold Interest, or any action taken or omitted by any of the Indemnified Parties (including any action taken by the Agent as attorney-in-fact for the Seller pursuant to Section 3.5(b)), whether arising by reason of the acts to be performed by the Seller hereunder or otherwise, excluding only Indemnified Losses to the extent (a) a final judgment of a court of competent jurisdiction holds such Indemnified Losses resulted solely from gross negligence or willful misconduct of the Indemnified Party seeking indemnification, (b) solely due to the credit risk of the Obligor and for which reimbursement would constitute recourse to the Seller for uncollectible Receivables or (c) such Indemnified Losses include Taxes on, or measured by, the overall net income of the Agent or any Purchaser computed in accordance with the Intended Tax Characterization; provided, however, that nothing contained in this sentence shall limit the liability of the Seller or limit the recourse of each Indemnified Party to the Seller for any amounts otherwise specifically provided to be paid by the Seller hereunder. Without limiting the foregoing indemnification, but subject to the limitations set forth in clauses (a), (b) and (c) of the previous sentence, the Seller shall indemnify each Indemnified Party for Indemnified Losses (including losses in respect of uncollectible Receivables, regardless for these specific matters whether reimbursement therefor would constitute recourse to the Seller) relating to or resulting from:

(i) any representation or warranty made by the Seller (or any employee or agent of the Seller) under or in connection with this Agreement or any other information or report delivered by the Seller pursuant hereto, which shall have been false or incorrect in any material respect when made or deemed made;

(ii) the failure by the Seller to comply with any applicable law, rule or regulation related to any Receivable, or the nonconformity of any Receivable with any such applicable law, rule or regulation;

(iii) the failure of the Seller to vest and maintain vested in the Agent, for the benefit of the Purchasers, a perfected ownership or security interest in the Transferred Assets, free and clear of any Adverse Claim;

(iv) any commingling of funds to which the Agent or any Purchaser is entitled hereunder with any other funds;

(v) any failure of a Lock-Box Bank to comply with the terms of the applicable Lock-Box Letter;

(vi) any dispute, claim, offset or defense (other than discharge

in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable, or any other claim resulting from the sale or lease of goods or the rendering of services related to such Receivable or the furnishing or failure to furnish any goods or services or other similar claim or defense not arising from the financial inability of any Obligor to pay undisputed indebtedness;

(vii) any failure of the Seller, to perform its duties or obligations in accordance with the provisions of this Agreement or any other Transaction Document to which such Person is a party (as a Collection Agent or otherwise);

(viii) any action taken by the Agent as attorney-in-fact for the Seller; or

(ix) any environmental liability claim, products liability claim or personal injury or property damage suit or other similar or related claim or action of whatever sort, arising out of or in connection with any Receivable or any other suit, claim or action of whatever sort relating to any of the Transaction Documents.

ARTICLE X
MISCELLANEOUS

SECTION 10.1 Amendments; Waivers, Etc. (a) The provisions of this Agreement may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and signed by Buyer, each Seller and the Agent, and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(b) No failure or delay on the part of Buyer, the Agent or any other third party beneficiary referred to in Section 10.11(a) in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No notice to or demand on any Seller in any case shall entitle it to any notice or demand in similar or other circumstances. No waiver or approval by Buyer or the Agent under this Agreement shall, except as may otherwise be stated in the waiver or approval, be applicable to subsequent transactions. No waiver or approval under this Agreement shall require any similar or dissimilar waiver or approval thereafter to be granted hereunder.

SECTION 10.2 Notices, Etc. All notices, demands, instructions and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including facsimile communication) and shall be personally delivered or sent by certified mail, postage prepaid, by facsimile or by overnight courier, to the intended party at the address or facsimile number of such party set forth under its name on the signature pages hereof or at such other address or facsimile number as shall be designated by the party in a written notice to the other parties hereto given in accordance with this section. Copies of all notices, demands, instructions and other communications

provided for hereunder shall be delivered to the Agent at their respective addresses for notices set forth in the Receivables Sale Agreement. All notices and communications provided for hereunder shall be effective, (a) if personally delivered, when received, (b) if sent by certified mail, four Business Days after having been deposited in the mail, postage prepaid and properly addressed, (c) if transmitted by facsimile, when sent, receipt confirmed by telephone or electronic means and (d) if sent by overnight courier, two Business Days after having been given to the courier unless sooner received by the addressee.

SECTION 10.3 Cumulative Remedies. The remedies herein provided are cumulative and not exclusive of any remedies provided by law. Without limiting the foregoing, each Seller hereby authorizes Buyer, at any time and from time to time, to the fullest extent permitted by law, to set-off, against any Obligations of any Seller to Buyer that are then due and payable or that are not then due and payable from a Seller to Buyer but have then accrued, any and all indebtedness or other obligations at any time owing to any Seller by Buyer to or for the credit or the account of any Seller or that are not then due and payable from Buyer to a Seller but have then accrued.

SECTION 10.4 Binding Effect; Assignability; Survival of Provisions. This Agreement shall be binding upon and inure to the benefit of Buyer and the Sellers and their respective successors and permitted assigns. No Seller may assign any of its rights hereunder or any interest herein without the prior written consent of Buyer and the Agent. This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms, and shall remain in full force and effect until the first date following the Purchase Termination Date, on which all Obligations shall have been finally and fully paid and performed or such other time as the parties hereto shall agree and as to which the Agent shall have given its prior written consent, which consent shall not be unreasonably withheld or delayed. The rights and remedies with respect to any breach of any representation and warranty made by a Seller pursuant to Article V or of any covenant made by a Seller in Article VI, the indemnification and payment provisions of Article IX and Section 10.6, and the provisions of Sections 10.3, 10.4, 10.5, 10.7, 10.8, 10.9, 10.11, 10.12, 10.13, and 10.15, shall be continuing and shall survive any termination of this Agreement.

SECTION 10.5 Governing Law. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES, EXCEPT TO THE EXTENT THAT THE PERFECTION OF THE INTERESTS OF BUYER IN THE RECEIVABLES AND THE RELATED ASSETS ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

SECTION 10.6 Costs, Expenses and Taxes. In addition to the obligations of the Sellers under Article IX, the Sellers agree jointly and severally to pay on demand:

(a) all reasonable out-of-pocket and other costs and expenses in connection with the enforcement of this Agreement, the Seller Assignment Certificates or the other Transaction Documents by Buyer or any successor in

interest to Buyer, and

(b) all stamp and other taxes and fees payable or determined to be payable in connection with the execution and delivery, and the filing and recording, of this Agreement or the other Transaction Documents, and agrees to indemnify each Indemnified Party against any liabilities with respect to or resulting from any delay in paying or omission to pay the taxes and fees.

SECTION 10.7 Submission to Jurisdiction. Each party hereto hereby (a) irrevocably submits to the non-exclusive jurisdiction of any New York State or Federal Court sitting in the Borough of Manhattan in the City of New York, New York over any action or proceeding arising out of or relating to the Transaction Documents, (b) irrevocably agrees that all claims in respect of the action or proceeding may be heard and determined in such State or Federal Court, (c) irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding, and (d) irrevocably appoints CT Corporation, as its agent to receive on behalf of it and its property service of copies of the summons and complaint and any other process that may be served in such action or proceeding. The service may be made by mailing or delivering a copy of the process to Buyer or the applicable Seller in care of the Process Agent at the Process Agent's above address, and Buyer and each Seller hereby irrevocably authorizes and directs the Process Agent to accept the service on its behalf.

As an alternative method of service, each of Buyer and the Sellers also irrevocably consents to the service of any and all process in such action or proceeding by the mailing of copies of the process to Buyer or a Seller (as applicable) at its address specified herein. Nothing in this section shall affect the right of any party hereto to serve legal process in any other manner permitted by law or affect the right of any party hereto to bring any action or proceeding against any or all of the other parties hereto or any of their respective properties in the courts of any other jurisdiction.

SECTION 10.8 Waiver of Jury Trial. Each party hereto waives any right to a trial by jury in any action or proceeding to enforce or defend any rights under or relating to the Transaction Documents or any amendment, instrument, document or agreement delivered or that may in the future be delivered in connection therewith or arising from any course of conduct, course of dealing, statements (whether verbal or written), actions of any of the parties hereto or any other relationship existing in connection with the Transaction Documents, and agrees that any such action or proceeding shall be tried before a court and not before a jury.

SECTION 10.9 Integration. This Agreement and the other Transaction Documents contain a final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and thereof and shall together constitute the entire agreement between the parties hereto with respect to the subject matter hereof and thereof, superseding all prior oral or written understandings.

SECTION 10.10 Counterparts. This Agreement may be executed in any

number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which together shall constitute one and the same agreement.

SECTION 10.11 Acknowledgment and Consent. (a) The Sellers acknowledge that, contemporaneously herewith, Buyer is selling, transferring, assigning, setting, granting, over and otherwise conveying to the Agent all of Buyer's right, title and interest in, to and under the Specified Assets, this Agreement and all of the other Transaction Documents pursuant to the Receivables Sale Agreement. The Sellers hereby consent to the sale, transfer, assignment, set over and conveyance to the Agent by Buyer of all right, title and interest of Buyer in, to and under the Specified Assets, this Agreement and the other Transaction Documents, and all of Buyer's rights, remedies, powers and privileges, and all claims of Buyer against the Sellers, under or with respect to this Agreement and the other Transaction Documents (whether arising pursuant to the terms of this Agreement or otherwise available at law or in equity), including (i) the right of Buyer, at any time, to enforce this Agreement against the Sellers and the obligations of the Sellers hereunder, (ii) the right to appoint a successor to the Initial Collection Agent at the times and upon the conditions set forth in the Receivables Sale Agreement, and (iii) the right, at any time, to give or withhold any and all consents, requests, notices, directions, approvals, demands, extensions or waivers under or with respect to this Agreement, any other Transaction Document or the obligations in respect of the Sellers thereunder to the same extent as Buyer may do. Each of the parties hereto acknowledges and agrees that the Agent and the Purchasers are third party beneficiaries of the rights of Buyer arising hereunder and under the other Transaction Documents to which any Seller is a party. Each Seller hereby acknowledges and agrees that it has no claim to or interest in any of the Bank Accounts or the Transaction Accounts.

(b) The Sellers hereby agree to execute all agreements, instruments and documents, and to take all other action, that Buyer or the Agent reasonably determines is necessary or appropriate to evidence the consents, agreements and acknowledgments described in subsection (a) above. To the extent that Buyer, individually or through the Initial Collection Agent, has granted or grants powers of attorney to the Agent under the Receivables Sale Agreement, the Sellers hereby grant a corresponding power of attorney on the same terms to Buyer. The Sellers hereby acknowledge and agree that Buyer, in all of its capacities, shall assign to the Agent for the benefit of the Purchasers the powers of attorney and other rights and interests granted by the Sellers to Buyer hereunder and agrees to cooperate fully with the Agent in the exercise of the rights.

SECTION 10.12 No Partnership or Joint Venture. Nothing contained in this Agreement shall be deemed or construed by the parties hereto or by any third Person to create the relationship of principal and agent or of partnership or of joint venture.

SECTION 10.13 No Proceedings. Each Seller hereby agrees that it will not institute against Buyer or Windmill, or join any other Person in instituting against Buyer or Windmill, any proceeding of the type referred to

in the definition of Bankruptcy Event so long as there shall not have elapsed one year plus one day since the last day on which any such Investment shall have been outstanding. The foregoing shall not limit the right of a Seller to file any claim in or otherwise take any action with respect to any such proceeding that was instituted against Buyer or Windmill by any Person other than a Seller or the Parent (provided that no such action may be taken by a Seller until such proceeding has continued undismissed, unstayed and in effect for a period of 10 days).

SECTION 10.14 Severability of Provisions. If any one or more of the covenants, agreements, provisions or terms of this Agreement or any of the other Transaction Documents shall for any reason whatsoever be held invalid, then the unenforceable covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement or the other Transaction Documents (as applicable) and shall in no way affect the validity or enforceability of the other provisions of this Agreement or any of the other Transaction Documents.

SECTION 10.15 Recourse to Buyer. Except to the extent expressly provided otherwise in the Transaction Documents, the obligations of Buyer under the Transaction Documents to which it is a party are solely the obligations of Buyer. No recourse shall be had for payment of any fee payable by or other obligation of or claim against Buyer that arises out of any Transaction Document to which Buyer is a party against any director, officer or employee of Buyer. The provisions of this section shall survive the termination of this Agreement.

[SIGNATURES FOLLOW]

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

CROMPTON & KNOWLES CORPORATION
as Initial Collection Agent

By: /s/Charles J. Marsden
Title: Senior Vice President and Chief Financial Officer

Address: One Station Place, Metro Center
Stamford, Connecticut 06902
Attention: General Counsel
Telephone: (203) 353-5400
Facsimile: (203) 353-5423

With a copy to:

Crompton & Knowles Corporation

Benson Road
Middlebury, Connecticut 06749
Attention: Antonio Bucci, Assistant Treasurer
Telephone: (203) 573-3555
Facsimile: (203) 573-3751

UNIROYAL CHEMICAL COMPANY, INC., as Seller

By: /s/Charles J. Marsden
Title: Vice President and Chief Financial Officer

Address: Benson Road
Middlebury, Connecticut 06749

Notices to be sent to:
c/o Crompton & Knowles Corporation
Benson Road
Middlebury, Connecticut 06749
Attention: Antonio Bucci, Assistant Treasurer
Telephone: (203) 573-3555
Facsimile: (203) 573-3751

With a copy to:

Crompton & Knowles Corporation
One Station Place, Metro Center
Stamford, Connecticut 06902
Attention: General Counsel
Telephone: (203) 353-5400
Facsimile: (203) 353-5423

UNIROYAL CHEMICAL EXPORT LTD., as Seller

By: /s/Charles J. Marsden
Title: Vice President and Chief Financial Officer

Address: Benson Road
Middlebury, Connecticut 06749

Notices to be sent to:
c/o Crompton & Knowles Corporation
Benson Road
Middlebury, Connecticut 06749
Attention: Antonio Bucci, Assistant Treasurer
Telephone: (203) 573-3555
Facsimile: (203) 573-3751

With a copy to:

Crompton & Knowles Corporation
One Station Place, Metro Center
Stamford, Connecticut 06902
Attention: General Counsel
Telephone: (203) 353-5400
Facsimile: (203) 353-5423

DAVIS STANDARD CORPORATION, as Seller

By: /s/David J. Antoniuk
Title: Vice President Finance

Address: 1 Extrusion Drive
Pawcatuck, Connecticut 06379

Notices to be sent to:
c/o Crompton & Knowles Corporation
Benson Road
Middlebury, Connecticut 06749
Attention: Antonio Bucci, Assistant Treasurer
Telephone: (203) 573-3555
Facsimile: (203) 573-3751

With a copy to:

Crompton & Knowles Corporation
One Station Place, Metro Center
Stamford, Connecticut 06902
Attention: General Counsel
Telephone: (203) 353-5400
Facsimile: (203) 353-5423

CROMPTON & KNOWLES COLORS INCORPORATED, as Seller
By: /s/R. J. Lipka
Title: V.P. - Controller

Address: 3001 North Graham Street
Charlotte, North Carolina 28206

Notices to be sent to:
c/o Crompton & Knowles Corporation
Benson Road
Middlebury, Connecticut 06749
Attention: Antonio Bucci, Assistant Treasurer
Telephone: (203) 573-3555
Facsimile: (203) 573-3751

With a copy to:

Crompton & Knowles Corporation
One Station Place, Metro Center
Stamford, Connecticut 06902
Attention: General Counsel
Telephone: (203) 353-5400
Facsimile: (203) 353-5423

CROMPTON & KNOWLES RECEIVABLES CORPORATION,
as the Buyer

By: /s/John R. Jepsen
Title: Treasurer

Address: One Station Place, Metro Center
Stamford, Connecticut 06902

Notices to be sent to:
c/o Crompton & Knowles Corporation
Benson Road
Middlebury, Connecticut 06749
Attention: Antonio Bucci, Assistant Treasurer
Telephone: (203) 573-3555
Facsimile: (203) 573-3751

With a copy to:

Crompton & Knowles Corporation
One Station Place, Metro Center
Stamford, Connecticut 06902
Attention: General Counsel
Telephone: (203) 353-5400
Facsimile: (203) 353-5423

EXHIBIT A

FORM OF BUYER NOTE

December 11, 1998

FOR VALUE RECEIVED, the undersigned, CROMPTON & KNOWLES RECEIVABLES CORPORATION, a Delaware corporation ("Buyer"), promises to pay to [ ], a [ ] corporation (the "Seller" and together with its successors and assigns, the "Holder"), on the terms and subject to the conditions set forth in this promissory note (this "Note") and in the

Receivables Purchase Agreement dated as of December 11, 1998 (as amended, amended and restated or otherwise modified from time to time, the "Agreement") among Buyer, CROMPTON & KNOWLES CORPORATION (the "Parent"), and certain subsidiaries of the Parent, an amount equal to the aggregate deferred Purchase Price owed by Buyer to the Seller pursuant to Article III of the Agreement. Such amount, as shown in the records of the Initial Collection Agent, will be rebuttable presumptive evidence of the principal amount and interest owing under this Note.

1. Purchase Agreement. This Note is a Buyer Note described in, and is subject to the terms and conditions set forth in, the Agreement. Reference is hereby made to the Agreement for a statement of certain other rights and obligations of Buyer and the Seller.

2. Rules of Construction; Definitions. Certain rules of construction governing the interpretation of this Note are set forth in Appendix A to the Agreement and, except as otherwise specifically provided herein, capitalized terms used but not defined herein have the meanings ascribed to them in such Appendix A or, if not defined therein, as such terms as defined in the Receivables Sale Agreement. In addition, as used herein, the following terms have the following meanings:

"Bankruptcy Proceedings" means any dissolution, winding up, liquidation, readjustment, reorganization or other similar event relating to Buyer, whether voluntary or involuntary, partial or complete, and whether in bankruptcy, insolvency, receivership or other similar proceedings, or upon an assignment for the benefit of creditors, or any other marshalling of the assets and liabilities of Buyer or any sale of all or substantially all of the assets of Buyer; provided, however, that none of the following shall constitute a "Bankruptcy Proceeding" so long as no bankruptcy, insolvency, receivership or other similar proceedings shall have been commenced by or against Buyer and is continuing: the occurrence of a Termination Event in accordance with the terms of the Receivables Sale Agreement.

"Highest Lawful Rate" has the meaning set forth in paragraph 9.

"Junior Liabilities" means all obligations of Buyer to the Holder under this Note.

"Reference Rate" means, with respect to any day occurring in a Calculation Period, the rate of interest then in effect under the Crompton & Knowles Credit Agreement.

"Senior Interests" means all obligations of Buyer to the Agent or the Purchasers under or in connection with the Transaction Documents, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due, including without limitation interest or other amounts due or to become due after an Event of Bankruptcy.

"Subordination Provisions" means, collectively, the provisions of paragraph 7.

3. Interest. Subject to the Subordination Provisions, Buyer promises to pay interest on the aggregate unpaid principal amount of this Note outstanding on each day at an adjustable rate per annum equal to the Reference Rate in effect on such day.

4. Interest Payment Dates. (a) Subject to the Subordination Provisions, Buyer shall pay accrued interest on this Note on the twentieth day of each month. Buyer also shall pay accrued interest on the principal amount of each prepayment hereof on the date of such prepayment.

(b) Notwithstanding the provisions of paragraph 4(a), in the event that on the date an interest payment is due hereunder the amount of funds available therefor pursuant to Section 3.3 of the Agreement is insufficient to pay any amount due pursuant to paragraph 4(a), then interest shall be payable only to the extent that funds are available therefor in accordance with Section 3.3 of the Agreement, and any amount not paid because funds are not available in accordance with said Section 3.3 shall not constitute a claim (as defined in Section 101 of the Bankruptcy Code) against or corporate obligation of Buyer for any such insufficiency. All interest on this Note that is not paid when due pursuant to this paragraph shall be payable on the next date on which an interest payment on this Note is due and on which funds are available therefor pursuant to Section 3.3 of the Agreement, and all such unpaid interest shall accrue interest at the Reference Rate until paid in full.

