QuickLinks -- Click here to rapidly navigate through this document

As filed with the Securities and Exchange Commission on May 17, 2004

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

FORM S-1

REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

ENERSYS

(Exact name of registrant as specified in its charter)

Delaware	**23-3058564**	**3691**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)	(Primary Standard Industrial Classification Code Number)

EnerSys
2366 Bernville Road
Reading, PA 19605
(610) 208-1991
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Michael T. Philion
Executive Vice President—Finance
Chief Financial Officer
EnerSys
2366 Bernville Road
Reading, PA 19605
(610) 208-1991
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Steven R. Finley	**Joseph M. Harenza**	**Richard D. Truesdell, Jr.**
Gibson, Dunn & Crutcher LLP	Stevens & Lee	Davis Polk & Wardwell
200 Park Avenue	111 North Sixth Street	450 Lexington Avenue
New York, NY 10166	Reading, PA 19603	New York, NY 10017
(212) 351-4000	(610) 478-2160	(212) 450-4000
Fax: (212) 351-4035	Fax: (610) 371-8500	Fax: (212) 450-3800

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o _____

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o _____

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o _____

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. o

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price(1)	Amount of registration fee
Common Stock, par value $0.01 per share	$230,000,000	$29,141

(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission acting pursuant to such section 8(a) may determine.

PROSPECTUS (Subject to Completion)

Issued , 2004

Shares

COMMON STOCK

EnerSys is offering shares of its common stock. This is our initial public offering and no public market exists for our shares. We anticipate that the initial public offering price of our common stock will be between $ and $ per share.

We have applied to list our common stock on the New York Stock Exchange under the trading symbol "ENS".

Investing in our common stock involves risks. See "Risk Factors" beginning on page 6.

PRICE $ PER SHARE

	Price to Public	***Underwriting Discounts and Commissions***	***Proceeds to EnerSys***
Per Share	*$*	*$*	*$*
Total	*$*	*$*	*$*

We have granted the underwriters the right to purchase up to an additional shares to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to purchasers on , 2004.

MORGAN STANLEY *LEHMAN BROTHERS*

BANC OF AMERICA SECURITIES LLC

, 2004

TABLE OF CONTENTS

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information that is different. This prospectus may only be used where it is legal to sell these securities. The information in this prospectus may be accurate only on the date of this prospectus.

This offering of common stock is only being made to persons in the United Kingdom whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 or the UK Financial Services and Markets Act 2000 ("FSMA"), and each underwriter has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the common stock in circumstances in which section 21(1) of FSMA does not apply to EnerSys, the issuer of such common stock. Each of the underwriters agrees and acknowledges that it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the common stock in, from or otherwise involving the United Kingdom.

The EnerSys common stock may not be offered, transferred, sold or delivered to any individual or legal entity other than to persons who trade or invest in securities in the conduct of their profession or trade (which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, other institutional investors and commercial enterprises which as an ancillary activity regularly invest in securities) in the Netherlands.

Until , 2004, all dealers that buy, sell or trade shares of our common stock, whether or not participating in the offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

The trademark and trade names referred to in this prospectus are the property of their respective owners.

We have provided certain statistics in this prospectus on the worldwide industrial battery business. Those statistics for North America are derived from information supplied by Battery Council International—which we refer to as BCI—and for Europe are derived from information supplied by the Association of European Storage Battery Manufacturers—which we refer to as EuroBat. BCI and EuroBat are voluntary associations of battery manufacturers. For geographic areas not covered by BCI or EuroBat, including for the Middle East, Africa and Asia, these statistics are derived from management's estimates. We believe these statistics are reasonable estimates. Market share data, however, are subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey of market shares.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary may not contain all of the information that you should consider before deciding to invest in the shares of common stock. We urge you to read this entire prospectus carefully, including the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections and our consolidated financial statements and the notes to those statements. The terms "EnerSys," "we," "our," and "us" refer to EnerSys—which is a holding company—and its consolidated subsidiaries. We use the term "the company" when we wish to refer only to the holding company and not to EnerSys and its consolidated subsidiaries. Our fiscal year ends on March 31. References in this prospectus to a fiscal year, such as "fiscal 2004," relate to the fiscal year ended on March 31 of that calendar year. For reading ease certain financial information is presented on a rounded basis, which may cause minor rounding differences.