5. Basis of Computation. Interest accrued hereunder shall be computed for the actual number of days elapsed on the basis of a 360-day year.

6. Principal Payment Dates. Subject to the Subordination Provisions, any unpaid principal of this Note shall only become due and payable on the date which is one year and one day after the date on which all Investments (as defined in the Receivables Sale Agreement) and other amounts then due and owing by the Buyer under the Transaction Documents have been paid in full. Subject to the Subordination Provisions, the principal amount of and accrued interest on this Note may be prepaid on any Business Day without premium or penalty; provided, that no prepayment shall be made by Buyer to the extent that such prepayment would result in a default in the payment of any other amount required to be paid by Buyer under any Transaction Document.

7. Subordination Provisions. Buyer covenants and agrees, and the Holder, by its acceptance of this Note, likewise covenants and agrees, that the payment of all Junior Liabilities is hereby expressly subordinated in right of payment to the payment and performance of the Senior Interests to the extent and in the manner set forth in this paragraph:

(a) In the event of any Bankruptcy Proceeding, the Senior Interests shall first be paid and performed in full and in cash before the Holder shall be entitled to receive and to retain any payment or distribution in respect of the Junior Liabilities. In order to implement the foregoing: (i) all payments and distributions of any kind or character in respect of the Junior Liabilities to which the Holder would be entitled except for this clause (a)

shall be made directly to the Agent (for the benefit of itself and the Purchasers), and (ii) if a Bankruptcy Proceeding has been commenced, the Holder shall promptly file a claim or claims, in the form required in such Bankruptcy Proceeding, for the full outstanding amount of the Junior Liabilities, and shall use commercially reasonable efforts to cause said claim or claims to be approved and all payments and other distributions in respect thereof to be made directly to the Agent (for the benefit of itself and the Purchasers) until the Senior Interests shall have been paid and performed in full and in cash.

(b) In the event that the Holder receives any payment or other distribution of any kind or character from Buyer or from any other source whatsoever, in payment of the Junior Liabilities, after the commencement of any Bankruptcy Proceeding, such payment or other distribution shall be received in trust for the Agent and the Purchasers and shall be turned over by the Holder to the Agent forthwith.

(c) Upon the final indefeasible payment in full and in cash of all Senior Interests, the Holder shall be subrogated to the rights of the Agent and the Purchasers to receive payments or distributions from Buyer that are applicable to the Senior Interests until the Junior Liabilities are paid in full.

(d) These Subordination Provisions are intended solely for the purpose of defining the relative rights of the Holder, on the one hand, and the Agent and the Purchasers on the other hand. Nothing contained in these Subordination Provisions or elsewhere in this Note is intended to or shall impair, as between Buyer, its creditors (other than the Agent and the Purchasers) and the Holder, Buyer's obligation, which is unconditional and absolute, to pay the Junior Liabilities as and when the same shall become due and payable in accordance with the terms hereof and of the Agreement or to affect the relative rights of the Holder and creditors of Buyer (other than the Agent and the Purchasers).

(e) The Holder shall not, until the Senior Interests have been finally paid and performed in full and in cash, (i) cancel, waive, forgive, transfer or assign, or commence legal proceedings to enforce or collect, or subordinate to any obligation of Buyer (other than to the Senior Interests), howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, or now or hereafter existing, or due or to become due, the Junior Liabilities or any rights in respect hereof or (ii) convert the Junior Liabilities into an equity interest in Buyer, unless, in the case of each of clauses (i) and (ii), the Holder shall have received the prior written consent of the Agent in each case.

(f) The Holder shall not commence, or join with any other Person in commencing, any proceeding of the type referred to in the definition of Bankruptcy Event with respect to Buyer until at least one year and one day shall have passed after the Senior Interests shall have been finally paid and performed in full and in cash; provided, however, that the Holder shall at all times have the right to file any claim in or otherwise take any action with

respect to any insolvency proceeding instituted against Buyer by any Person other than the Holder (provided that no such action may be taken by the Holder until such proceeding has continued undismissed, unstayed and in effect for a period of 10 days).

(g) If, at any time, any payment (in whole or in part) made with respect to any Receivable is rescinded or must be restored or returned by the Agent or a Purchaser (whether in connection with any Bankruptcy Proceedings or otherwise), these Subordination Provisions shall continue to be effective or shall be reinstated, as the case may be, as though such payment had not been made.

(h) Each of the Agent and the Purchasers may, from time to time, in its sole discretion, without notice to the Holder, and without waiving any of its rights under these Subordination Provisions, take any or all of the following actions: (i) retain or obtain an interest in any property to secure any of the Senior Interests, (ii) retain or obtain the primary or secondary obligations of any other obligor or obligors with respect to any of the Senior Interests, (iii) extend or renew for one or more periods (whether or not longer than the original period), alter, increase or exchange any of the Senior Interests, or release or compromise any obligation of any nature with respect to any of the Senior Interests, (iv) amend, supplement, amend and restate, or otherwise modify any Transaction Document to which it is a party, and (v) release its security interest in, or surrender, release or permit any substitution or exchange for all or any part of any rights or property securing any of the Senior Interests, or extend or renew for one or more periods (whether or not longer than the original period), or release, compromise, alter or exchange any obligations of any nature of any obligor with respect to any such rights or property.

(i) The Holder hereby waives: (i) notice of acceptance of these Subordination Provisions by the Agent or any of the Purchasers, (ii) notice of the existence, creation, non-payment or non-performance of all or any of the Senior Interests, and (iii) all diligence in enforcement, collection or protection of, or realization upon, the Senior Interests, or any thereof, or any security therefor.

(j) These Subordination Provisions constitute a continuing offer from Buyer to all Persons who become the holders of, or who continue to hold, Senior Interests, and these Subordination Provisions are made for the benefit of the Agent and the Purchasers, and the Agent may proceed to enforce such provisions on behalf of each of such Persons.

8. General. No failure or delay on the part of the Holder in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No amendment, modification or waiver of, or consent with respect to, any provision of this Note shall in any event be effective unless (a) the same shall be in writing and signed and delivered by Buyer and the Seller, and (b) all consents required for such actions under the Transaction Documents shall

have been received by the appropriate Persons.

9. Limitation on Interest. Notwithstanding anything in this Note to the contrary, Buyer shall never be required to pay unearned interest on any amount outstanding hereunder, and shall never be required to pay interest on the principal amount outstanding hereunder, at a rate in excess of the maximum nonusurious interest rate that may be contracted for, charged or received under applicable federal or state law (such maximum rate being herein called the "Highest Lawful Rate"). If the effective rate of interest that would otherwise be payable under this Note would exceed the Highest Lawful Rate, or the Holder shall receive any unearned interest or shall receive monies that are deemed to constitute interest that would increase the effective rate of interest payable by Buyer under this Note to a rate in excess of the Highest Lawful Rate, then (a) the amount of interest that would otherwise be payable by Buyer under this Note shall be reduced to the amount allowed by applicable law, and (b) any unearned interest paid by Buyer or any interest paid by Buyer in excess of the Highest Lawful Rate shall be refunded to Buyer. Without limitation of the foregoing, all calculations of the rate of interest contracted for, charged or received by the Holder under this Note that are made for the purpose of determining whether such rate exceeds the Highest Lawful Rate shall be made, to the extent permitted by applicable usury laws (now or hereafter enacted), by amortizing, prorating and spreading in equal parts during the actual period during which any amount has been outstanding hereunder all interest at any time contracted for, charged or received by the Holder in connection herewith. If at any time and from time to time (i) the amount of interest payable to the Holder on any date shall be computed at the Highest Lawful Rate pursuant to the provisions of the foregoing sentence, and (ii) in respect of any subsequent interest computation period the amount of interest otherwise payable to the Holder would be less than the amount of interest payable to the Holder computed at the Highest Lawful Rate, then the amount of interest payable to the Holder in respect of such subsequent interest computation period shall continue to be computed at the Highest Lawful Rate until the total amount of interest payable to the Holder shall equal the total amount of interest that would have been payable to the Holder if the total amount of interest had been computed without giving effect to the provisions of the foregoing sentence.

10. No Negotiation. This Note is not negotiable.

11. Governing Law. THIS NOTE SHALL BE DEEMED TO BE A CONTRACT MADE UNDER AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

12. Security Interest. The Seller may grant a security interest in or otherwise pledge this Note as security, and any Person to whom such security interest is granted or to whom this Note is pledged shall be bound by, and for all purposes takes this Note subject to, the restrictions and other provisions (including the Subordination Provisions) set forth herein.

13. Captions. Paragraph captions used in this Note are provided solely for convenience of reference and shall not affect the meaning or

interpretation of any provision of this Note.

CROMPTON & KNOWLES RECEIVABLES CORPORATION

By:
Title:

EXHIBIT B

FORM OF
SELLER ASSIGNMENT CERTIFICATE

[Date]

Reference is made to the Receivables Purchase Agreement dated as of December 11, 1998 (as the same may be amended, supplemented, amended and restated or otherwise modified from time to time, the "Agreement") among CROMPTON & KNOWLES CORPORATION (the "Parent"), as Initial Collection Agent, certain affiliates of the Parent, as Sellers, and CROMPTON & KNOWLES RECEIVABLES CORPORATION ("Buyer"). Unless otherwise defined herein, capitalized terms used herein have the meanings provided in Appendix A to the Agreement, and this Seller Assignment Certificate shall be interpreted in accordance with the conventions set forth in Part B of such Appendix A.

The undersigned (the "Seller") hereby sells, transfers, assigns, sets over and conveys unto Buyer all right, title and interest of the Seller in, to and under:

(a) all Receivables of the Seller (other than Contributed Receivables) that existed and were owing to the Seller as at the closing of the Seller's business on the Initial Cut-Off Date,

(b) all Receivables created by the Seller (other than Contributed Receivables) that arise during the period from and including the closing of the Seller's business on the Initial Cut-Off Date to but excluding the Purchase Termination Date,

(c) all Related Security with respect to all Receivables (other than Contributed Receivables) of the Seller,

(d) the Lockboxes, the Bank Accounts, all documents, instruments and agreements relating to the Lockboxes or the Bank Accounts, and all amounts from time to time on deposit in the Lockboxes or the Bank Accounts,

(e) all Collections and other proceeds of the foregoing, including all funds received by any Person in payment of any amounts owed (including invoice prices, finance charges, interest and all other charges, if any) in respect of any Receivable described above (other than a Contributed Receivable) or Related Security with respect to any such Receivable, or otherwise applied to repay or discharge any such Receivable (including insurance payments that the Seller or the Initial Collection Agent applies in

the ordinary course of its business to amounts owed in respect of any such Receivable and net proceeds of any sale or other disposition of repossessed goods that were the subject of any such Receivable) or other collateral or property of any Obligor or any other Person directly or indirectly liable for payment of such Receivables), and

(f) all Records relating to any of the foregoing.

This Seller Assignment Certificate is made without recourse but on the terms and subject to the conditions set forth in the Transaction Documents to which the Seller is a party. The Seller acknowledges and agrees that Buyer is accepting this Seller Assignment Certificate in reliance on the representations, warranties and covenants of the Seller contained in the Transaction Documents to which the Seller is a party.

THIS SELLER ASSIGNMENT CERTIFICATE SHALL BE CONSTRUED IN ACCORDANCE WITH THE AGREEMENT AND THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

IN WITNESS WHEREOF, the undersigned has caused this Seller Assignment Certificate to be duly executed and delivered by its duly Authorized Officer as of the date first above written.

[SELLER FULL NAME]

By:
Title:

SCHEDULE 1

LITIGATION AND OTHER PROCEEDINGS

None

SCHEDULE 2

CREDIT AND COLLECTION POLICY

SCHEDULE 3

OFFICES OF THE SELLERS
WHERE RECORDS ARE MAINTAINED

The chief executive office of each Seller. In addition, the following Sellers maintain Records at the locations set forth below:

I Crompton & Knowles Colors Incorporated
Route 724
Birdsboro, PA 19508

SCHEDULE 4

LEGAL NAMES, TRADE NAMES AND NAMES
UNDER WHICH THE SELLERS DO BUSINESS

None

APPENDIX A
to
Receivables Purchase Agreement

DEFINITIONS

Part A. Defined Terms

"Administrative Agent" means ABN AMRO Bank N.V., in its capacity as agent under the Receivables Sale Agreement, and successor thereto appointed in accordance with the Receivables Sale Agreement.

"Adverse Claim" means any claim of ownership interest or any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other) or other security interest.

"Affiliate" means as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other Person, whether through the ownership of voting securities, membership interests, by contract, or otherwise.

"Agent" is defined in the Receivables Sale Agreement.

"Aggregate Unpaid Balance" is defined in Section 2.1(b) of the Receivables Purchase Agreement.

"Attorney Costs" means and includes all fees and disbursements of any law firm or other external counsel.

"Authorized Officer" means, with respect to Buyer, Initial Collection Agent, any Seller or the Administrative Agent, any of the Chief Executive Officer, the President, the Treasurer, the Chief Financial Officer, any Vice President and any Assistant Treasurer of such Person.

"Bankruptcy Code" means the Federal Bankruptcy Reform Act of 1978 (11 U.S.C. Section 101, et seq.).

"Bankruptcy Event" means, for any Person, any of the following events:

(a) a case or other proceeding shall be commenced, without the application or consent of such Person, in any court, seeking the liquidation, reorganization, debt arrangement, dissolution, winding up or composition or readjustment of debts of such Person, the appointment of a trustee, receiver, custodian, liquidator, assignee, sequestrator or the like for such Person or any substantial part of its assets, or any similar action with respect to such Person under any law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, and such case or proceeding shall continue undismissed, or unstayed and in effect, for a period of 60 days; or an order for relief in respect of such Person shall be entered in an involuntary case under the federal bankruptcy laws or other similar laws now or hereafter in effect, or

(b) such Person shall commence a voluntary case or other proceeding under any applicable bankruptcy, insolvency, reorganization, debt arrangement, dissolution or other similar law now or hereafter in effect, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestration or the like, for such Person or any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail to, or admit in writing its inability to, pay its debts generally as they become due.

"Business Day" shall have the meaning assigned to such term on the Receivables Sale Agreement.

"Buyer" is defined in the preamble to the Receivables Purchase Agreement.

"Calculation Period" means a calendar month.

"Calendar Cycle" means a financial reporting cycle utilized by the Initial Collection Agent.

"Collection" means all funds that are received by a Seller or Initial Collection Agent from or on behalf of any Obligor in payment of any amounts owed (including invoice prices, finance charges, interest and all other charges, if any) in respect of any Receivable or Related Asset, or any other funds otherwise applied to repay or discharge any Receivable (including insurance payments applied in the ordinary course of its business to amounts owed in respect of such Receivable and net proceeds of sale or other disposition of repossessed goods that were the subject of such Receivable), in each case without regard to whether such funds are immediately available or evidenced by checks or otherwise.

"Contributed Receivables" is defined in Section 1.7 of the Receivables Purchase Agreement.

"Credit and Collection Policy" means, with respect to a Seller, the credit and collection policies and practices relating to the contracts and Receivables of such Seller as set forth in Schedule 2 to the Receivables Purchase Agreement, as such credit and collection policies may be modified without violating Section 6.1(g) of the Receivables Purchase Agreement.

"Credit Memo" means a notation on the Initial Collection Agent's records reflecting an event referred to in the definition of "Dilution".

"Crompton & Knowles Credit Agreement" is defined in the Receivables Sale Agreement.

"Cut-Off Date" means the last day of any calendar month.

"Daily Report" means the report prepared by the Initial Collection Agent in accordance with the proviso set forth in Section 3.3 of the Receivable Sale Agreement and the form of which appears as Exhibit D-2 to the Receivables Sale Agreement.

"Debit Memo" means a notation on the Initial Administrative Agent's (or a Sub-Initial Administrative Agent's) records as to the remaining portion of the original Unpaid Balance of a Receivable that has not been paid at the time that a portion of the Receivable has been paid.

"Dollars" means dollars in lawful money of the United States of America.

"Eligible Receivable" shall have the meaning assigned to such term in the Receivables Sale Agreement.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, together with the regulations thereunder, in each case as in effect from time to time.

"ERISA Affiliate" means a corporation, trade or business that is, along with any Seller, a member of a controlled group of corporations or a controlled group of trades or businesses, as described in section 414 of the Internal Revenue Code, or section 4001 of ERISA.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System, or any successor thereto or to the functions thereof.

"First Issuance Date" means December 11, 1998.

"GAAP" means United States generally accepted accounting principles.

"Governmental Authority" means the United States of America, any state or other political subdivision thereof and any entity in the United States of America or any applicable foreign jurisdiction that exercises executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guaranty" means any agreement or arrangement by which any Person directly or indirectly guarantees, endorses, agrees to purchase or otherwise becomes contingently liable upon any liability of any other Person (other than by endorsements of instruments in the course of collection) or guarantees the payment of distributions upon the shares of any other Person.

"Indebtedness" of any Person means all of that Person's obligations for borrowed money, obligations evidenced by bonds, debentures, notes or other similar instruments, obligations as lessee under leases that are required by GAAP to be recorded as capitalized leases and obligations to pay the deferred purchase price of property or services.

"Indemnified Losses" means any and all liabilities, obligations, losses, damages, penalties, actions, judgments, claims, suits, costs, charges, expenses and disbursements (including reasonable Attorney Costs) of any kind or nature whatsoever (whether on account of settlement or otherwise, and whether or not the Person seeking indemnification, payment or reimbursement is a party to any action or proceeding, if applicable, that gives rise to any Indemnified Losses).

"Initial Collection Agent" means at any time the Person then authorized pursuant to the Receivables Sale Agreement to service, administer and collect Receivables and the Related Assets, which Person shall initially be the Parent.

"Initial Cut-Off Date" means the Business Day immediately preceding the First Issuance Date.

"Internal Revenue Code" means the Internal Revenue Code of 1986.

"Lockbox Accounts" means bank accounts into which Collections from Receivables are deposited.

"Lockbox Bank" means any of the banks at which one or more Lockbox Accounts are maintained.

"Material Adverse Effect" means, with respect to any Seller or Initial Collection Agent and any event or circumstance at any time, a material adverse effect on (a) the ability of Seller or Initial Collection Agent to perform its obligations under any Transaction Document or (b) the validity, enforceability or collectibility of any Receivables, Related Assets or contracts relating thereto or (c) any Transaction Document; provided, that for the purpose of determining whether any Adverse Claim or other event or circumstance results (or has a likelihood of resulting) in a Material Adverse Effect, the effect of such event or circumstance shall be considered in the aggregate with the effect of all other Adverse Claims (including Permitted Adverse Claims) or other events and circumstances occurring or existing at the time of such determination.

"Moody's" means Moody's Investors Service, Inc., or any successor

thereto.

"Noteholder" means any holder of a commercial paper note issued by the Purchaser.

"Obligations" means (a) all obligations (monetary or otherwise) of the Seller to the Buyer and its successors, permitted transferees and assigns, arising under or in connection with the Transaction Documents, and (b) all obligations (monetary or otherwise) of a Seller to Buyer and its successors, transferees and assigns, arising under or in connection with the Transaction Documents, in each case howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due.

"Obligor" means a Person obligated to make payments on a Receivable.

"Officer's Certificate" means, unless otherwise specified in the Receivables Purchase Agreement or Receivables Sale Agreement, as the case may be, a certificate signed by an Authorized Officer of the applicable Seller or the Initial Collection Agent, as the case may be, or, in the case of a Successor Initial Collection Agent, a certificate signed by the President, any Vice President, Assistant Treasurer or the financial controller (or an officer holding an office with equivalent or more senior responsibilities) of such Successor Initial Collection Agent, that, in the case of any of the foregoing, is delivered to the Agent.

"Opinion of Counsel" means a written opinion of counsel, which shall be reasonably acceptable to the addressees thereof.

"Parent Company" is defined in Section 6.2(a) of the Receivables Purchase Agreement.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Pension Plan" means a "pension plan," as such term is defined in section 3(2) of ERISA, which is subject to title IV of ERISA (other than any "multiemployer plan" as such term is defined in section 4001(a)(3) of ERISA), and to which any Seller or any ERISA Affiliate may have any liability, including any liability by reason of having been a substantial employer within the meaning of section 4063 of ERISA at any time during the preceding five years, or by reason of being deemed to be a contributing sponsor under section 4069 of ERISA.

"Periodic Report" is defined in the Receivables Sale Agreement.

"Permitted Adverse Claims" means (a) ownership or security interests arising under the Transaction Documents; and (b) liens for taxes, assessments or charges of any Governmental Authority (other than Tax or ERISA Liens) and liens of landlords, carriers, warehousemen, mechanics and materialmen imposed by law in the ordinary course of business, in each case (i) for amounts not yet due or (ii) which are being contested in good faith by appropriate

proceedings and with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with GAAP.

"Person" means an individual, partnership, limited liability company, corporation, joint stock company, trust (including a business trust), unincorporated association, joint venture, government or any agency or political subdivision thereof or any other entity.

"Process Agent" is defined in Section 10.7 of the Receivables Purchase Agreement.

"Program" means the transactions contemplated in the Transaction Documents.

"Purchase" means each purchase of Receivables and Related Assets by Buyer from a Seller under the Receivables Purchase Agreement.

"Purchasers" is defined in the Receivables Sale Agreement.

"Purchase Price" is defined in Section 2.1(b) of the Receivables Purchase Agreement.

"Purchase Price Credit" is defined in Section 3.1(d) of the Receivables Purchase Agreement.

"Purchase Termination Date" means the earlier to occur of (a) the effective date of termination specified by the Seller pursuant to Section 8.1 of the Receivables Purchase Agreement and (b) any event referred to in Section 8.2 of the Receivables Purchase Agreement.

"Purchased Assets" is defined in Section 1.1 of the Receivables Purchase Agreement.

"Purchased Receivables" is defined in Section 1.1 of the Receivables Purchase Agreement.

"Rating Agency" means each of S&P and Moody's.

"Receivable" shall have the meaning assigned to such term in the Receivables Sale Agreement.

"Receivables Purchase Agreement" means the Receivables Purchase Agreement, dated as of December 11, 1998, among Crompton & Knowles Corporation, as Initial Administrative Agent, the Seller and the Buyer, as such agreement may be amended, modified or supplemented from time to time in accordance with its terms.

"Receivables Sale Agreement" means the Receivables Sale Agreement, dated as of December 11, 1998, among Crompton & Knowles Receivables Corporation, as seller, the Agent, the liquidity providers from time to time party thereto, ABN AMRO Bank, N.V., as the enhancer and Windmill Funding Corporation.

"Records" means all contracts, purchase orders, invoices and other agreements, documents, books, records and other media for the storage of information (including tapes, disks, punch cards, computer programs and databases and related property) maintained by the Sellers or Initial Collection Agent with respect to the Purchased Assets or the related Obligors.

"Recoveries" means all Collections received by the Initial Collection Agent in respect of any Write-Off.

"Related Assets" is defined in Section 1.1 of the Receivables Purchase Agreement.

"Related Contributed Assets" is defined in Section 1.7 of the Receivables Purchase Agreement.

"Related Purchased Assets" is defined in Section 1.1 of the Receivables Purchase Agreement.

"Related Security" means, with respect to any Receivable, (a) all of the applicable Seller's right, title and interest in and to the goods, if any, relating to the sale that gave rise to the Receivable, (b) all other security interests or liens and property subject thereto from time to time purporting to secure payment of the Receivable, whether pursuant to any contract related to the Receivable or otherwise, and (c) all letters of credit, guarantees and other agreements or arrangements of whatever character from time to time supporting or securing payment of the Receivable, whether pursuant to any contract related to the Receivable or otherwise.

"Report Date" means the twentieth day of each calendar month (or, if such day is not a Business Day, the next Business Day following such day).

"S&P" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., or any successor thereto.

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

"Seller" means each Person from time to time party to the Receivables Purchase Agreement as a "Seller."

"Seller Assignment Certificate" means an assignment by a Seller, substantially in the form of Exhibit B to the Receivables Purchase Agreement.

"Seller Noncomplying Receivables Adjustments" is defined in Section 3.5(a) of the Receivables Purchase Agreement.

"Specified Assets" is defined in Section 1.1 of the Receivables Purchase Agreement.

"Subsidiary" means, with respect to any Person, any corporation of which more than 50% of the outstanding capital stock having ordinary voting power to

elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person.

"Tax or ERISA Lien" means a lien arising under Section 6321 of the Internal Revenue Code or Section 302(f) or 4068 of ERISA.

"Terminating Seller" means any Seller that shall have given written notice to the Buyer of its intention to terminate its obligation to sell to the Buyer its Receivables and Related Assets.

"Transaction Documents" shall have the meaning assigned to such term in the Receivables Sale Agreement.

"UCC" means the Uniform Commercial Code as from time to time in effect in the applicable jurisdiction or jurisdictions.

"Unpaid Balance" of any Receivable means at any time the unpaid amount thereof as shown in the books of Initial Collection Agent at such time.

"Write-Off" means any Receivable that, consistent with the applicable Credit and Collection Policy, has been written off as uncollectible.

Part B. Other Interpretative Matters. For purposes of any Transaction Document (including in this Appendix), unless otherwise specified therein: (1) accounting terms used and not specifically defined therein shall be construed in accordance with GAAP; (2) terms used in Article 9 of the New York UCC, and not specifically defined in that Transaction Document, are used therein as defined in such Article 9; (3) the term "including" means "including without limitation," and other forms of the verb "to include" have correlative meanings; (4) references to any Person include such Person's permitted successors; (5) in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding"; (6) the words "hereof", "herein" and "hereunder" and words of similar import refer to such Transaction Document as a whole and not to any particular provision of such Transaction Document; (7) the term "or" means "and/or"; (8) the meanings of defined terms are equally applicable to the singular and plural forms of such defined terms; (9) references to "Section", "Schedule", "Exhibit", "Annex" and "Appendix" in such Transaction Document are references to Sections, Schedules, Exhibits, Annexes and Appendices in or to such Transaction Document; (10) the various captions (including any table of contents) are provided solely for convenience of reference and shall not affect the meaning or interpretation of such Transaction Document; and (11) references to any statute or regulation refer to that statute or regulation as amended from time to time, and include any successor statute or regulation of similar import.

Crompton & Knowles Corporation
1998 Annual Report

(C&K logo)

Service
Technology
Performance

contents

financial highlights

(4 bar charts)

sales
in billions of dollars

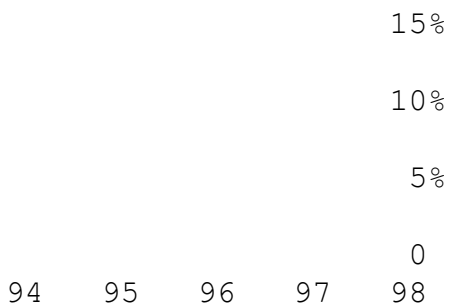
$2.0

1.0

0
94 95 96 97 98

return on average total capital
before special items

20%



return on sales
before special items

debt
in billions of dollars

in thousands of dollars, except per share amounts	1998	1997
Net sales	$ 1,796,119	$ 1,851,180
Operating profit	$ 218,298	$ 224,278
Interest expense	$ 78,520	$ 103,349
Net earnings	$ 161,755	$ 86,829
Basic earnings per share	$ 2.20	$ 1.18
Diluted earnings per share	$ 2.14	$ 1.15
Total assets	$ 1,408,893	$ 1,548,820
Long-term debt	$ 646,857	$ 896,291
Cash flow from operations	$ 169,522	$ 215,787

Operating profit and net earnings before special items (refer to page 35) are as follows:		
Adjusted operating profit	$ 259,858	$ 252,278
Adjusted net earnings	$ 117,270	$ 92,071

about the company

Crompton & Knowles is a global producer and marketer of specialty chemicals, polymers and polymer processing equipment. The company has 5,400 employees in research, manufacturing, sales, and administrative facilities around the world, and our products are sold in 120 countries.

Crompton & Knowles has secured leading positions in scores of markets by providing quality products, a high level of technical service and performance know-how that solves customer problems and adds value to customers' products.

The company's 69.4 million shares of common stock outstanding are traded on the New York Stock Exchange under the symbol CNK. Up-to-date information on the company is available at www.crompton-knowles.com.

The company has two business groups which consist of five primary reporting segments:

specialty chemicals	polymers & polymer processing equipment
performance chemicals	polymers
crop protection	polymer processing equipment
colors	

percentage of sales by business
total sales: $1.80 billion
(pie chart)
Performance Chemicals 25%
Crop Protection 19%
Colors 13%
Polymers 19%
Polymer Processing Equipment 19%
Other* 5%
*Includes specialty ingredients business sold effective the first day of fiscal 1999.

Crompton & Knowles is a member of the Chemical Manufacturers Association and a signatory of the Association's Responsible Care(r) Program. The company is committed to a continuous good faith effort to improve performance in health, safety and environmental quality.

performance chemicals

A leading worldwide producer of rubber chemicals and additives for plastics and lubricants.
key products
Rubber chemicals include antioxidants, antiozonants, accelerators, foaming agents, and miscellaneous specialty products. Additives include

antioxidants, chemical foaming agents, polymer modifiers, petroleum additives, synthetic fluids, chemical intermediates, polymerization inhibitors, curatives, and dispersants.

markets served

Rubber chemicals are sold to processors and manufacturers of rubber including tire makers and industrial makers of hoses, belts, rubber sponge, and a variety of natural and synthetic rubber products. Plastic additives are sold to manufacturers of petrochemicals and plastics processors. These customers manufacture materials used in a wide range of end use markets including automotive, aerospace, construction, electronics, packaging, flooring, and wire and cable. Lubricant additives are used in automotive and industrial oils and lubricants.

crop protection

Producer of products for use on high value crops to improve crop quality and increase yields. A leading international seed treatment company providing products to assure germination and healthy seedlings.

key products

Fungicides, miticides, insecticides, growth regulants, herbicides, and seed treatment equipment.

markets served

Both food and non-food crops with an emphasis on high value crops such as nuts, citrus, tree and vine fruits, tobacco, cotton, and ornamental plants.

colors

The largest producer of dyes in the U.S.

key products

Textile and industrial dyes and auxiliary chemicals for the dyeing process.

markets served

About one-half of sales are to the apparel market. Other textile markets include carpeting and other home and automotive furnishings. Industrial dyes markets are primarily paper, leather and ink.

polymers

The number one supplier of EPDM in North America. The number one worldwide supplier of castable urethanes. Building the world's largest dedicated nitrile rubber manufacturing facility.

key products

EPDM heat, sunlight and ozone resistant rubber, abrasion-resistant castable urethane prepolymers and oil resistant nitrile rubber.

markets served

EPDM is primarily used in automotive applications as well as in roofing, hose, and wire and cable insulation. Urethane end products include industrial and printing rollers, mining machinery and equipment, mechanical goods, solid industrial tires, and sporting goods. Nitrile rubber is used in automotive hoses, seals and o-rings and other consumer and industrial applications.

polymer processing equipment

The number one worldwide producer of plastics extrusion systems.

key products

Integrated single screw and twin screw extrusion systems with advanced

electronic controls. Industrial blow molding equipment and controls.
markets served
Makers of extruded products for the packaging, automotive, appliance, construction, medical, and power and communications cable markets.

crompton & knowles corporation

Crompton & Knowles' mission is to create value for our shareholders by providing value to our customers.
Value creation is the result of steady, sustainable, profitable growth. The entrepreneurial spirit of our people combined with the efficient allocation of capital ensures our success in all business environments.
We respond to our customers' needs, providing them with quality products and services to solve their problems and add value to their products. This customer focus places us in leadership positions in our markets.
By doing well for our customers, we will do well for our shareholders. Our businesses will generate attractive returns, and the confidence of our investors will be rewarded.

to our shareholders

Crompton & Knowles made considerable gains in 1998 to position our company for future growth and value creation. We strengthened the individual businesses by introducing new products, entering new markets and increasing production capacity. We strengthened the business portfolio by entering into joint ventures in two businesses and divesting the specialty ingredients business. We strengthened the capital structure of the company by paying down debt, refinancing high cost debt and buying back stock. We continued to grow earnings despite difficult market conditions.

Because of the entrepreneurial values and customer-first focus of the business units, we were able to respond quickly to changes in the marketplace enabling us to continue our earnings growth record. For the year, we reported a 27 percent increase in earnings before special items to $117.3 million, or $1.55 a share diluted.

We are focused on accelerating the growth of our individual businesses.

-- Our research and development expertise is being leveraged across all our business lines, and we are bringing to market our most promising products faster than ever before. We expect a number of new products to make significant market penetration in 1999. These include: a new friction modifier for lubricant additives, a new stabilizer used in polyurethane production, a new generation of EPDM polymers for the wire and cable market, new urethane prepolymers for golf balls, and a new agricultural miticide based on our unique chemistry.

-- We are expanding participation in our present markets and seeking new ones in order to increase the sales of existing products. We have an international infrastructure that we are leveraging across all our product lines. In particular, there are new markets in Europe and South America for polymer

processing equipment and the high population, agrarian countries of China, India and Brazil for crop protection chemicals.

-- We have increased production capacity for a number of high-demand products including Royalene(r) EPDM, Synton(r) PAO synthetic lubricants and Adiprene(r)/ Vibrathane(r) castable urethanes, that will support continued growth in these businesses.

-- We are evaluating a number of acquisition candidates that have the potential to add new technologies, new products and improve market access. We are evaluating options that would add production capacity for EPDM, rubber chemicals in Europe and Asia and polymer processing equipment in Europe. Also, plastics additives and crop protection chemicals represent product lines we have targeted for growth around the world. In Europe, we are adding substantial capacity for castable urethanes which is scheduled to come on line in early 2000. In 1998, we acquired Betol Machinery in England to advance our market penetration of polymer processing equipment in Europe.

(photo of Vincent A. Calarco)

/s/Vincent A. Calarco
Vincent A. Calarco
Chairman, President and
Chief Executive Officer

We completed several initiatives in 1998 that will improve the long-term strategic position of the businesses and improve returns on our invested capital.

We created a joint venture with our Gustafson seed treatment business and Bayer A.G. of Germany to further strengthen the technologies of the business. By partnering Gustafson's strong market presence with one of the world's leading developers of active ingredients for seed treatment, we made a substantial contribution to the future of this successful North American enterprise. Our crop protection business continues to expand its seed treatment presence in international markets.

We substantially improved the competitive position of our nitrile rubber business by completing an agreement for a 50/50 joint venture with DESC, S.A. de C.V. of Mexico (NYSE: DES). We combined our Paracril(r) oil-resistant nitrile rubber technology and business with DESC's process and manufacturing capability. Building a 40,000 metric ton plant in Mexico, the largest dedicated nitrile rubber plant in the world, will enable us to close a high-cost facility in Ohio.

Both Gustafson seed treatment and Paracril nitrile rubber have leading positions in their respective markets, and we believe that these new partnerships have positioned them well for growth through expansion of their products and services.

Also, in January 1999, we divested our specialty ingredients business to Chr.

Hansen Holding A/S of Denmark for $103 million in cash.

Since the Uniroyal Chemical merger, our financial strategy has been focused on debt reduction. In the past two years, we have reduced debt by $400 million, and annual interest expense has been cut by more than $36 million. Debt reduction in 1998 was $234 million, and at year-end, total debt was $664 million. In addition, we refinanced $460 million of 9 to 12 percent high cost bonds, and our average cost of debt is now approximately 8 percent.

Despite our solid earnings performance and excellent business prospects, the market for our stock, along with the entire specialty chemical industry, was weak for much of 1998. With our stock selling at a discount to its 12 month high, we initiated a 6.8 million share repurchase program early in 1999 after completing the 7.5 million share program authorized in September 1998. At the depressed market prices of 1998 and early 1999, this is an accretive investment that will benefit shareholders. While we view share repurchase as an attractive use of cash generated from one-time events, we continue to use cash flow from operations to pay down debt.

To provide us with more flexibility to pursue our strategy, we are continuing to improve our balance sheet and moving to upgrade our status with the credit rating agencies.

As shareholders you know that we focus on long-term value appreciation by running the company in the best way possible to execute our business plan and deliver on our objectives. We are continuing to make considerable progress in strengthening our financial position.

-- Our return on average capital before special items of 18.6 percent, increased from 16.5 percent last year, placing us in a leading position among specialty chemical companies.

-- Our shareholder equity turned positive in 1998 and at year-end was $67 million, a $163 million improvement over the past two years.

-- Our net earnings before special items as a percent of sales increased to 6.5 percent from 5.0 percent in 1997.

-- The combination of debt reduction and refinancing, share buyback and tax savings should contribute approximately 20 cents a share to 1999 earnings.

Looking ahead, we see a number of trends that should benefit our business in 1999. There are early indications that the Asian economies may have bottomed out, and we may see a modest increase in international economic activity that would contribute to top line growth. In addition, indications are that petrochemical prices will remain depressed and our businesses will benefit from lower raw material costs. We are hopeful that the negative weather patterns that impacted 1998 crop protection sales will not recur in 1999, and we can resume the outstanding growth record of this business.

We are confident that we will be able to meet the new challenges ahead. Our

culture, based on small business values, will enable our businesses to respond to their customers' needs with speed and flexibility.

The dedication of our employees to the job at hand has ensured the profitability of each of our businesses as we seek to expand markets, grow sales, improve productivity, and satisfy the needs of our customers.

We will continue to maintain our focus on our customers, our operations and our balance sheet in order to accelerate our growth and to build value.

Thank you for your confidence and support.

Respectfully yours,

Vincent A. Calarco
Chairman, President and
Chief Executive Officer
March 18, 1999

review of businesses

At Crompton & Knowles, we rely on entrepreneurial values that permit each of our business units to respond to customers with the speed and flexibility of a small business.

We listen closely to our customers and work hard to understand their businesses and markets as well as they do. We strive to anticipate their needs and to identify and solve their problems. This approach enables both of us to be more competitive, and our shared successes help to build long-term relationships.

Our customer relationships are built on service, technology and performance.

Service starts with our specialized sales force of trained scientists and engineers who have in-depth knowledge of our specific products, their market applications and our customers' markets. Whether we are providing a new urethane product for an entrepreneur/inventor in California or a multi-million dollar polymer extrusion system for a European auto company, our job is to add value to our customers' products.

Technology is founded on a disciplined, customer-first approach to research and development, focusing on projects with the greatest opportunity for success in the marketplace. Manufacturing, marketing and sales have input at every step in the process which keeps R&D activities closely aligned with our business objectives and our customers' needs.

Performance is based on delivering quality products that solve customers' problems and add value to their business. We are listening to our customers and working diligently to lower their costs of doing business and to

decrease the impact of their products on the environment. This effort has produced breakthrough products and innovative services as discussed in the following sections covering our businesses.

We are a global company with an effective international production and marketing infrastructure. This global presence allows us to capitalize on new markets whenever and wherever they emerge, in areas as diverse as insecticides to protect the crops of half-acre farms in China and rubber chemicals that extend the life of tires produced by giant international corporations.

In 120 countries around the world, we back our products and services with advanced technology to ensure the highest level of product performance and market acceptance for our customers' products, thus assuring our own market leadership and corporate profitability.

(photo of fire truck)
Caption:
performance
Modern high-performance engines and transmissions require lubricants that perform under a wide range of operating conditions. Synthetic lubricants such as our Synton(r) PAO and Trilene(r) liquid polymers provide stability under a wide temperature range from arctic to tropical for extended operating periods. The result is maximum performance and extended operating life in the most demanding environments.
Technological advancements in engine and machine design are continually calling for higher-performing products for both automotive and industrial lubricant applications. From our position as a world leader in amine antioxidant lubricant additives, we are increasing our R&D focus on new Naugalube(r) products including friction modifiers and anti-wear agents. The goal is to improve engine life and performance in the next generation of passenger cars while increasing fuel efficiency.

Our Performance Chemicals units, Rubber Chemicals and Specialty Additives, have a long history of anticipating market needs and responding with innovation. Technologically, we capitalize on our 100-year-old heritage in rubber chemicals with our proprietary catalysts, specialty equipment and multi-step processing.