EnerSys Overview

We are one of the world's largest manufacturers, marketers and distributors of industrial batteries. We also manufacture, market and distribute related products such as chargers, power equipment and battery accessories, and we provide related after-market and customer-support services for lead-acid industrial batteries. Industrial batteries generally are characterized as reserve power batteries or motive power batteries.

- **Reserve power batteries** are used to provide backup power for the continuous operation of critical telecommunications and uninterruptable power systems during power disruptions.

- **Motive power batteries** are used to power mobile manufacturing, warehousing and other ground handling equipment, primarily electric industrial forklift trucks.

For 2003, we believe that we held approximately 24% of the worldwide market share in the lead-acid industrial battery business, with market shares of 30% in North America, 30% in Europe and 5% in Asia. For 2003, we believe that our worldwide market share of reserve power batteries was approximately 20% and in motive power batteries was approximately 28%. Our net sales for fiscal 2004 were $969.1 million, of which approximately 42% was attributable to the Americas, 53% to Europe, the Middle East and Africa, which we refer to as EMEA, and 5% to Asia. We report our financial results on a March 31 fiscal year basis.

Our reserve power batteries are marketed and sold principally under the *PowerSafe, DataSafe* and *Genesis* brands. Our motive power batteries are marketed and sold principally under the *Hawker, Exide* and *General* brands. We also manufacture and sell related direct current—DC—power products including chargers, electronic power equipment and a wide variety of battery accessories. Our battery products span a broad range of sizes, configurations and electrical capacities, enabling us to meet a wide variety of customer applications. We manufacture reserve power and motive power batteries at 19 manufacturing facilities located across the Americas, Europe and Asia and market and sell these products globally in more than 100 countries to over 10,000 customers through a network of distributors, independent representatives and an internal sales force.

We provide responsive and efficient after-market support for our products through strategically located warehouses and a company-owned service network supplemented by independent representatives.

Our Industry

The size of the worldwide industrial lead-acid battery market in 2003 was $3.6 billion according to BCI, EuroBat and management estimates. The two key components of the industrial lead-acid battery market are reserve power batteries—a $2.0 billion market—and motive power batteries—a $1.6 billion market. The aerospace and defense market is an additional important sector of the battery industry, which is not included as a component of the $3.6 billion worldwide market information above.

Reserve power batteries are also known as network, standby or stationary power batteries and are used primarily for backup power applications to ensure continuous power supply in case of main (primary) power failure or outage.

For many critical systems, power loss, even for short periods of time, can result in loss of process control, massive data loss and significant financial liability. Reserve power batteries are essential for the continuous operations of communications providers, financial institutions, computer and computer-controlled systems and electric utilities.

Motive power batteries are used primarily to provide power for electric material handling and ground handling equipment. Motive power batteries are used primarily in electric industrial forklift trucks. Motive power batteries compete primarily with propane- and diesel-powered internal combustion engines.

Our Strengths

We believe that our competitive strengths should enable us to expand our global market share and position us to achieve profitable growth. These strengths include:

- Our portfolio of leading brands with strong market positions;
- Our large installed base;
- Our global capabilities;
- Our broad range of products; and
- Our strong management team with a proven track record.

Our Strategy

Our primary business objective is to capitalize on our competitive strengths to continue to expand our global market share, increase our net sales and improve our profit margins. We intend to achieve these objectives by implementing the following strategies:

- Expand our industry-leading position;
- Continue to expand into high-growth geographic markets;
- Further penetrate high-growth end markets;
- Continue to focus on manufacturing efficiency and cost reduction programs; and
- Pursue selective acquisitions.

Our History and Recent Financing Activity

Our History

EnerSys and its predecessor companies have been manufacturers of industrial batteries for over 90 years. Morgan Stanley Capital Partners teamed with the management of Yuasa Inc. in late 2000 to acquire from Yuasa Corporation (Japan) its reserve power and motive power battery businesses in North and South America. The acquired businesses included the *Exide, General* and *Yuasa* brands. On January 1, 2001, we changed our name from Yuasa Inc. to EnerSys to reflect our focus on the energy systems nature of our businesses. In early 2002, we acquired the reserve power and motive power business of the Energy Storage Group, or ESG, of Invensys plc, whose principal brands were *Hawker, PowerSafe* and *DataSafe.*

Our Recent Recapitalization

On March 17, 2004, we entered into the following new financing arrangements:

- a $100.0 million senior secured revolving credit facility;
- a $380.0 million senior secured term loan B; and
- a $120.0 million senior second lien term loan.