We are a world leader in rubber chemicals with a comprehensive line of more than 100 different products used in rubber processing. Our Flexzone(r) antiozonants, Naugard(r) antioxidants and other chemicals are recognized around the world for their ability to protect rubber from ozone, oxygen, heat, and light, dramatically extending product life and lowering costs. While we provide these products to a broad range of rubber producers including makers of hose, sponge, belts, weather stripping and wire and cable, over 50 percent of sales are to tire manufacturers, with much of their sales going to the replacement tire market.

We are positioning our bonding agents and liquid polymers, as well as silicone-modified EPDM and solid polyurethanes, for accelerated growth in rubber applications over the next five years. They will be at the center of a

thrust to acquire core and synergistic products and technologies and to expand markets and introduce newly developed products.

Our experience in and dedication to the rubber industry has enabled us to develop multifunctional teams trained and equipped to help customers determine and design the most cost-effective and innovative uses for our products. For instance, we assist customers in the use of advanced microwave technology to cure rubber products for weather stripping.

We share with our customers our proprietary techniques for compounding rubber in an annual one-week, multi-lingual training session for rubber compounders from the footwear, tire, wire and cable, weather-stripping and other industries. Sharing of our technical expertise gives our products added value because it directly benefits the bottom line of our customers. That, in turn, assures brand loyalty.

technology
(photo) Bottled beverages
Caption: To protect the carbonation and freshness of billions of glass-bottled drinks, the beverage industry uses bottle cap liners made with our Celogen(r) foaming agents.

We are making strategic investments to expand our presence in key worldwide rubber chemical markets. Asia is projected to be the strongest growth area for rubber production over the next decade, and we are expanding our presence there by buying out our joint venture partners in Korea and Thailand. We are also looking at opportunities to increase our presence elsewhere in Asia and Europe.

Our specialty additives product line is one of the broadest lines in the specialty chemical industry. Makers of plastics around the world depend on us to specify the appropriate products to meet their production needs and ensure the performance of their end products.

Our Naugard(r) antioxidants may make up less than two percent of the formulation of a plastic material in products such as wire and cable, but they are critical in extending product life which opens scores of new markets and applications. Our additives enhance the performance and durability of plastics that enable automobile manufacturers to reduce the weight of vehicles and improve gas mileage.

Our polymer modifiers, Royaltuf(r) modified EPDM, used to toughen engineered thermoplastics, and Polybond(r) compatibilizers, critical to the production of advanced composite materials, are among the fastest growing segments of the specialty chemicals industry. We see growing opportunities in cutting-edge technologies such as nanocomposites, which offer the automotive industry and other plastics users products with dramatic improvements in mechanical, thermal and flame-retardant properties.

Our Naugard(r) polymerization inhibitors, which prevent the formation of polymer during the production of various monomers, are market leaders, and our

new SFR styrene monomer polymerization inhibitor has successfully completed testing with a number of major customers and is expected to achieve significant market acceptance in 1999. We are continuing to develop new grades of inhibitors, polymer modifiers and antioxidants to serve expanding international plastics markets.

photo: Foot prosthetic
Caption: Technology.
Glen Garrison of Eschen Prosthetic Labs, Hospital for Special Surgery, New York City, explains the fitting of a prosthesis to a patient following surgery. The artificial foot is made by Kingsley Manufacturing of Costa Mesa, California. It was developed from Adiprene(r)/Vibrathane(r) castable urethane To provide performance advantages of toughness and durability for extended wear and ease of molding to replicate individual foot characteristics.
Our Adiprene/Vibrathane business is built on close relationships with customers like Kingsley. We solve their problems by providing customized, high-performance products that are uniquely suited to their needs. With over three decades of experience in castable urethanes, we continue to advance our lead market position by pursuing technological advances.

For automotive and industrial lubricants makers, our Synton(r) PAO synthetic fluids can lower life-cycle costs by extending drain intervals and enhancing high-temperature performance in industrial machinery and gear-boxes. PAO-based lubricants have excellent thermal and oxidative stability in automotive uses. Last year, we completed a second plant expansion for Synton PAO, doubling capacity while improving the manufacturing process, in order to serve a growing number of customers. We expect this new capacity to be sold out in 1999, and we will continue to invest in new capacity to support the rapidly increasing demand for these high-performance products.

Responding to the demands of the transportation industry, we are working on new friction modifiers to enable engines to generate more horsepower per unit of fuel and improve mileage for larger vehicles, as well as new dispersants to keep diesel engines running more cleanly.

Our Crop Protection business focuses on improved crop quality and increased yields for farmers around the world. Our primary product and marketing focus is on high-value crops such as nuts, citrus, tobacco, cotton, tree and vine fruits, and ornamental plants. We are a world leader in products and applications to treat seeds before planting to assure germination and healthy seedlings.

Our specialized product lines include fungicides, miticides, insecticides, herbicides and growth regulants formulated for specific crops and geographic regions. We have built customer loyalty with our superior service based on formulation expertise and application advice. Our high-value market niches that reflect our knowledge of the crops and growing conditions of specific geographic areas generate higher sales margins.

Also, when we serve larger commodity markets, it is with targeted, value-added

products. Our Harvade(r) defoliant makes the harvesting of cotton, corn, canola, and sunflowers more efficient, and tobacco growers depend on our Royal MH-30 plant growth regulant to reduce field labor by preventing the growth of undesirable sucker leaves.

We are constantly expanding our already extensive product offerings in the agricultural chemical industry by acquiring new insecticide and fungicide labels and developing new products in our laboratories.

We believe our newly developed miticide, D-2341, has the potential to capture a significant share of the annual $525 million worldwide miticide market. We plan to initially market our unique chemistry in the U.S. for greenhouse use as Floramite(r) beginning in mid-1999. The product, which was granted fast-track registration status as a "reduced risk pesticide" by the Environmental Protection Agency, also is being developed in Japan for use on food crops including apples, citrus and tea.

Geographic expansion is integral to our growth program. In Brazil, the world's fourth-largest agricultural economy, consumption of agricultural chemicals is growing at double-digit rates and we are aggressively marketing products in all our major categories for crop application and seed treatment.

New product registrations have been obtained in Italy, China and Korea for tobacco plant growth regulants. We have recently obtained registration for our Pantera(r) herbicide to control grass weeds in Bolivia, Colombia, Peru, and Ecuador, and we have also introduced it into Russia, Ukraine, Belarus, Moldova, and China, paving the way for significant future sales growth.

We expect the vast agrarian economies of China and India to provide major growth for Omite(r) and Comite(r) miticides, Vitavax(r) seed treatments, growth regulants and other products. Sales have been expanding in China, where we opened an office two years ago, and in India, where we have increased the sales staff.

Photo: Greenhouse with flowers
Caption: Service.
Crop Protection product development specialist Dave Barcel, right, examines the growth characteristics of Accent impatiens with Patrick Steppuhn, production manager of Kawahara Nursery in Morgan Hill, California. We have been working closely with Kawahara in the use of Bonzi(r) plant growth regulator on flowering plants in order to produce uniform, compact and well-proportioned plants. Bonzi helped the nursery increase impatiens production five-fold to 5 million plants.
Kawahara, a 50-acre family-owned business, is one of the largest growers of high-quality bedding plants in the country and has been a key partner in helping us develop new uses for plant growth regulators.
Dave Barcel has built a strong relationship with Kawahara that is typical of our field operations. The combination of his extensive background in horticulture and the experience of Patrick Steppuhn in the nursery's "laboratory" environment has enabled us to refine our products and discover new applications.

The market for seed treatment systems promises substantial growth as genetically altered seed production increases, and seed companies and farmers seek to protect their growing seed investment from disease and pests prior to germination. With less than 30 percent of soybean and wheat seed currently being treated in North America, hybridization and genetic alteration of these crops promise to create large market opportunities for Gustafson.

For those farmers who do not want to invest in genetically altered seed, seed treatment represents an option to enhance the genetic potential of the seed and assure germination. We anticipate accelerating growth in seed treatment because of the enhanced environmental attractiveness of the localized use of chemicals at very low application rates.

Our Vitavax(r) seed treatment is one of the world's best-selling seed treatment products, and about half of our crop protection business, including the Gustafson joint venture, is related to seed treatment products and application systems. Our Gustafson joint venture with Bayer is the largest seed treatment company in North America. The partnership is a powerful combination of agricultural chemical strengths: we are a leader in formulating and delivering seed treatment products and Bayer is a leading developer of active ingredients for seed treatment.

In Australia, our Hannaford Seedmaster Services subsidiary holds a major share of the seed treatment market and is using that market position to expand its product offerings to crop application chemicals.

Our Colors business, the largest domestic producer of dyes, has been seriously affected by low-cost imported apparel and dyes from Asia. U.S. apparel imports grew substantially in 1998 and now account for more than 60 percent of the retail market. Our European market is also facing difficulty due to increasing Asian imports of fiber, textiles, apparel, and dyes.

To compensate for these dramatic changes in the company's primary dye markets, we have reduced our fixed costs and increased productivity. The lower price of chemical intermediates has somewhat mitigated lower dye selling prices. We are renewing our customer focus with an emphasis on zero defects and enhanced service. We will continue to improve our quick response time, comprehensive catalogue of quality dyes, and extensive technical support capabilities.

We have countered some of the Asian competition in the U.S. by building a solid foundation for growth in Latin America, especially Mexico and Brazil, which promises to be competitive in apparel production.

We are focusing on markets including carpeting, paper and ink, where Asian imports have not caused the dislocation that they have brought to the apparel industry. Around the world, we are growing sales in niche industrial and specialized textile areas where our product range, quality and production expertise can provide a clear benefit to the customer.

The domestic carpet industry had a good year in 1998, and by diligent and

quick response to long-term customers we were able to increase our market share. We are continuing to help these high-volume producers of nylon and wool carpeting to improve their quality and increase productivity.

During the year, we generated substantial sales of high purity dyes for film printing, and we anticipate growth as the motion picture industry responds to obvious improvements in image brightness and color quality.

Despite an extremely competitive worldwide paper business, we increased sales of direct dyes to the North American paper industry including deep-dyed specialty paper markets. Part of this success was due to customer acceptance of new marketing efforts including new packaging. The use of premeasured dyes in pulpable paper bags enhances the ease of use and minimizes waste and environmental impact by eliminating direct handling and measurement by the customer.

(photo) 2 C&K technicians at computer workstation
Caption: Technology.
C&K Colors technical personnel work with our proprietary Dyebath Monitoring System (DMS) at the company's technical center in Charlotte, North Carolina. This computerized monitoring system permits users to optimize the dyeing process through continuous sampling of the dyebath.
Measuring the color in the bath spectroscopically, the system permits a detailed understanding of the variables in the dyeing process including time, temperature, pH, and the dyes themselves. This advanced system answers our textile customers' needs to produce quality products with consistent color and minimal dye waste at reduced cost.

Our efforts in developing new dye application methods have enabled us to offer innovative reactive dye combinations for applying difficult-to-dye cotton shades. We created new combinations of products that provide customers with more consistency in their dyeing processes while delivering shorter dyeing cycles, more batches per week, lower dye usage, and less effluent.

We have strengthened our presence in Europe by better integrating our production, marketing and sales efforts. Our European development group has improved production processes for a group of our Neutrilan(tm) dyes that allows the delivery of more concentrated colors. We are showing increased growth for industrial colors to a wide range of user industries including glass fiber insulation and paper as a result of these efforts.

Photo: mechanic working on car
Caption: Performance.
A typical new car contains 20 pounds of EPDM rubber, used to make parts ranging from weather stripping to brake parts. Our Royalene(r) EPDM is used by most car manufacturers in the world. The worldwide automobile industry built 53 million cars in 1998.

Our Polymers business was led by strong sales of EPDM in 1998.

We are the largest North American supplier of EPDM which is commonly known as

"crackless rubber" because of its ability to withstand heat, sunlight and ozone without deteriorating. With three production lines devoted to Royalene(r) EPDM, we have significant production flexibility and high-volume production capability with consistent, reliable quality to meet a full range of market demands.

We produce over 30 different variations of this polymer primarily for applications in automotive parts including hoses, belts, weather stripping, brake components, and seals and gaskets, and in roofing, industrial hose and wire and cable. We are enjoying considerable success with RoyalEdge(r), a generation of EPDM introduced two years ago for the weather seal and wire and cable markets. EPDM production has been sold out for the past two years, and demand continues to be strong. Late in 1998, we completed the low-cost debottlenecking of our Geismar, Louisiana plant and we expect to see the full increase in capacity this year.

We are confident that we will maintain our leadership position and retain the loyalty of our customers with aggressive marketing efforts and new product innovations in EPDM. In addition, we expect that our profitability will continue to benefit from depressed petrochemical raw material costs and improved production efficiencies.

We are the world's largest supplier of castable urethane prepolymers. Golf balls are one of the newest product uses for Adiprene(r)/Vibrathane(r) adding to our sporting goods applications that include in-line skates and skateboard wheels. The unique abrasion resistance and durability characteristics of these products continue to open new markets. Our customer service, technical support and ability to customize products ensure our leadership position in the market.

A number of new urethane prepolymers achieved market success last year. Adiprene LFI (low-free isocyanate) prepolymers offer strong growth potential in transportation and industrial markets by providing improved processability and workplace safety for the user and higher performance in end-use applications.

Adiprene PPDI (para-phenylene diisocyanate) urethane prepolymers are responding to growing market demand for ultra-high-performance products such as wheels for "People Mover" transit systems, amusement park rides and bearing seals for steel mill rolls. We have developed a proprietary process to produce these PPDI-based polymers in more environmentally friendly forms.

Our Ribbon Flow System(r) is a moldless casting alternative to traditional hot casting and is making substantial inroads into new applications. This economic combination of rotational casting and room temperature curing provides a more cost-effective system to produce high-performance rolls for the paper and steel industries.

Photo: 2 men at Davis-Standard extruder
Caption: Service.
Florent Rocklin of Davis-Standard (left) introduces Andreas Jung of Move

Automotive to the latest technologies incorporated into the DS multi-layer reinforced rubber hose extrusion system. Move, a Mulhausen, Germany maker of automotive parts, will use the Davis-Standard system to produce extruded brake hoses for the European automotive industry.
Davis-Standard has made impressive inroads into the European market for polymer processing equipment with acquisitions in Germany, the United Kingdom and France and the introduction of sophisticated new products.
With our state-of-the-art equipment and attentive customer service and training, we help manufacturers of plastic and rubber components synchronize their production process and increase their productivity and profitability.

Our production capacity for oil-resistant Paracril(r) nitrile rubber will double in 1999 as the result of a new joint venture with DESC, a diversified Mexican chemical company. We will close a high-cost facility in Ohio and move production to a state-of-the-art facility near Tampico, Mexico. The new 40,000 metric-ton facility will be the largest dedicated nitrile rubber plant in the world and will support growth opportunities worldwide. Existing and new customers will benefit from our product innovation and our partner's manufacturing expertise. We have sold out existing production capacity for a number of years, and we expect that this new capacity will allow us to supply new automotive and industrial customers worldwide. In addition, this year we will introduce a new product line to meet the demanding needs of today's high-speed injection molding machines.

Polymer processing equipment customers rely on our Davis-Standard subsidiary for the most technically innovative, efficient and productive systems available for polymer processing. With backlog at a record $118 million at year-end, 1999 should be another good year as we continue to emphasize service, technology and performance.

Our integrated systems, which combine extruders with advanced computer-based controls and other equipment, produce plastic and rubber extruded forms for appliances, automobiles, home construction products, medical tubing, power and communication cables and a wide range of other uses. Davis-Standard is also a leading producer of industrial blow molding equipment used for making non-disposable plastic consumer products such as beverage coolers and outdoor furniture.

The business has attained a strong 15 percent compounded growth rate over the past five years through technological innovation, geographic expansion and acquisitions.

Photo: Retired Extruder
Caption: Service.
In 1998, the first Davis-Standard plastic extruder was retired after 50 years of continuous service. The Gavitt Wire and Cable Co. machine processed tons of polymers for custom wire and cable products since 1948. The Brookfield, Massachusetts customer is still operating six of our machines, two of which were built before 1950.

Our impetus for technological product innovation is the continual efficiency

and productivity improvements anticipated by our customers. By combining several state-of-the-art products, we produce sophisticated systems which allow our customers to reduce manufacturing steps and increase the return on their investment. Our twin-screw, in-line compounding machines produce process engineered plastics, which are fed into our single-screw extrusion machines to produce products. These multi-machine production processes are monitored and controlled by our proprietary data acquisition and process control system integrated into a plant-wide MIS network.

Recycled plastic lumber using wood fillers has received considerable acceptance in the construction industry recently. One of the reasons for this market success has been our ability to provide extrusion systems that can produce the product at economical rates and with consistent quality.

We have expanded into Europe through acquisitions in Germany, France and the United Kingdom, and into Asia and Latin America with aggressive marketing and sales efforts. In June of 1998, we acquired Betol Machinery of Luton, England adding to our European presence. Our business plan is to expand our U.S. position as the leading full-line supplier of extrusion equipment to worldwide markets.

For Davis-Standard, product quality, timely delivery and responsive technical service are critical. We are continuing to build sales on our ability to get our customers into production quickly so they gain a competitive edge producing quality products, using advanced technology ahead of their competition. In pursuit of the goals of zero defects and timely delivery, we have opened a 40,000-square foot testing area, adjacent to our Connecticut production plant, where we set up, wire and test complete systems prior to shipping. The benefit is dramatic reductions in the time spent on the final installation at the customer's facility.

Photo: 2 men conducting a fish survey in creek
Caption: environmental stewardship
Aquatic biologists, Rick Baldwin, left, and Ron Beirnes, conduct a juvenile fish survey in Canagagigue Creek, adjacent to the company's Elmira, Ontario, facility. They recently found 23 species of fish flourishing in a well-balanced ecosystem that 30 years ago was devoid of aquatic life.
Since 1990, our Elmira operation has reduced water use and wastewater generation by 80 percent and air emissions by more than 40 percent.
Accomplishments at this Canadian plant are typical of Crompton & Knowles' worldwide commitment to cleaner air and water, reduced water use, and the reuse and recycling of materials.
Active membership in the Chemical Manufacturers Association in the U.S. and similar industry organizations, such as the Canadian Chemical Producers Association, assures our dedication to Responsible Care(r) principles that call for "continuous progress toward the vision of no accidents, injuries or harm to the environment."
During the year, our Latina, Italy, and Kaohsiung, Taiwan, facilities were certified to the exacting requirements of ISO 14001 environmental management standards. Our goal is for all of our facilities to receive ISO 14001 certification.

We are honored to have been recognized by the Chemical Education Foundation as a finalist for its 1998 and 1999 Chemical Product Stewardship Manufacturing Award.

Financial Section

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition and Liquidity

Liquidity and Capital Resources

The December 26, 1998 working capital balance of $203.4 million decreased $148.6 million from the December 27, 1997, balance of $352 million while the current ratio decreased to 1.5 from 2.0 in 1997. The decreases were primarily a result of the Company selling $80 million of accounts receivable to an agent bank in December 1998 and higher income taxes payable relating to the Gustafson joint venture gain. Days sales in receivables averaged 54 days, unchanged from 1997. Inventory turnover averaged 3.1 in 1998 compared to 3.3 in 1997.

Net cash flow provided by operations of $169.5 million decreased $46.3 million from the very strong $215.8 million in 1997. The cash flow was primarily used, together with the proceeds from the Gustafson joint venture, additional credit agreement borrowings and proceeds from the sale of accounts receivable, to fund capital expenditures, reduce debt including the 11% Senior Subordinated Notes and the 12% Subordinated Discount Notes, repurchase approximately 7% of the Company's then outstanding common shares and pay cash dividends. The Company's debt to total capital percentage decreased to 91% from 102% in 1997. The Company's liquidity needs, including debt service, are expected to be financed from operations. The Company has available a revolving credit agreement providing for borrowings of $545 million through September 2003. Borrowings under the agreement amounted to $286.3 million at December 26, 1998, and carried a weighted average interest rate of 6.1%. Also, in December 1998, the Company entered into a five year agreement to sell up to $82 million of domestic accounts receivable to an agent bank. The program reduces financing costs versus borrowings under the revolving credit agreement and diversifies the Company's sources of financing. At December 26, 1998, $80 million of domestic accounts receivable had been sold under this agreement at a cost of approximately 5.85%.

In May 1998, the Company redeemed its outstanding 11% Senior Subordinated Notes and the 12% Subordinated Discount Notes. The payment for the redemption including premium and accrued interest amounted to $366.2 million and was funded by drawing on the Company's revolving credit agreement.

In September 1998, the Company announced a share repurchase program to buy back 7.5 million shares or approximately 10% of the common shares then outstanding. The program was completed in early 1999 and in January the Company announced another share repurchase program for 6.8 million shares, or approximately 10% of the common shares then outstanding.

In November 1998, the Company announced the formation of a joint venture with GIRSA, a subsidiary of DESC, S.A. de C.V., to produce nitrile rubber products in Mexico. The joint venture will result in the closure of the Company's existing nitrile rubber facility in Painesville, Ohio, resulting in a fourth quarter pre-tax charge of $33.6 million.

Also in November, 1998, the Company formed a joint venture with Bayer Corporation to serve the seed treatment markets in North America. The basis of the joint venture was the Company's Gustafson seed treatment business. The Company received cash proceeds of $180 million in the transaction which resulted in a fourth quarter pre-tax gain of $153.4 million.

In January 1999, the Company announced that its specialty ingredients business was sold to Chr. Hansen Holding A/S of Denmark for $103 million, resulting in a pre-tax gain in the first quarter of 1999 of approximately $44 million.

Capital expenditures of $66.6 million increased $16.4 million from $50.2 in 1997. Capital expenditures are expected to approximate $70 million in 1999, primarily for replacement needs and improvement of domestic and foreign operating facilities.

Year 2000 Issues

The Company has assessed and continues to assess its Information Technology ("IT") infrastructures including those systems that are typically viewed as non-IT systems to determine and address any potential problems that may result from Year 2000 compliance issues. As generally known, Year 2000 compliance issues pertain to the ability of computerized systems to recognize and process date sensitive information beginning January 1, 2000. The Company has performed this assessment over the last two years and has been implementing appropriate steps to be Year 2000 compliant in both its IT and non-IT systems.

Under the Company's current environment, IT systems include mission critical applications that directly support the Company's operations. These IT systems also include networked personal computers running desktop applications. Typical non-IT systems within the Company's environment include process controls and other microcontrollers containing imbedded computer chips. The Company has completed its assessment of its non-IT systems and is aggressively undertaking measures to remedy such systems. The Company expects to complete this remediation by October 1999.

The Company employs a number of major mission critical IT systems in its Specialty Chemicals and Polymers businesses. These systems are currently being upgraded to address Year 2000 compliance issues and the Company expects this

to be completed by mid-1999.

The Company's Polymer Processing Equipment business is supported by a legacy system that runs on a mid-range computer system. This system has been reworked and tested, and the Company believes that it is now Year 2000 compliant. The Company has assessed all other IT systems including non-IT systems in this business segment and has undertaken necessary steps to address any Year 2000 compliance issues. This business currently sells equipment controls containing programs and microchips. The Company believes that these products which are used in the operation of extrusion machinery are Year 2000 compliant.

The Company has operations in Europe, Asia Pacific, and Latin America supported by IT systems operating on mid-range computers. The Company is presently upgrading these IT systems to address Year 2000 compliance and expects to complete this upgrade by mid-1999.

The Company is actively looking into the overall Year 2000 readiness of its major business partners including vendors, suppliers, and service providers in order to determine that the Company's operations will not be disrupted in the event that any such third party failed to have Year 2000 compliant systems. The Company has received assurances from nearly all of the major business entities that it conducts business with that these entities will be able to conduct business beyond January 1, 2000, without any disruption. The Company continues to provide status information of its Year 2000 compliance effort to its customers and assures its customers that the Company's IT infrastructure will continue to function properly beyond January 1, 2000.

The Company has spent approximately $4.8 million to assess and correct Year 2000 compliance issues in its IT infrastructure through December 26, 1998. The Company estimates that it will spend an additional $1.6 million to complete the remediation of Year 2000 compliance issues in its IT infrastructure. The Company is committed to allocate funds to remediate any other Year 2000 compliance issues in the course of its ongoing assessment of its IT infrastructure. Year 2000 compliance costs are not expected to have a material effect on the Company's results of operations.

The Company does not expect to have any material risk exposure emanating from its internal IT infrastructure. While it is not expected to occur, failure of the Company's suppliers and key customers to address Year 2000 compliance could have a material adverse impact on the Company's operations. In particular, failure of the Company's energy and telecommunication suppliers to address Year 2000 compliance could have a material adverse impact on the Company's operations. The Company is continuing to assess its efforts to mitigate any potential risk associated with Year 2000 compliance including development of contingency plans.

New Accounting Standards

In June, 1997, the Financial Accounting Standards Board (FASB) issued Statement No. 130 "Reporting Comprehensive Income" and Statement No. 131 "Disclosure about Segments of an Enterprise and Related Information." The

Company has adopted these standards in 1998.

In February, 1998, the FASB issued Statement No. 132 "Employers' Disclosures about Pensions and Other Postretirement Benefits" and in June 1998 issued Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities." The Company has adopted Statement No. 132 in 1998 and will adopt Statement No. 133 in the first quarter of 2000.

International Operations

The lower U.S. dollar exchange rate versus the international currencies in which the Company operates accounted for a favorable adjustment of $5.4 million in the accumulated other comprehensive income account since year-end 1997. Changes in this account relating to foreign currency translation are primarily a function of fluctuations in exchange rates and do not necessarily reflect either enhancement or impairment of the net asset values or the earnings potential of the Company's foreign operations. The net asset value of foreign operations amounting to $229 million is not currently being hedged with respect to translation in U.S. dollars.

The Company operates on a worldwide basis and exchange rate disruptions between the United States and foreign currencies are not expected to have a material effect on year-to-year comparisons of the Company's results of operations. Cash deposits, borrowings and forward exchange contracts are used periodically to hedge fluctuations between the U.S. and foreign currencies if such fluctuations are earnings related. Such hedging activities are not significant in total.

Environmental Matters

The Company is involved in claims, litigation, administrative proceedings and investigations of various types in a number of jurisdictions. A number of such matters involve claims for a material amount of damages and relate to or allege environmental liabilities, including clean-up costs associated with hazardous waste disposal sites, natural resource damages, property damage and personal injury. The Company and some of its subsidiaries have been identified by federal, state or local governmental agencies, and by other potentially responsible parties (each a "PRP") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or comparable state statutes, as a PRP with respect to costs associated with waste disposal sites at various locations in the United States. In addition, the Company is involved with environmental remediation and compliance activities at some of its current and former sites in the United States and abroad.

Each quarter, the Company evaluates and reviews estimates for future remediation and other costs to determine appropriate environmental reserve amounts. For each site a determination is made of the specific measures that are believed to be required to remediate the site, the estimated total cost to carry out the remediation plan, the portion of the total remediation costs to be borne by the Company and the anticipated time frame over which payments toward the remediation plan will occur. As of December 26, 1998, the Company's

reserves for environmental remediation activities totaled $94 million. It is reasonably possible that the Company's estimates for environmental remediation liabilities may change in the future should additional sites be identified, further remediation measures be required or undertaken, the interpretation of current laws and regulations be modified or additional environmental laws and regulations be enacted.

The Company intends to assert all meritorious legal defenses and all other equitable factors which are available to it with respect to the above matters. The Company believes that the resolution of these environmental matters will not have a material adverse effect on the consolidated financial position of the Company. While the Company believes it is unlikely, the resolution of these environmental matters could have a material adverse effect on the Company's consolidated results of operations in any given year if a significant number of these matters are resolved unfavorably.

Market Risk

The Company is exposed to potential losses arising from adverse changes in foreign exchange and interest rates and, therefore, selectively uses derivative instruments to manage its exposure to such market risks. The Company does not enter into derivatives or other financial investments for trading or speculative purposes. The Company enters into foreign exchange contracts periodically to hedge currency fluctuations if such fluctuations are earnings related. Gains and losses on foreign exchange contracts are reflected in the statements of operations, and are offset by changes in the underlying value of the hedged transactions. Such hedging activities are not significant in total.

At December 26, 1998, the Company had an interest rate lock contract ("Interest Hedge") outstanding with a major financial institution for $230 million at a rate of 6.04%. The Interest Hedge expires on September 1, 2000. The settlement amount will be based on the difference between the rate of 6.04% and the 10 year Treasury rate at the expiration date. A settlement of the fair market value of the Interest Hedge as of December 26, 1998, would require a payment of approximately $17 million.

The fair market value of long-term debt is subject to interest rate risk. The Company's long-term debt amounted to $646.9 million at December 26, 1998. The fair market value of such debt was $685.9 million, and with respect to notes, has been determined based on quoted market prices.

Forward-Looking Statements

Certain statements made in this annual report are forward-looking statements that involve risks and uncertainties. These statements are based on currently available information and the Company's actual results may differ significantly from the results discussed. Investors are cautioned that there can be no assurance that the actual results will not differ materially from those suggested in such forward-looking statements.

Operating Results - 1998 compared to 1997

Overview

Consolidated net sales decreased 3% to $1.80 billion from $1.85 billion in 1997. The decrease was primarily attributable to lower volume of 2% and lower foreign currency translation of 1%. International sales, including U.S. exports, increased slightly as a percentage of total sales to 40% from 39% in 1997.

Net earnings for 1998 were $161.8 million, or $2.20 per share basic and $2.14 per share diluted, compared to earnings of $86.8 million, or $1.18 per share basic and $1.15 per share diluted, in 1997. Before after-tax special items (as detailed on page 35), net earnings were $117.3 million, or $1.59 per share basic and $1.55 per share diluted, compared with $92.1 million, or $1.25 per share basic and $1.22 per share diluted, in 1997.

Gross margins as a percentage of net sales increased to 36.2% from 35.4% in the prior year. The increase was primarily attributable to lower raw material costs, improved pricing and product mix. Consolidated operating profit of $218.3 million declined 3% from the prior year; however, excluding the impact of special items, operating profit increased 3% to $259.9 million from $252.3 million in the prior year. Operating profit for the specialty chemicals business declined 14% and for the polymers and polymer processing equipment business increased 35%.

Specialty Chemicals

Specialty chemicals sales of $1.11 billion represent a decrease of 7% from 1997. Operating profit for specialty chemicals was $150.1 million compared to $183 million in 1997. An analysis of sales and operating profit by reporting segment follows.

Performance chemicals sales of $441.8 million decreased 6% versus 1997 primarily attributable to lower volume of 3%, lower pricing of 2% and lower foreign currency translation of 1%. Rubber chemicals sales were 9% lower than 1997 primarily due to lower volume and pricing. Specialty additives sales decreased 1% primarily due to lower pricing and foreign currency translation. Performance chemicals operating profit of $50 million decreased 26% from 1997. The decrease was primarily attributable to lower volume, unfavorable manufacturing variances and an unfavorable product mix.

Crop protection sales of $348 million decreased 6% versus 1997 primarily due equally to the deconsolidation of the Gustafson seed treatment business in December 1998 and lower volume, particularly in the insecticide business. Operating profit of $78.7 million increased 2% from 1997 primarily due to lower operating costs and improved pricing and product mix.

Colors sales of $229.7 million decreased 11% versus 1997. The decrease was primarily attributable to lower volume of 9% and lower pricing and foreign currency translation of 1% each. The decrease in volume was primarily in

apparel dyes, which accounts for approximately 50% of the business. Operating profit of $13.5 million decreased from $30.1 million in 1997. Excluding the impact of special items, operating profit of $21.5 million decreased 29% versus 1997. The decrease in operating profit was primarily due to lower volume.

Other represents the specialty ingredients business which was sold effective the first day of fiscal 1999. Sales of $89.6 million decreased 11% from 1997 while operating profit of $7.9 million increased 1%.

Polymers & Polymer Processing Equipment

Polymers & polymer processing equipment sales of $687 million represent an increase of 5% from 1997. Operating profit of $123 million increased 35% from 1997. An analysis of sales and operating profit by reporting segment follows.

Polymers sales of $342.5 million were essentially unchanged from 1997 as improved pricing of 4% was offset primarily by lower volume. EPDM sales increased 6% from 1997 primarily due to improved pricing. Urethane and nitrile rubber sales were lower by 3% and 9%, respectively, due primarily to lower volume. Polymers operating profit of $77.4 million increased 40% from 1997 primarily attributable to improved pricing and lower raw material costs in the EPDM business.

Polymer processing equipment sales of $344.5 million increased 11% from 1997 primarily due to higher volume. Operating profit of $45.6 million increased 27% from 1997 primarily due to increased volume and improved product mix. The equipment order backlog totaled $118 million at the end of 1998 compared to $106 million at the end of 1997.

Other

Selling, general and administrative expenses of $264.7 million decreased 2% versus 1997, but as a percentage of sales remained essentially unchanged at 14.7%. Depreciation and amortization of $80.5 million increased 1% from 1997 primarily as a result of a higher fixed asset base. Research and development costs of $52.8 million decreased 2% from 1997, but as a percentage of sales remained constant at 2.9%.

Facility closure costs of $33.6 million represent primarily the write-off of plant and equipment, severance and other costs related to the closure of the Company's nitrile rubber facility in Painesville, Ohio.

Interest expense of $78.5 million decreased 24% from 1997 primarily due to lower levels of indebtedness and lower interest cost on borrowings used to redeem high cost debt in 1998. Other income of $158.9 million in 1998 includes a gain in the amount of $153.4 million resulting from the sale of a 50% interest in the Gustafson seed treatment business. Other income of $27.8 million in 1997 includes a gain of $28 million relating to a settlement with the U.S. Department of the Army. The effective tax rate excluding the impact of special items was 37.2% compared to 38.1% in 1997.

Operating Results - 1997 Compared to 1996

Overview

Consolidated net sales increased 3% to $1.85 billion from $1.80 billion in 1996. The increase was primarily attributable to increased volume of 5% offset by lower foreign currency translation of 1% and lower pricing of 1%. International sales, including U.S. exports, decreased slightly as a percentage of total sales to 39% from 40% in 1996.

Net earnings before extraordinary losses on early extinguishment of debt increased 43% to $92.1 million, or $1.25 per share basic and $1.22 per share diluted, compared with $64.6 million, or $.90 per share basic and diluted, in 1996 before after-tax merger and special environmental costs. Net earnings were $86.8 million, or $1.18 per share basic and $1.15 per share diluted, compared to a net loss of $22.5 million, or $.31 per share basic and diluted, in the prior year.

Gross margins as a percentage of net sales increased slightly to 35.4% from 35.1% in the prior year. Consolidated operating profit, before special charges of $28 million in 1997 and $115 million in 1996, increased 15% to $252.3 million from $218.6 million in the prior year. Both segments contributed to the increase in operating profit as specialty chemicals rose 8% and polymers & polymer processing equipment increased 30%.

Specialty Chemicals

Specialty chemicals sales of $1.20 billion decreased 1% from 1996. Operating profit for specialty chemicals of $183 million increased 8% from 1996. An analysis of sales and operating profit by reporting segment follows.

Performance chemicals sales of $469.4 million decreased 2% versus 1996 primarily due to lower foreign currency translation of 2% and lower pricing of 4%, offset in part by higher volume of 4%. Rubber chemical sales were 5% lower than the prior year primarily due to lower pricing. Specialty additives sales increased 4% versus 1996 primarily attributable to higher volume. Performance chemicals operating profit of $67.7 million increased 3% from 1996 primarily as a result of lower operating costs and improved product mix.

Crop protection sales of $370.1 million increased 5% from 1996 primarily due to higher volume particularly in the herbicides, insecticide and fungicide businesses. Operating profit of $77.4 million increased 15% from 1996 primarily as a result of higher volume and improved pricing and product mix.

Colors sales of $257.6 million decreased 5% versus 1996. The decrease was primarily attributable to lower foreign currency translation of 3% and lower pricing of 2%. Colors operating profit of $30.1 million decreased 2% from 1996, primarily due to lower pricing.

Other represents the specialty ingredients business which was sold effective

the first day of fiscal 1999. Sales of $100.2 million decreased 4% from 1996, while operating profit of $7.8 million increased 30%.

Polymers & Polymer Processing Equipment

Polymers & polymer processing equipment sales of $653.8 million represent an increase of 9% from 1996. Operating profit of $91.4 million increased 30% compared to 1996. An analysis of sales and operating profit by reporting segment follows.

Polymers sales of $342.1 million increased 9% from 1996 primarily due to higher volume in the EPDM, urethane and nitrile rubber businesses. Polymers operating profit of $55.5 million increased 19% from 1996 primarily attributable to volume growth and improved product mix.

Polymers processing equipment sales of $311.7 million increased 9% from 1996. The increase was due primarily to increased volume of 12% offset primarily by lower foreign currency translation of 3%. Operating profit of $35.9 million increased 54% from 1996 primarily as a result of volume growth, cost reductions and improved product mix. The equipment order backlog totaled $106 million at the end of 1997 compared to $92 million at the end of 1996.

Other

Selling, general and administrative expenses of $269.4 million decreased 4% versus 1996 primarily due to planned cost reductions and lower foreign currency translation. Depreciation and amortization of $79.9 million decreased 3% from 1996 as a result of certain assets becoming fully depreciated and amortized. Research and development costs of $53.6 million increased 2% from 1996, but as a percentage of sales remained constant at 2.9%.

Severance and other costs of $13 million includes severance costs relating to planned workforce reductions and other costs relating primarily to certain product liability claims and costs associated with the implementation of SAP software. The special environmental charge of $15 million reflects the Company's current estimate of additional requirements for future remediation costs.

Interest expense of $103.3 million decreased 10% from 1996 primarily due to lower levels of indebtedness. Other income of $27.8 million includes a gain in the amount of $28 million relating to a settlement with the U.S. Department of the Army. The effective tax rate of 38.1% compares to 38.9% in the prior year after adjusting for the after-tax impact of merger and special environmental costs in 1996.

Consolidated Statements of Operations

Fiscal years ended 1998, 1997 and 1996

(In thousands of dollars, except per share data)	1998	1997	1996
Net Sales	$1,796,119	$1,851,180	$1,803,969
Costs and Expenses			
Cost of products sold	1,146,200	1,196,030	1,170,586
Selling, general and administrative	264,710	269,405	279,812
Depreciation and amortization	80,536	79,856	82,597
Research and development	52,775	53,611	52,359
Facility closure costs	33,600	-	-
Severance and other costs	-	13,000	-
Special environmental charge	-	15,000	30,000
Merger and related costs	-	-	85,000
Operating Profit	218,298	224,278	103,615
Interest expense	78,520	103,349	114,244
Other income	(158,938)	(27,817)	(1,285)
Earnings			
Earnings (loss) before income taxes and extraordinary loss	298,716	148,746	(9,344)
Income taxes	115,493	56,675	12,710
Earnings (loss) before extraordinary loss	183,223	92,071	(22,054)
Extraordinary loss on early extinguishment of debt	(21,468)	(5,242)	(441)
Net earnings (loss)	$ 161,755	$ 86,829	$ (22,495)
Basic Earnings (Loss) Per Common Share			
Earnings (loss) before extraordinary loss	$ 2.48	$ 1.25	$ (.31)
Extraordinary loss	(.28)	(.07)	-
Net earnings (loss)	$ 2.20	$ 1.18	$ (.31)
Diluted Earnings (Loss) Per Common Share			
Earnings (loss) before extraordinary loss	$ 2.42	$ 1.22	$ (.31)
Extraordinary loss	(.28)	(.07)	-
Net earnings (loss)	$ 2.14	$ 1.15	$ (.31)

See accompanying notes to consolidated financial statements . Crompton & Knowles Corporation and Subsidiaries

Consolidated Balance Sheets

Fiscal years ended 1998 and 1997

(In thousands of dollars, except per share data)	1998	1997
Assets		
Current Assets		

Cash	$ 12,104	$ 10,607
Accounts receivable	173,668	262,412
Inventories	334,562	356,716
Other current assets	77,422	85,314
Total current assets	597,756	715,049
Non-Current Assets		
Property, plant and equipment	473,403	474,892
Cost in excess of acquired net assets	166,184	181,025
Other assets	171,550	177,854
	$1,408,893	$1,548,820
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities		
Notes payable	$ 17,305	$ 1,770
Accounts payable	117,338	145,405
Accrued expenses	139,401	149,910
Income taxes payable	103,179	38,909
Other current liabilities	17,149	27,094
Total current liabilities	394,372	363,088
Non-Current Liabilities		
Long-term debt	646,857	896,291
Postretirement health care liabiliy	142,727	149,344
Other liabilities	158,234	160,187
Stockholders' Equity (Deficit)		
Common stock, $.10 par value - issued 77,332,751 shares	7,733	7,733
Additional paid-in capital	238,615	232,213
Accumulated deficit	(15,985)	(174,019)
Accumulated other comprehensive income	(37,571)	(44,805)
Treasury stock at cost	(125,246)	(40,228)
Deferred compensation	(843)	(984)
Total stockholders' equity (deficit)	66,703	(20,090)
	$1,408,893	$1,548,820

See accompanying notes to consolidated financial statements . Crompton & Knowles Corporation and Subsidiaries

Consolidated Statements of Cash Flows

Fiscal years ended 1998, 1997 and 1996

Increase (decrease) to cash (in thousands of dollars)

	1998	1997	1996
Cash Flows from Operating Activities			
Net earnings (loss)	$ 161,755	$ 86,829	$ (22,495)
Adjustments to reconcile net earnings (loss) to net cash provided by operations:			
Gustafson joint venture gain	(153,429)	-	-
Facility closure costs	33,600	-	-
Extraordinary loss on early debt extinguishment	21,468	5,242	441
Depreciation and amortization	80,536	79,856	82,597
Noncash interest	4,819	14,289	16,082
Deferred taxes	(5,366)	18,184	(16,383)
Changes in assets and liabilities:			
Accounts receivable	497	(2,997)	(9,675)
Inventories	7,314	(3,960)	(7,033)
Other current assets	(11,508)	5,688	(614)
Other assets	3,358	2,165	(169)
Accounts payable and accrued expenses	(32,188)	8,573	22,548
Income taxes payable	79,568	13,055	3,249
Other current liabilities	(10,562)	7,244	2,066
Postretirement health care liability	(3,727)	(32,460)	(2,653)
Other liabilities	(7,161)	12,306	27,106
Other	548	1,773	286
Net cash provided by operations	169,522	215,787	95,353
Cash Flows from Investing Activities			
Proceeds from Gustafson joint venture	180,000	-	-
Capital expenditures	(66,628)	(50,176)	(39,204)
Acquisitions	(5,927)	-	(15,713)
Other investing activities	(3,790)	5,569	2,689
Net cash provided (used) by investing activities	103,655	(44,607)	(52,228)
Cash Flows from Financing Activities			
Payments on long-term notes	(460,034)	(76,860)	(19,417)
Proceeds (payments) on credit agreement borrowings	199,894	(91,529)	75,740
Proceeds (payments) on short-term borrowings	15,535	(5,903)	(100,434)
Proceeds from sale of accounts receivable	80,000	-	-
Premium paid on early extinguishment of debt	(22,984)	(7,065)	(338)
Treasury stock acquired	(94,974)	-	-
Dividends paid	(3,721)	(3,671)	(12,967)
Proceeds from sale of common stock	-	-	14,150
Other financing activities	14,425	4,240	4,873
Net cash used by financing activities	(271,859)	(180,788)	(38,393)

Cash

Effect of exchange rates on cash	179	(905)	(573)
Change in cash	1,497	(10,513)	4,159
Cash adjustment to conform fiscal year of Uniroyal	-	-	(13,476)
Cash at beginning of period	10,607	21,120	30,437
Cash at end of period	$ 12,104	$ 10,607	$ 21,120

See accompanying notes to consolidated financial statements . Crompton & Knowles Corporation and Subsidiaries

Consolidated Statements of Stockholders' Equity (Deficit)

Fiscal years ended 1998, 1997 and 1996

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Deferred Compensation	Total
(In thousands of dollars, except per share data)							
Balance, December 30, 1995	$7,676	$227,433	$(213,347)	$(15,785)	$(62,972)	$(2,190)	$(59,185)
Comprehensive income:							
Net loss			(22,495)				(22,495)
Equity adjustment for translation of foreign currencies				(13,424)			(13,424)
Equity adjustment for pension liability (tax of $57)				(96)			(96)
Total comprehensive income							(36,015)
Adjustment to conform fiscal year of Uniroyal				(8,368)			(8,368)
Cash dividends ($.27 per share)				(12,967)			(12,967)
Stock options, warrants and other issuances (535,892 shares)	48	5,062			254		5,364
Sale of 1,000,000 common shares		(485)			14,635		14,150
Amortization of deferred compensation						603	603
Balance, December 28, 1996	7,724	232,010	(257,177)	(29,305)	(48,083)	(1,587)	(96,418)
Comprehensive income:							
Net earnings			86,829				86,829
Equity adjustment for							

translation of foreign currencies			(16,453)			(16,453)
Equity adjustment for pension liability (tax of ($566))			953			953
Total comprehensive income						71,329
Cash dividends ($.05 per share)			(3,671)			(3,671)
Stock options, warrants and other issuances (668,552 shares)	9	203		7,855		8,067
Amortization of deferred compensation					603	603
Balance, December 27, 1997	7,733	232,213	(174,019)	(44,805)	(40,228)	(984)	(20,090)
Comprehensive income:						
Net earnings		161,755				161,755
Equity adjustment for translation of foreign currencies				5,427		5,427
Equity adjustment for pension liability (tax of ($1,073))				1,807		1,807
Total comprehensive income						168,989
Cash dividends ($.05 per share)			(3,721)			(3,721)
Stock options, warrants and other issuances (1,130,258 shares)		6,402		9,956		16,358
Treasury stock acquired (5,368,600 shares)				(94,974)		(94,974)
Amortization of deferred compensation				141		141
Balance, December 26, 1998	$7,733	$238,615	$(15,985)	$(37,571)	$(125,246)	$ (843)	$ 66,703

See accompanying notes to consolidated financial statements . Crompton & Knowles Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Accounting Policies

Business Combination

On August 21, 1996, the Company merged (the "Merger") with Uniroyal Chemical Corporation ("UCC") in a common stock transaction that was accounted for on a pooling-of-interests basis with UCC becoming a wholly-owned subsidiary of the Company. In December 1998, UCC was merged into its wholly-owned subsidiary, Uniroyal Chemical Company, Inc. ("Uniroyal") with Uniroyal being the surviving corporation. All information has been restated to reflect the combined operations of both companies. The consolidated financial statements reflect results for the twelve month periods ended December 26, 1998, December 27, 1997 and December 28, 1996, respectively.

In connection with the merger with Uniroyal, the Company incurred $85 million of merger and related costs. The components of these costs comprise

principally severance and other personnel costs of $37.6 million, investment banking fees of $12.5 million, legal fees of $9.7 million, debt related fees of $8.3 million, facility consolidation costs of $6.4 million and other costs of $10.5 million. As of December 26, 1998 these accruals were fully realized.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of all majority-owned subsidiaries. Other affiliates in which the Company has a 20% to 50% ownership are accounted for in accordance with the equity method. All significant intercompany balances and transactions have been eliminated in consolidation. The Company's fiscal year ends on the last Saturday in December.

The consolidated financial statements have been prepared in conformity with generally accepted accounting principles which requires the Company to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Inventory Valuation

Inventories are valued at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) basis.

Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation. Depreciation expense ($59.4 million in 1998, $58.7 million in 1997 and $59.2 million in 1996) is computed generally on the straight-line method using the following ranges of asset lives: buildings and improvements: 10 to 40 years, machinery and equipment: 3 to 25 years, and furniture and fixtures: 3 to 10 years.

Renewals and improvements which extend the useful lives of the assets are capitalized. Capitalized leased assets and leasehold improvements are depreciated over their useful lives or the remaining lease term, whichever is shorter. Expenditures for maintenance and repairs are charged to expense as incurred.

Long-Lived Assets

The Company evaluates the recoverability of the carrying value of long-lived assets of each of its businesses by assessing whether the projected cash flows of each of its businesses is sufficient to recover the existing unamortized cost of these assets. On this basis, if the Company determines that any assets have been permanently impaired, the amount of the impaired assets is written-off against earnings in the quarter in which the impairment is determined.

Intangible Assets

The excess cost over the fair value of net assets of businesses acquired is being amortized on a straight-line basis over 20 to 40 years. Accumulated amortization was $44.6 million and $42.2 million in 1998 and 1997, respectively.

Patents, unpatented technology, trademarks and other intangibles of $59 million in 1998 and $79.1 million in 1997, included in other assets, are being amortized principally on a straight-line basis over their estimated useful lives ranging from 6 to 20 years. Accumulated amortization was $120.9 million and $123.3 million in 1998 and 1997, respectively.

Financial Instruments

Financial instruments are presented in the accompanying consolidated financial statements at either cost or fair value as required by generally accepted accounting principles.

Translation of Foreign Currencies

Balance sheet accounts denominated in foreign currencies are translated generally at the current rate of exchange as of the balance sheet date, while revenues and expenses are translated at average rates of exchange during the periods presented. The cumulative foreign currency adjustments resulting from such translation are included in the accumulated other comprehensive income account in the stockholders' equity (deficit) section of the consolidated balance sheets. For foreign subsidiaries operating in highly inflationary economies, monetary balance sheet accounts and related revenue and expenses are translated at current rates of exchange while non-monetary balance sheet accounts and related revenues and expenses are translated at historical exchange rates. The resulting translation gains and losses related to those countries are reflected in operations and are not significant in any of the years presented.

Research and Development

Research and development costs are expensed as incurred.

Income Taxes

A provision has not been made for U.S. income taxes which would be payable if undistributed earnings of foreign subsidiaries of approximately $230 million at December 26, 1998, were distributed to the Company in the form of dividends, since certain foreign countries limit the extent of repatriation of earnings, while for others, the Company's intention is to permanently reinvest such foreign earnings. The determination of the amount of the unrecognized deferred tax liability related to undistributed earnings is not practicable.

Earnings Per Common Share

Effective in 1997, the Company adopted FASB Statement No. 128 "Earnings per

Share." Further information is provided in the footnote on earnings per common share.

Comprehensive Income

Effective in the first quarter of 1998, the Company adopted FASB Statement No. 130 "Reporting Comprehensive Income." The Statement establishes standards for reporting "Comprehensive Income" and its components in the consolidated financial statements. The adoption of this statement had no impact on the Company's net earnings (loss) or stockholders' equity (deficit). Statement No. 130 requires unrealized foreign currency translation adjustments and the minimum pension liability adjustment, which prior to adoption were reported separately in stockholders' equity (deficit), to be included in "Accumulated Other Comprehensive Income." The balance of accumulated other comprehensive income includes accumulated translation adjustments and minimum pension liability in the amounts of $36,618 and $953 and $42,045 and $2,760 at December 26, 1998 and December 27, 1997, respectively.

Stock-Based Compensation

Effective in 1996, the Company adopted FASB Statement No. 123 "Accounting and Disclosure of Stock-Based Compensation." As permitted, the Company elected to continue to follow the provisions of Accounting Principles Board No. 25 "Accounting for Stock Issued to Employees" and related interpretations in accounting for stock-based compensation plans. Further information is provided in the footnote on Stock Incentive Plans.

Statements of Cash Flows

Cash includes bank term deposits of three months or less. Cash payments during the fiscal years ended 1998, 1997 and 1996 included interest payments of $79.5 million, $90.8 million and $100.1 million and income tax payments of $33.5 million, $28.3 million and $28.7 million, respectively.

Other Disclosures

Included in accounts receivable are allowances for doubtful accounts in the amount of $9.8 million in 1998 and $8.7 million in 1997. Included in other current liabilities are customer deposits in the amount of $15.7 million in 1998 and $25.1 million in 1997. Included in other liabilities are environmental liabilities in the amount of $75.6 million in 1998 and $84.7 million in 1997.

In 1997, the Company incurred a $13 million charge related to severance ($6.9 million) and other non-recurring costs ($6.1 million). As of December 26, 1998, the balance to be realized in 1999 was not significant.

Joint Ventures, Acquisitions and Divestitures

In November 1998, the Company and Bayer Corporation formed a joint venture to

serve the agricultural seed treatment markets in North America. The basis of the joint venture is the Company's Gustafson seed treatment business. The Company received cash proceeds of $180 million in the transaction which resulted in a fourth quarter pre-tax gain of $153.4 million. Also, in November 1998, the Company announced the formation of a joint venture with GIRSA, a subsidiary of DESC, S.A. de C.V. to produce nitrile rubber products in Mexico. The joint venture will result in the closure of the Company's existing nitrile rubber facility in Painesville, Ohio. In connection with the facility closure, the Company incurred a charge of $33.6 million summarized as follows:

(In thousands)	Charge	Realized	Balance
Write-off of long lived assets	$13,811	$13,811	$ -
Facility closure and maintenance costs	12,239	-	12,239
Severance and other costs	7,550	778	6,772
	$33,600	$14,589	$19,011

During 1998, the Company acquired the extrusion business of Betol Machinery for $5.9 million. During 1996, the Company acquired the extrusion business of Klockner ER-WE-PA GmbH and the Hartig line of industrial blow molding systems at an aggregate cost of $15.7 million. The acquisitions have been accounted for using the purchase method and, accordingly, the acquired assets and liabilities have been recorded at their fair values at the dates of acquisition. The excess cost of purchase price over fair value of net assets acquired, in the amount of $13.6 million, is being amortized from 20 to 40 years. The operating results of each acquisition are included in the consolidated statement of operations from the dates of acquisition.

In January, 1999, the Company sold its specialty ingredients business to Chr. Hansen Holding A/S of Denmark for $103 million. The pre-tax gain of approximately $44 million will be recorded in the first quarter of 1999.

Accounts Receivable Program

In December 1998, the Company entered into a five year agreement to sell up to $82 million of domestic accounts receivable to an agent bank. The program reduces financing costs versus borrowings under the revolving credit agreement and diversifies the Company's sources of financing. At December 26, 1998, $80 million of domestic accounts receivable had been sold under this agreement at a cost of approximately 5.85%.

Inventories

(In thousands)	1998	1997
Finished goods	$226,663	$226,730
Work in process	45,237	47,029
Raw materials and supplies	62,662	82,957
	$334,562	$356,716

Property, Plant and Equipment

(In thousands)	1998	1997

Land and improvements	$ 30,380	$ 29,295
Buildings and improvements	155,578	159,734
Machinery and equipment	634,136	637,538
Furniture and fixtures	37,989	28,051
Construction in progress	50,000	36,892
	908,083	891,510
Less accumulated depreciation	434,680	416,618
	$473,403	$474,892

Leases

The future minimum rental payments under operating leases having initial or remaining non-cancelable lease terms in excess of one year (as of December 26, 1998) total $100 million as follows: $11.3 million in 1999, $10.2 million in 2000, $8.6 million in 2001, $7.8 million in 2002, $6.4 million in 2003, and $55.7 million in later years. Total rental expense for all operating leases was $15.8 million in 1998, $16.8 million in 1997 and $16.6 million in 1996.

Real estate taxes, insurance and maintenance expenses generally are obligations of the Company and, accordingly, are not included as part of rental payments. It is expected that, in the normal course of business, leases that expire will be renewed or replaced by leases on other properties.

Long-term Debt

(In thousands)	1998	1997
9% Senior Notes Due 2000	$182,261	$226,623
10.5% Senior Notes Due 2002	173,128	235,998
11% Senior Subordinated Notes	-	228,675
12% Subordinated Discount Notes	-	113,586
Credit Agreement	286,280	88,328
Other	5,188	3,081
	$646,857	$896,291

9% Senior Notes

The 9% Senior Notes Due September 2000 are an obligation of Uniroyal and are unsecured. Interest is payable semi-annually. The 9% Senior Notes are not redeemable prior to maturity, except upon a change in control (as defined in the related indenture) whereupon an offer shall be made to purchase the 9% Senior Notes then outstanding at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest.

10.5% Senior Notes

The 10.5% Senior Notes Due February 2002 are an obligation of Uniroyal and are unsecured. Interest is payable semi-annually. The 10.5% Senior Notes require that upon a change in control (as defined in the related indentures), an offer shall be made to purchase all of the notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest.

Debt Redemptions and Repurchases

During 1998, the Company redeemed the outstanding 11% Senior Subordinated Notes at a price of 105.5% of the principal amount thereof and the 12% Subordinated Discount Notes at a price of 100% of the principal amount thereof. In addition, the Company repurchased in the open market $44.4 million of 9% Senior Notes and $62.8 million of 10.5% Senior Notes. As a result of the redemptions and repurchases, the Company recognized an extraordinary loss of $21.5 million, net of tax benefit of $13.1 million.

During 1997, the Company repurchased in the open market $24 million of 9% Senior Notes, $47.1 million of 10.5% Senior Notes, $3.5 million of 11% Senior Subordinated Notes, and $2.5 million of 12% Subordinated Discount Notes. As a result of the repurchases, the Company recognized an extraordinary loss of $5.3 million, net of tax benefit of $3.5 million.

During 1996, the Company repurchased $17.2 million of 9% Senior Notes in the open market and redeemed $2.2 million in connection with the Merger. As a result of the repurchase, the Company recognized an extraordinary loss of $441 thousand, net of tax benefit of $293 thousand.

Credit Agreement

In 1998, the Company amended its revolving credit agreement with a syndicate of banks. The termination date was extended to September 2003 from August 2001. Borrowings under the credit agreement are divided into three tranches and were amended as follows: Tranche I provides a maximum of $329 million available to the Company for working capital and general corporate purposes. Tranche II provides a maximum of $66 million available to Uniroyal for working capital and general corporate purposes. Tranche III provides up to $150 million of borrowings by the European and Canadian subsidiaries of the Company. Borrowings may be denominated in U.S. dollars or the subsidiary's local currency. As a result of the Accounts Receivable Program, the Company was required to permanently reduce its available borrowings under the credit agreement from $600 million to $545 million.

The credit agreement calls for interest based upon various options including a spread (currently .5%) over LIBOR that varies according to certain debt ratios for the trailing four fiscal quarters. In addition, the Company must pay a commitment fee (currently .15%) on the total unused portion of the credit agreement based upon certain debt ratios for the trailing four fiscal quarters. At December 26, 1998, borrowings under the credit agreement of $286.3 million bore a weighted average interest rate of 6.1%.

Debt Covenants

The Company's various debt agreements contain covenants which limit the ability to incur additional debt, transfer funds between affiliated companies, pay cash dividends or make certain other payments. In addition, the credit agreement requires the Company to maintain certain financial ratios.

Maturities

In 1998, the scheduled maturities of long-term debt during the next five fiscal years are: 1999 - none; 2000 - $185.6 million; 2001 - $0.5 million; 2002 - $173.6 million; and 2003 - $287.1 million.

Financial Instruments

At December 26, 1998, the Company had an interest rate lock contract ("Interest Hedge") outstanding with a major financial institution for $230 million at a rate of 6.04%. The Interest Hedge expires on September 1, 2000. The settlement amount will be based on the difference between the rate of 6.04% and the 10 year U.S. Treasury rate at the expiration date. A settlement of the fair market value of the Interest Hedge as of December 26, 1998 would require payment of approximately $17 million.

The carrying amounts for cash, accounts receivable, notes payable, accounts payable and other current liabilities approximate their fair value because of the short maturities of these instruments. The fair market values of long-term debt were $685.9 million and $972.2 million in 1998 and 1997, respectively, and with respect to the notes have been determined based on quoted market prices.

Income Taxes

The components of earnings (loss) before income taxes and extraordinary loss, and the provision for income taxes are as follows:

(In thousands)	1998	1997	1996
Pretax Earnings (Loss):			
Domestic	$207,595	$104,886	$(32,875)
Foreign	91,121	43,860	23,531
	298,716	148,746	(9,344)
Income Taxes:			
Domestic			
Current	95,386	22,506	15,576
Deferred	(7,381)	16,989	(9,566)
	88,005	39,495	6,010
Foreign			
Current	25,473	15,985	13,517
Deferred	2,015	1,195	(6,817)
	27,488	17,180	6,700
Total			
Current	120,859	38,491	29,093
Deferred	(5,366)	18,184	(16,383)
	$ 115,493	$ 56,675	$ 12,710

The provision (benefit) for income taxes differs from the Federal statutory rate for the following reasons:

(In thousands)	1998	1997	1996
Provision (benefit) at statutory rate	$104,551	$52,061	$(3,270)
Nondeductible merger and related costs	-	-	14,709
Impact of valuation allowance	3,598	(3,616)	(2,904)
Foreign dividends impact	-	524	3,744
Goodwill amortization	4,395	1,619	2,214
Foreign income tax rate differential	(5,686)	674	(2,168)
State income taxes, net of federal benefit	7,629	5,141	(601)
Other, net	1,006	272	986
Actual provision for income taxes	$115,493	$56,675	$12,710

Provisions have been made for deferred taxes based on differences between financial statement and tax bases of assets and liabilities using currently enacted tax rates and regulations. The components of the net deferred tax assets and liabilities are as follows

(In thousands)	1998	1997
Deferred tax assets:		
Pension and other postretirement	$ 81,398	$ 78,348
Accruals for environmental remediation	28,992	31,886
Other accruals	45,860	41,722
NOL carryforwards	15,774	22,363
Inventories and other	17,147	12,487
Deferred tax liabilities:		
Property, plant and equipment	(65,771)	(71,557)
Intangibles	(5,862)	(10,055)
Other	(5,769)	(2,389)
Net deferred tax asset before valuation allowance	111,769	$102,805
Valuation allowance	(16,064)	(12,466)
Net deferred tax asset after valuation allowance	$ 95,705	$ 90,339

Net deferred taxes (in thousands) include $46,905 and $47,967 in current assets and $48,800 and $42,372 in long-term assets in 1998 and 1997, respectively.

As of December 26, 1998, the Company's foreign subsidiaries had aggregate NOL carryforwards of $34 million which can be used to reduce future taxable income in those countries. During 1998, the Company utilized its remaining $35 million of domestic NOL carryforwards.

Earnings Per Common Share

Effective in 1997, the Company adopted FASB Statement No. 128 "Earnings per Share". The computation of basic earnings (loss) per common share is based on the weighted average number of common shares outstanding. Diluted earnings per

share is based on the weighted average number of common and common equivalent shares outstanding. The computation of diluted loss per share for fiscal year 1996 follows the basic calculation since common stock equivalents were antidilutive.

(In thousands, except per share amounts)	1998	1997	1996
Earnings (loss) before extraordinary loss	$183,223	$ 92,071	$(22,054)
Net earnings (loss)	$161,755	$ 86,829	$(22,495)
Basic			
Weighted average shares outstanding	73,696	73,373	72,026
Earnings (loss) before extraordinary loss	$ 2.48	$ 1.25	$ (.31)
Net earnings (loss)	$ 2.20	$ 1.18	$ (.31)
Diluted			
Weighted average shares outstanding	73,696	73,373	72,026
Stock options, warrants and other equivalents	2,004	1,985	-
Weighted average shares adjusted for dilution	75,700	75,358	72,026
Earnings (loss) before extraordinary loss	$ 2.42	$ 1.22	$ (.31)
Net earnings (loss)	$ 2.14	$ 1.15	$ (.31)

Capital Stock

The Company is authorized to issue 250,000,000 shares of common stock at a par value of $.10. There were 77,332,751 shares issued in 1998 and 1997, of which 7,962,736 and 3,724,394 shares were held in the treasury in 1998 and 1997, respectively.

In September 1998, the Board of Directors authorized a plan to repurchase 7.5 million shares of the Company's then outstanding common stock. As of December 26, 1998, the Company repurchased 5.4 million shares at a cost of $95 million. In January 1999, the Board of Directors authorized an additional repurchase of 6.8 million shares.

The Company is authorized to issue 250,000 shares of preferred stock without par value, none of which are outstanding. Preferred share purchase rights ("Rights") outstanding with respect to each share of the Company's common stock entitle the holder to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock at an exercise price of $800. The Rights cannot become exercisable until ten days following a public announcement that a person or group has acquired 20% or more of the common shares of the Company or intends to make a tender or exchange offer which would result in their ownership of 20% or more of the Company's common shares. The Rights also entitle the holder under certain circumstances to receive shares in another company which acquires the Company or merges with it.

Warrants

In connection with the Merger, the Company assumed warrants that had been issued by Uniroyal to purchase up to 107,195 converted shares at an adjusted exercise price of $1.04 per share. In 1998, the remaining 107,195 warrants were exercised.

Stock Incentive Plans

The 1988 Long-Term Incentive Plan ("1988 Plan") authorized the Board to grant stock options, stock appreciation rights, restricted stock and long-term performance awards to the officers and other key employees of the Company over a period of ten years through October 1998. Non-qualified and incentive stock options were granted under the 1988 plan at prices not less than 100% of the market value on the date of the grant. All outstanding options will expire not more than ten years and one month from the date of grant. In conjunction with shareholder approval of the Merger, the number of common shares covered under the 1988 Plan was increased from 4 million to 10 million shares. The Company will be seeking shareholder approval for an additional 3,000,000 shares under a new Long-Term Incentive Plan similar to the 1988 Plan at the annual meeting of shareholders on April 27, 1999.

The 1993 Stock Option Plan for Non-Employee Directors as amended in 1996 authorizes 200,000 shares to be optioned to non-employee directors at the rate of twice their annual retainer divided by the stock price on the date of grant. The options will vest over a two year period and be exercisable over a ten year period from the date of grant, at a price equal to the fair market value on the date of grant.

Under the 1988 Plan, 1,261,000 common shares have been transferred to an independent trustee to administer restricted stock awards for the Company's long-term incentive program. At December 26, 1998 deferred compensation relating to such shares in the amount of $843 thousand is being amortized over an estimated service period of six to fifteen years. In 1996, the Company granted long-term incentive awards in the amount of 824,250 shares which were earned at the end of 1998 based upon the achievement of certain financial criteria. In 1999, the Company granted long-term incentive awards (contingent upon shareholder approval of the new Long-Term Incentive Plan) in the amount of 1,181,250 shares to be earned at the end of 2001 if certain financial criteria are met. The 1998 earned shares and the 2001 shares, if earned, will vest ratably at 25% per year with the final installment at retirement. Compensation expense related to such shares is accrued over a six year period based upon the level of incentive achievement.

Effective in 1996, the Company adopted the provisions of FASB Statement No. 123 "Accounting and Disclosure of Stock-Based Compensation." As permitted, the Company elected to continue its present method of accounting for stock-based compensation. Accordingly, compensation expense has not been recognized for stock based compensation plans other than restricted stock awards under the Company's long-term incentive programs. Had compensation cost for the Company's stock option and long-term incentive awards been determined under the fair value method, net earnings (loss) (in thousands) would have been $158,641, $84,660, and $(24,098) for the years 1998, 1997 and 1996,

respectively. Net earnings (loss) per common share (basic) would have been $2.15, $1.15, and $(.33) and net earnings (loss) per common share (diluted) would have been $2.06, $1.11, and $(.33) for the years 1998, 1997 and 1996, respectively. The fair value per share of long-term incentive awards granted in 1996 was $13.88 and the average fair value per share of options granted was $5.46 in 1998, $10.53 in 1997, and $5.72 in 1996. The fair value of options granted was estimated using the Black-Scholes option pricing model with the following assumptions for 1998, 1997 and 1996, respectively: dividend yield .35%, .19%, and .34%, expected volatility 31%, 28%, and 30%, risk-free interest rate 4.6%, 6.1%, and 6.5%, and expected life 6 years, 6 years and 5 years.

Changes during 1998, 1997 and 1996 in shares under option are summarized as follows:

	Price Per Share Range	Average	Shares
Outstanding at 12/30/95	$ 2.47-23.75	$10.91	4,633,759
Granted	9.14-16.88	15.11	2,178,022
Exercised	4.01-18.19	10.19	(419,287)
Lapsed	3.13-23.75	8.14	(120,519)
Outstanding at 12/28/96	2.47-23.75	12.47	6,271,975
Granted	19.31-26.41	26.39	613,251
Exercised	2.47-19.31	6.69	(667,733)
Lapsed	9.31-19.31	14.62	(86,917)
Outstanding at 12/27/97	3.13-26.41	14.46	6,130,576
Granted	14.34	14.34	1,077,112
Exercised	3.13-19.31	9.74	(966,664)
Lapsed	13.00-26.41	19.06	(34,543)
Outstanding at 12/26/98	$ 3.13-26.41	$15.15	6,206,481
Exercisable at 12/28/96	$ 2.47-23.75	$10.87	3,851,369
Exercisable at 12/27/97	$ 3.13-23.75	$12.32	3,866,992
Exercisable at 12/26/98	$ 3.13-26.41	$14.16	3,650,289

Shares available for grant at year-end 1998 and 1997 were 2,552,948 and 3,595,467, respectively.

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

Range of Exercise Prices	Number Outstanding at end of 1998	Weighted Avg. Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at end of 1998	Weighted Average Exercise Price
$ 3.13-9.31	472,428	2.45	$ 6.43	472,428	$ 6.43
$11.75-13.57	1,264,576	4.85	$12.21	1,246,057	$12.20
$14.34-14.50	2,569,940	8.50	$14.43	610,828	$14.50
$14.63-22.78	1,292,969	5.81	$17.35	1,143,590	$17.41
$23.75-26.41	606,568	8.79	$26.39	177,386	$26.34
	6,206,481	6.76	$15.15	3,650,289	$14.16

The Company has an Employee Stock Ownership Plan that is offered to eligible employees of the Company and certain of its subsidiaries. The Company makes contributions equivalent to a stated percentage of employee contributions. The Company's contributions were $2 million in 1998, 1997 and 1996.

Pension and Postretirement Health Care Liabilities

The Company has several defined benefit and defined contribution pension plans which cover substantially all employees in the United States and Canada. Pension benefits for retired employees of the Company in other countries are generally covered by government-sponsored plans. The defined benefit plans provide retirement benefits based on the employees' years of service and compensation during employment. The Company will make contributions to the defined benefit plans at least equal to the minimum amounts required by law, while contributions to the defined contribution plans are determined as a percentage of each covered employees' salary.

The Company also provides health and life insurance benefits for certain retired and active employees and their beneficiaries and covered dependents in the U.S. and Canada. Postretirement benefits for retired employees in other countries are generally covered by government-sponsored plans.

Effective in 1998, the Company adopted FASB Statement No. 132, "Employers' Disclosures about Pension and Other Postretirement Benefits."

Pension cost-defined benefit (In thousands)	1998	1997	1996
Service cost	$ 7,635	$ 6,599	$ 5,974
Interest cost	16,044	15,171	13,135
Expected return on plan assets	(15,610)	(14,328)	(8,837)
Amortization of prior service cost	410	577	(843)
Amortization of unrecognized transition obligation	58	(131)	(32)
Recognized actuarial gain	74	136	126
Curtailments	2,570	-	-
Net cost	$ 11,181	$ 8,024	$ 9,523

Postretirement health care cost (In thousands)	1998	1997	1996
Service cost	$ 1,256	$ 1,174	$ 1,292
Interest cost	9,958	10,298	10,134
Expected return on plan assets	(3,271)	(910)	10
Amortization of prior service cost	(6,196)	(6,148)	(5,483)
Recognized actuarial loss	(1,367)	(671)	(1,972)
Net cost	$ 380	$ 3,743	$ 3,981

Benefit obligation	Pension (defined benefit)		Postretirement	
(In thousands)	1998	1997	1998	1997

Benefit obligation at beginning of year	$244,364	$195,519	$154,829	$142,998
Service cost	7,635	6,599	1,256	1,174
Interest cost	16,044	15,171	9,958	10,298
Foreign currency exchange impact	(1,724)	(3,693)	(432)	368
Plan participants contributions	122	105	91	103
Amendments	-	2,319	(238)	-
Curtailments	1,526	-	-	-
Plan mergers	-	15,414	-	10,875
Actuarial (gain)/loss	(2,649)	28,901	(5,374)	(446)
Benefits paid	(13,520)	(15,971)	(8,650)	(10,541)
Benefit obligation at end of year	$251,798	$244,364	$151,440	$154,829
Plan assets				
Fair value of plan assets at beginning of year	$197,229	$140,272	$ 40,002	$ 5,601
Actual return on plan assets	17,004	33,638	3,271	910
Government contributions	-	-	-	31,371
Plan mergers	-	28,015	-	4,761
Employer contributions	4,361	11,746	6,239	7,797
Foreign currency exchange impact	(1,949)	(576)	-	-
Plan participants contributions	122	105	91	103
Benefits paid	(13,520)	(15,971)	(8,650)	(10,541)
Fair value of plan assets at end of year	$203,247	$197,229	$ 40,953	$ 40,002
Unfunded status	$ 48,551	$ 47,135	$110,487	$114,827

Components of unfunded status

	Pension (defined benefit)		Postretirement	
(In thousands)	1998	1997	1998	1997
Unrecognized net (gain) loss	$ 4,017	$ 5,596	$ (2,379)	$ 2,253
Unrecognized prior service cost	(2,339)	891	(29,861)	(36,770)
Unrecognized net transition asset	1,257	1,315	-	-
Prepaid benefit cost	(1,597)	(1,872)	-	-
Accrued benefit liability	51,603	47,750	142,727	149,344
Intangible asset	(3,437)	(3,785)	-	-
Equity adjustment to minimum Liability	(953)	(2,760)	-	-
Net amount recognized	$ 48,551	$ 47,135	$110,487	$114,827

Postretirement health care costs are generally not pre-funded (except for certain government-related plans) and are paid by the Company as incurred.

For plans with benefit obligations in excess of plan assets, the aggregate benefit obligation was $229.2 million in 1998 and $218.7 million in 1997, and the aggregate fair value of plan assets was $178.6 million in 1998 and $168.7 million in 1997.

The weighted-average discount rate used to calculate the projected benefit

obligation ranged from 5.75%-7% in 1998 and 6%-8% in 1997. The expected long-term rate of return on plan assets ranged from 7.75%-9% in 1998 and from 7%-9% in 1997. The assumed rate of compensation increase ranged from 2%-4% in 1998 and 2%-5.5% in 1997.

The assumed health care cost trend rate ranged from 9.31%-7.4% and is assumed to decrease gradually to a range of 6.07%-5.5% in 2020 and remain level thereafter. An increase in the assumed health care cost trend rate of 1% in each year would increase the accumulated postretirement benefit obligation by $7.8 million and $8.7 million, and would increase the service and interest cost by $570 thousand and $604 thousand in 1998 and 1997, respectively. A decrease in the assumed health care cost trend rate of 1% in each year would decrease the accumulated postretirement benefit obligation by $8.7 million and $9.9 million, and would decrease the service and interest cost by $662 thousand and $773 thousand in 1998 and 1997, respectively.

The Company's net cost for all pension plans, including defined contribution plans, was $19 million, $15 million, and $17 million in 1998, 1997, and 1996, respectively.

Contingencies

The Company is involved in claims, litigation, administrative proceedings and investigations of various types in several jurisdictions. A number of such matters involve claims for a material amount of damages and relate to or allege environmental liabilities, including clean-up costs associated with hazardous waste disposal sites, natural resource damages, property damage and personal injury. The Company and some of its subsidiaries have been identified by federal, state or local governmental agencies, and by other potentially responsible parties (each a "PRP") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or comparable state statutes, as a PRP with respect to costs associated with waste disposal sites at various locations in the United States. In addition, the Company is involved with environmental remediation and compliance activities at some of its current and former sites in the United States and abroad.

Each quarter, the Company evaluates and reviews estimates for future remediation and other costs to determine appropriate environmental reserve amounts. For each site, a determination is made of the specific measures that are believed to be required to remediate the site, the estimated total cost to carry out the remediation plan, the portion of the total remediation costs to be borne by the Company and the anticipated time frame over which payments toward the remediation plan will occur. The total amount accrued for such environmental liabilities at December 26, 1998 was $94 million. The Company estimates its potential environmental liability to range from $70 million to $129 million at December 26, 1998. It is reasonably possible that the Company's estimates for environmental remediation liabilities may change in the future should additional sites be identified, further remediation measures be required or undertaken, the interpretation of current laws and regulations be modified or additional environmental laws and regulations be enacted.

On May 21, 1997, the United States District Court, Eastern District of Arkansas, entered an order finding that Uniroyal Chemical Co./Cie. is jointly and severally liable to the United States and Hercules and Uniroyal Chemical Co./Cie. are liable to each other in contribution with respect to the remediation of the Vertac Chemical Corporation site in Jacksonville, Arkansas. On October 23, 1998, the Court entered an order granting the United States's motion for summary judgment against Uniroyal Chemical Co./Cie and Hercules for removal and remediation costs of $102.9 million at the Vertac site. Trial on the allocation of these costs as between Uniroyal Chemical Co./Cie. and Hercules has concluded and a decision is expected during the second quarter of 1999.

The Company intends to assert all meritorious legal defenses and all other equitable factors which are available to it with respect to the above matters. The Company believes that the resolution of these environmental matters will not have a material adverse effect on its consolidated financial position. While the Company believes it is unlikely, the resolution of these environmental matters could have a material adverse effect on its consolidated results of operations in any given year if a significant number of these matters are resolved unfavorably.

Business Segment Data

Effective in 1998, the Company adopted FASB Statement No. 131 "Disclosures about Segments of an Enterprise and Related Information" which established revised standards for reporting information about operating segments. Pursuant to Statement No. 131, the Company redefined its reporting segments into two major business categories, "Specialty Chemicals" and "Polymers and Polymer Processing Equipment." Specialty Chemicals includes reporting segments of Performance Chemicals (rubber chemicals and specialty additives), Crop Protection, Colors and Other (specialty ingredients). Polymers and Polymer Processing Equipment includes reporting segments of Polymers (EPDM, urethanes and nitrile rubber) and Polymer Processing Equipment (specialty process equipment and controls).

The accounting policies of the operating segments are the same as those described in the summary of accounting policies. The Company evaluates a segment's performance based on several factors, of which a primary financial measure is operating profit. In computing operating profit, the following items have not been deducted: interest expense, other income and income taxes. Corporate assets are principally cash and other assets maintained for general corporate purposes. Inter-segment sales are not significant. The Company has investments in unconsolidated affiliates in the Performance Chemicals segment in the amount of $31.1 million, $20.9 million and $20.7 million in 1998, 1997 and 1996, respectively, and the Crop Protection segment in the amount of $11.9 million in 1998. A summary of business data for the Company's reportable segments for the years 1998, 1997 and 1996 follows.

Information by Business Segment

(In thousands)	1998	1997	1996

Sales			
Specialty Chemicals			
Performance Chemicals	$ 441,800	$ 469,434	$ 477,480
Crop Protection	348,000	370,091	353,288
Colors	229,723	257,638	271,105
Other	89,589	100,190	104,384
	1,109,112	1,197,353	1,206,257
Polymers & Polymer Processing Equipment			
Polymers	342,527	342,154	312,836
Polymer Processing Equipment	344,480	311,673	284,876
	687,007	653,827	597,712
	$1,796,119	$1,851,180	$1,803,969
Operating Profit			
Specialty Chemicals			
Performance Chemicals	$ 50,010	$ 67,730	$ 65,569
Crop Protection	78,747	77,343	67,130
Colors	13,504	30,121	30,842
Other	7,863	7,798	5,997
	150,124	182,992	169,538
Polymers & Polymer Processing Equipment			
Polymers	77,414	55,485	46,811
Polymer Processing Equipment	45,591	35,921	23,372
	123,005	91,406	70,183
General corporate expenses	(21,231)	(22,120)	(21,106)
Special items	(33,600)	(28,000)	(115,000)
	$ 218,298	$ 224,278	$ 103,615
Depreciation and Amortization			
Specialty Chemicals			
Performance Chemicals	$ 26,437	$ 26,116	$ 28,678
Crop Protection	20,844	20,478	22,483
Colors	8,865	8,943	8,645
Other	2,574	2,782	2,651
	58,720	58,319	62,457
Polymers & Polymer Processing Equipment			
Polymers	16,887	17,186	15,613
Polymer Processing Equipment	4,739	4,163	4,342
	21,626	21,349	19,955
Corporate	190	188	185
	$ 80,536	$ 79,856	$ 82,597

(In thousands)	1998	1997	1996

Segment Assets

Specialty Chemicals			
Performance Chemicals	$ 434,095	$ 455,231	$ 473,576
Crop Protection	293,334	343,497	374,442
Colors	216,969	230,691	235,069
Other	64,966	67,176	68,175
	1,009,364	1,096,595	1,151,262
Polymers & Polymer Processing Equipment			
Polymers	215,476	244,562	264,274
Polymer Processing Equipment	165,009	188,694	196,372
	380,485	433,256	460,646
Corporate	19,044	18,969	45,282
	$1,408,893	$1,548,820	$1,657,190

Capital Expenditures

Specialty Chemicals			
Performance Chemicals	$ 23,243	$ 18,867	$ 15,610
Crop Protection	10,234	8,696	4,291
Colors	9,873	9,384	8,368
Other	2,180	1,722	1,282
	45,530	38,669	29,551
Polymers & Polymer Processing Equipment			
Polymers	15,937	8,708	7,811
Polymer Processing Equipment	4,733	2,676	1,807
	20,670	11,384	9,618
Corporate	428	123	35
	$ 66,628	$ 50,176	$ 39,204

Geographic Information

Sales are attributed based on location of customer.

(In thousands)	1998	1997	1996
Sales			
United States	$1,077,190	$1,125,121	$1,077,968
Canada	106,230	107,386	100,379
Latin America	133,870	116,734	106,795
Europe/Africa	359,760	348,294	355,549
Asia/Pacific	119,069	153,645	163,278
	$1,796,119	$1,851,180	$1,803,969
Property, plant and equipment			
United States	$ 360,241	$ 374,395	$ 386,023
Canada	22,158	21,040	22,775
Latin America	7,213	6,016	4,918

Europe/Africa	71,168	62,180	71,215
Asia/Pacific	12,623	11,261	13,048
	$ 473,403	$ 474,892	$ 497,979

Summarized Unaudited Quarterly Financial Data
(In thousands, except per share data) 1998

	First	Second	Third	Fourth
Net sales	$477,219	$474,337	$442,768	$401,795
Gross profit	174,754	182,246	163,168	129,751
Earnings before extraordinary loss	31,943	39,795	30,592	80,893
Net earnings	29,992	25,952	24,918	80,893
Earnings per common share before extraordinary loss:				
Basic	.43	.53	.41	1.13
Diluted	.42	.52	.40	1.11
Net earnings per common share:				
Basic	.40	.35	.34	1.13
Diluted	.39	.34	.33	1.11
Common dividends per share	-	.05	-	-
Market price per common share:				
High	31 1/16	32 13/16	26 7/8	21 9/16
Low	25 7/16	23	13 3/8	13 1/4

The sum of earnings per common share for the four quarters do not equal the total earnings per common share for 1998 due to changes in the average number of shares outstanding.

(In thousands, except per share data) 1997

	First	Second	Third	Fourth
Net sales	$473,873	$494,142	$455,076	$428,089
Gross profit	169,501	181,504	167,450	136,695
Earnings before extraordinary loss	26,611	31,768	24,822	8,870
Net earnings	26,611	30,541	22,940	6,737
Earnings per common share before extraordinary loss:				
Basic	.36	.44	.33	.12
Diluted	.35	.43	.32	.12
Net earnings per common share:				
Basic	.36	.42	.31	.09
Diluted	.35	.41	.30	.09
Common dividends per share	-	.05	-	-
Market price per common share:				
High	23 1/4	24 3/4	27 1/8	27 3/8
Low	17 7/8	18 1/2	22 1/8	23 3/8

Responsibility for Financial Statements

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles and have been audited by KPMG LLP, Independent Certified Public Accountants, whose report is presented herein.

Management of the Company assumes responsibility for the accuracy and reliability of the financial statements. In discharging such responsibility, management has established certain standards which are subject to continuous review and are monitored through the Company's financial management and internal audit group.

The Board of Directors pursues its oversight role for the financial statements through its Audit Committee which consists of outside directors. The Audit Committee meets on a regular basis with representatives of management, the internal audit group and KPMG LLP.

Independent Auditors' Report

The Board of Directors and Stockholders
Crompton & Knowles Corporation

We have audited the accompanying consolidated balance sheets of Crompton & Knowles Corporation and subsidiaries (the Company) as of December 26, 1998 and December 27, 1997, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the years in the three-year period ended December 26, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 26, 1998 and December 27, 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 26, 1998, in conformity with generally accepted accounting principles.

/s/KPMG LLP

Stamford, Connecticut
January 27, 1999

Seven Year Selected Financial Data
(In millions of dollars, except per share data)

	1998	1997	1996	1995	1994	1993	1992
Summary of Operations							
Net sales	$1,796.1	1,851.2	1,804.0	1,744.8	1,536.2	1,466.2	1,374.3
Cost of products sold	$1,146.2	1,196.0	1,170.6	1,126.2	972.9	926.3	859.1
Selling, general and administrative	$ 264.7	269.4	279.8	270.3	240.1	220.5	207.3
Depreciation and amortization	$ 80.5	79.9	82.6	80.1	86.1	89.9	89.2
Research and development	$ 52.8	53.6	52.4	50.1	44.7	42.1	41.1
Facility closure costs	$ 33.6	-	-	-	-	-	-
Severance and other costs	$ -	13.0	-	-	-	-	-
Special environmental charge	$ -	15.0	30.0	-	-	-	-
Merger and related costs	$ -	-	85.0	-	-	-	-
Write-off of intangibles	$ -	-	-	-	191.0	-	-
Operating profit	$ 218.3	224.3	103.6	218.1	1.4	187.4	177.6
Interest expense	$ 78.5	103.3	114.2	122.4	130.7	121.7	132.4
Other expense (income)	$ (158.9)	(27.8)	(1.3)	(2.7)	(4.4)	1.5	6.7
Earnings (loss) before income taxes, extraordinary loss and cumulative effect of accounting changes	$ 298.7	148.8	(9.3)	98.4	(124.9)	64.2	38.5
Provision (benefit) for income taxes	$ 115.4	56.7	12.7	(41.5)	38.0	37.0	23.0
Earnings (loss) before extraordinary loss and cumulative effect of accounting changes	$ 183.3	92.1	(22.0)	139.9	(162.9)	27.2	15.5
Extraordinary loss	$ (21.5)	(5.3)	(.5)	(8.3)	-	(100.1)	(3.0)
Cumulative effect of accounting changes	$ -	-	-	-	-	(111.9)	(5.8)
Net earnings (loss)	$ 161.8	86.8	(22.5)	131.6	(162.9)	(184.8)	6.7
Special items, net of tax (included above):							
Seed treatment gain	$ 92.1	-	-	-	-	-	-
Facility closure costs	$ (21.1)	-	-	-	-	-	-
Severance and other							

costs	$	-	(7.8)	-	-	-	-	-
Special environmental charge	$	-	(9.0)	(18.5)	-	-	-	-
Postretirement settlement gain	$	-	16.8	-	-	-	-	-
Merger and related costs	$	-	-	(68.1)	-	-	-	-
Early extinguishment of debt	$	(21.5)	(5.3)	(.5)	(8.3)	-	(100.1)	(3.0)
Change in deferred tax valuation allowance	$	-	-	-	78.9	(34.9)	-	-
Write-off of intangibles	$	-	-	-	-	(162.5)	-	-
Cumulative effect of accounting changes	$	-	-	-	-	-	(111.9)	(5.8)
Other	$	(5.0)	-	-	4.4	-	-	-
Total special items	$	44.5	(5.3)	(87.1)	75.0	(197.4)	(212.0)	(8.8)
Per Share Statistics								
Basic								
Earnings (loss) before extraordinary loss and cumulative effect of accounting changes	$	2.48	1.25	(.31)	2.13	(2.67)	.44	.26
Net earnings (loss)	$	2.20	1.18	(.31)	2.01	(2.67)	(2.98)	.11
Diluted								
Earnings (loss) before extraordinary loss and cumulative effect of accounting changes	$	2.42	1.22	(.31)	2.11	(2.67)	.44	.25
Net earnings (loss)	$	2.14	1.15	(.31)	1.99	(2.67)	(2.98)	.11
Dividends	$	.05	.05	.27	.52	.46	.38	.31
Book value	$	.32	(.27)	(1.32)	(.83)	(5.15)	(1.17)	2.37
Common stock trading range:								
High		32 13/16	27 3/8	20 1/8	20	24 1/8	27 1/4	23 7/8
Low		13 1/4	17 7/8	13	12	13 7/8	17 5/8	16
Average shares outstanding (thousands)								
- Basic		73,696	73,373	72,026	65,572	60,908	61,941	59,430
Average shares outstanding (thousands)								
- Diluted		75,700	75,358	72,026	66,269	60,908	61,941	61,067
Financial Position								
Current assets	$	597.8	715.0	742.2	697.0	696.9	582.7	537.5
Non-current assets	$	811.1	833.8	915.0	958.8	791.4	1,006.0	1,021.3
Total assets	$	1,408.9	1,548.8	1,657.2	1,655.8	1,488.3	1,588.7	1,558.8
Current liabilities	$	394.4	363.1	357.5	420.6	361.6	285.4	285.0
Long-term debt	$	646.9	896.3	1,055.0	974.2	1,102.2	1,048.8	904.3
Other liabilities	$	300.9	309.5	341.1	320.2	327.8	326.4	223.1
Stockholders' equity								

(deficit)	$	66.7	(20.1)	(96.4)	(59.2)	(303.3)	(71.9)	146.4
Current ratio		1.5	2.0	2.1	1.7	1.9	2.0	1.9
Total capital	$	730.9	878.0	967.9	1,020.1	866.1	994.1	1,057.8
Total debt-to-capital	%	90.9	102.3	110.0	105.8	135.0	107.2	86.2

Profitability Statistics (Before Special Items)

% Operating profit on sales	14.5	13.6	12.1	12.2	12.5	12.8	12.9
% Earnings on sales	6.5	5.0	3.6	3.2	2.2	1.9	1.1
% Earnings on average total capital	18.6	16.5	12.8	14.2	11.2	8.3	8.8

Other Statistics

Net cash provided by operations	$ 169.5	215.8	95.4	106.3	96.7	97.3	112.1
Capital spending	$ 66.6	50.2	39.2	87.7	52.1	60.4	47.3
Depreciation	$ 59.4	58.7	59.2	57.4	56.3	53.0	52.3
Sales per employee	$ .324	.332	.315	.309	.293	.289	.277

corporate management

(Photos of each)

Vincent A. Calarco
Chairman, President and Chief Executive Officer

Robert W. Ackley
Vice President
Polymer Processing Equipment

James J. Conway
Vice President
Colors

Joseph B. Eisenberg
Vice President
Rubber Chemicals, EPDM and Nitrile Rubber

Alfred F. Ingulli
Vice President
Crop Protection

Walter K. Ruck
Vice President
Uniroyal Operations

William A. Stephenson

Vice President
Specialty Additives and Urethanes

Charles J. Marsden
Senior Vice President and Chief Financial Officer

Peter Barna
Vice President
Finance

John T. Ferguson II
Vice President
General Counsel and Secretary

Marvin H. Happel
Vice President
Organization and Administration

Other corporate officers:
(not pictured)

John R. Jepsen
Treasurer

Michael F. Vagnini
Controller

board of directors

James A. Bitonti (2,3)
Chairman and Chief Executive Officer
BITCO International, Inc.

Vincent A. Calarco (4)
Chairman of the Board
President and Chief Executive Officer

Robert A. Fox (2,3)
President and Chief Executive Officer
Foster Farms

Roger L. Headrick (3,4)
Managing General Partner
HMCH Ventures

Leo I. Higdon, Jr. (1,4)
President
Babson College

Charles J. Marsden
Senior Vice President and Chief Financial Officer

C.A. Piccolo (1,2)
President and Chief Executive Officer
HealthPic Consultants, Inc.

Patricia K. Woolf Ph.D. (1,2)
Private Investor and Lecturer
Department of Molecular Biology
Princeton University

1 Member of Audit Committee
2 Member of Nominating Committee
3 Member of Committee on Executive Compensation
4 Member of Finance Committee

corporate data

corporate headquarters

One Station Place, Metro Center
Stamford, CT 06902
(203) 353-5400
www.crompton-knowles.com

auditors

KPMG LLP
Stamford Square
3001 Summer Street
Stamford, CT 06905

transfer agent and registrar

ChaseMellon Shareholder Services L.L.C.
85 Challenger Road
Ridgefield Park, NJ 07660
(800) 288-9541
www.chasemellon.com

annual meeting

The annual meeting of stockholders will be held at 11:15 a.m. on Tuesday, April 27, 1999, at the Sheraton Stamford Hotel, 2701 Summer Street, Stamford, Connecticut 06905

form 10-K

A copy of the Company's report on Form 10-K for 1998, as filed with the Securities and Exchange Commission, may be obtained free of charge by writing to the Secretary of the Corporation, Benson Road, Middlebury, CT 06749

investor relations

Robert P. Harwood
Benson Road, Middlebury, CT 06749
(203) 573-2000
e-mail: robert_harwood@uniroyalchemical.com

back cover
(C&K logo) Crompton & Knowles Corporation
One Station Place, Metro Center, Stamford, CT 06902
www.crompton-knowles.com

EXHIBIT 21

Subsidiaries of the Registrant

The following are subsidiaries of Crompton & Knowles Corporation:

Name	Place of Organization
CK Holding Corporation	Delaware
Crompton & Knowles of Canada Ltd.	Canada
Crompton & Knowles Colors Incorporated	Delaware
Crompton & Knowles Europe S.P.R.L.	Belgium
Crompton & Knowles (France) S.A.	France
Crompton & Knowles (Deutschland) GmbH	Germany
Crompton & Knowles (Hong Kong) Ltd.	Hong Kong
Crompton & Knowles (Korea) Ltd.	Korea
Crompton & Knowles (Espagna) SL	Spain
Crompton & Knowles (Italia) SRL	Italy
Crompton & Knowles (Nederland) B.V.	Netherlands
Crompton & Knowles (Portugal) LDA	Spain
Crompton & Knowles Receivables Corporation	Delaware
Crompton & Knowles Services S.P.R.L.	Belgium
C&K Services (Luxembourg) S.A.	Luxembourg
Crompton & Knowles (Luxembourg) S.A.	Luxembourg
Crompton & Knowles (United Kingdom) Ltd.	United Kingdom
CNK Disposition Corporation	Florida
Crompton & Knowles Acceptance Corporation	Massachusetts
Crompton & Knowles Chemical Realty	Pennsylvania
Crompton & Knowles International, Inc.	US Virgin Islands
Crompton & Knowles I.P.R. Corporation	Delaware
Crompton & Knowles Overseas Corporation	Delaware
Crompton & Knowles Chemische Produckte GmbH & Co. K.G.	Dusseldorf
Kem Manufacturing Corporation	Georgia
Kem International Corporation	Delaware
Davis-Standard Corporation	Delaware
Davis-Standard (France) SARL	France
Davis-Standard (Deutschland) GmbH	Germany
Davis-Standard Limited	England & Wales
ER-WE-PA Davis-Standard GmbH	Germany
Agro ST Inc.	Delaware
GT Seed Treatment, Inc.	Minnesota
Gustafson International Company	Texas
Gustafson LLC	Delaware
Gustafson Partnership	Ontario
Hannaford Seedmaster Services (Australia) Pty. Ltd.	Australia
Industrias Gustafson S.A. de C.V.	Mexico
Inmobiliaria Huilquimex, S.A. de C.V.	Mexico

(Continued)

The following are subsidiaries of Crompton & Knowles Corporation:

Interbel Trading, Inc.	Florida
Lokar Enterprises, Inc.	Delaware
ParaTec Elastomers LLC	Delaware
Naugatuck Treatment Company	Connecticut
Nitrilo S.A. de C.V.	Mexico
Uniroyal Chemical Holding S.A. de C.V.	Mexico
Uniroyal Chemical S.A. de C.V.	Mexico
Rubicon Inc.	Louisiana
TOA Uni Chemicals Ltd.	Thailand
TOA Uni Chemical Manufacturing Ltd.	Thailand
Trace Chemicals LLC	Delaware
Ecart, Inc.	Nevada
Unicorb Limited	England
Uniroyal Chemical Korea Inc.	Korea
Uniroyal Chemical Asia, Ltd.	Delaware
Uniroyal Chemical Asia Pte. Ltd.	Singapore
Uniroyal Chemical B.V.	The Netherlands
Uniroyal Chemical Brazil Holding, Inc.	Delaware
Uniroyal Chemical Co./Cie.	Canada
Uniroyal Chemical Company, Inc.	New Jersey
Uniroyal Chemical Company Limited	Bahamas/Delaware
Uniroyal Chemical European Holdings B.V.	The Netherlands
Uniroyal Chemical Export Limited	Delaware
Uniroyal Chemical Holdings B.V.	The Netherlands
Uniroyal Chemical International Company	Texas
Uniroyal Chemical International Sales Corp.	Barbados
Uniroyal Chemical Investments Ltd.	Canada
Uniroyal Chemical Leasing Company, Inc.	Delaware
Uniroyal Chemical Limited	Scotland
Uniroyal Chemical Netherlands B.V.	The Netherlands
Uniroyal Chemical Overseas B.V.	The Netherlands
Uniroyal Chemical Partipacoes Ltda.	Brazil
Uniroyal Chemical (Proprietary) Limited	South Africa
Uniroyal Chemical Pty. Ltd.	Australia
Uniroyal Chemical S.A.	Spain
Uniroyal Chemical S.A.R.L.	Switzerland
Uniroyal Chemical Specialties, Inc.	Delaware
Uniroyal Chemical Taiwan Ltd.	Taiwan
Uniroyal Chemical Technology B.V.	The Netherlands
Uniroyal Chimica SrL	Italy
Uniroyal Quimica S.A.	Brazil
Uniroyal Quimica Sociedad Anonima Comerciale Industrial	Argentina
9056-0921 Quebec Inc.	Canada

EXHIBIT 23

Independent Auditors' Report and Consent

The Board of Directors and Stockholders
Crompton & Knowles Corporation

Under date of January 27, 1999, we reported on the consolidated balance sheets of Crompton & Knowles Corporation and subsidiaries (the Company) as of December 26, 1998 and December 27, 1997, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the years in the three-year period ended December 26, 1998, which are incorporated by reference in this Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule included in this Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audit.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We consent to the incorporation by reference in the registration statements (Nos. 33-21246, 33-42280, 33-67600 and 333-62429) on Form S-8 of Crompton & Knowles Corporation of our report, dated January 27, 1999, relating to the consolidated balance sheets of Crompton & Knowles Corporation and subsidiaries as of December 26, 1998 and December 27, 1997, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the years in the three-year period ended December 26, 1998, which report is incorporated by reference in the December 26, 1998 Annual Report on Form 10-K of Crompton & Knowles Corporation.

/S/KPMG LLP
KPMG LLP

Stamford, Connecticut
March 26, 1999

EXHIBIT 24

POWER OF ATTORNEY

We, the undersigned officers and directors of Crompton & Knowles Corporation, hereby constitute and appoint Vincent A. Calarco, Charles J. Marsden and John T. Ferguson II, and each of them severally, our true and lawful attorneys or attorney, with full power to them and each of them to execute for us, and in our names in the capacities indicated below, and to file with the Securities and Exchange Commission the Annual Report on Form 10-K of Crompton & Knowles Corporation for the fiscal year ended December 26, 1998, and any and all amendments thereto.

IN WITNESS WHEREOF, we have signed this Power of Attorney in the capacities indicated on January 19, 1999.

Signature	Title	Signature	Title
Principal Executive Officer:			
/s/Vincent A. Calarco Vincent A. Calarco	Chairman of the Board, President, CEO and Director	/s/Robert A. Fox Robert A. Fox	Director
Principal Financial Officer:		/s/Roger L. Headrick Roger L. Headrick	Director
/s/Charles J. Marsden Charles J. Marsden	Senior Vice President Chief Financial Officer and Director	/s/Leo I. Higdon, Jr. Leo I. Higdon, Jr.	Director
Principal Accounting Officer:			
/s/Peter Barna Peter Barna	Vice President - Finance	/s/C.A. Piccolo C.A. Piccolo	Director

/s/James A. Bitonti Director
James A. Bitonti

/s/Patricia K. Woolf Director
Patricia K. Woolf

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