We used the proceeds of the senior secured term loan B and senior second lien term loan to refinance substantially all of our existing debt and pay accrued interest in the aggregate amount of $219.0 million, to fund a cash payment of $270.0 million to our existing stockholders and management and to pay transaction costs of $11.0 million. We intend to use a portion of the proceeds of this offering to repay the full amount outstanding under the $120.0 million senior second lien term loan and a portion of the amount outstanding under the $380.0 million senior secured term loan B. For additional information on our new financing arrangements, see "Description of Our Credit Facilities."

Principal Executive Offices

Our principal executive offices are located at 2366 Bernville Road, Reading, PA 19605. Our telephone number at that address is (610) 208-1991.

The Offering

Shares offered	shares
Shares to be outstanding after the offering	shares
Use of proceeds	$ to prepay the principal and accrued interest and prepayment penalty on our $120.0 million senior second lien term loan and to prepay a portion of our $380.0 million senior secured term loan B and the balance for general corporate purposes.
Proposed NYSE symbol	ENS

References in this prospectus to the number of shares offered, and the number to be outstanding after the offering, do not include:

- shares that the underwriters may acquire upon exercise of their over-allotment option; and
- shares subject to outstanding options at a weighted average exercise price of $ per share.

Except as otherwise indicated, all information in this prospectus gives effect to:

- an initial public offering price of $ per share, the mid-point of the filing range set forth on the cover page of this prospectus;
- the filing of our amended and restated certificate of incorporation;
- a -for- stock split that occurred on , 2004; and
- the conversion of all of our outstanding shares of preferred stock into an aggregate of shares of common stock, effective at the closing of the offering.

Risk Factors

See "Risk Factors" beginning on page 6 for a discussion of material risks that prospective purchasers of our common stock should consider.

Summary Consolidated Financial, Operating and Pro Forma Data

The following tables set forth our summary consolidated financial, operating and pro forma data. You should read the selected financial data presented below in conjunction with our consolidated financial statements and the notes to our consolidated financial statements included elsewhere in this prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The summary consolidated financial data presented for each of the fiscal years in the three-year period ended March 31, 2004, and the balance sheet data at March 31, 2004, have been derived from our consolidated financial statements, which have been audited by Ernst & Young LLP, our independent auditors.

The summary pro forma as adjusted consolidated statement of operations for fiscal 2004 gives effect to the new financing arrangements we entered into in March 2004, and the anticipated use of the proceeds of the offering as if such transactions had taken place on April 1, 2003. The summary as adjusted consolidated balance sheet as at March 31, 2004, gives effect to the anticipated use of the proceeds of the offering as if it had taken place on March 31, 2004.

We are presenting this summary pro forma consolidated financial information for illustrative purposes only. This information is not necessarily indicative of what our operating results or financial position would have been if these transactions had taken place on the assumed dates or throughout the period presented, nor is it necessarily indicative of our future results of operations.

	Fiscal Year Ended March 31,			
	2002	2003	2004	Pro forma as adjusted 2004
	(in thousands, except per share amounts)			
Consolidated Statement of Operations Data(1):				
Net sales	$ 339,340	$ 859,643	$ 969,079	$ 969,079
Cost of goods sold	266,493	653,998	722,825	722,825
Gross profit	72,847	205,645	246,254	246,254
Operating expenses	53,463	150,618	170,412	170,412
Special charges	68,448	—	21,147	9,095
Amortization	51	51	51	51
Operating earnings (loss)	(49,115)	54,976	54,644	66,696
Interest expense	13,294	20,511	20,343	
Special charges	—	—	30,974	
Other expense (income), net	1,744	(742)	(4,466)	
(Loss) earnings before income taxes	(64,153)	35,207	7,793	
Income tax expense (benefit)	(22,171)	12,355	2,957	
Net (loss) earnings	$ (41,982)	$ 22,852	$ 4,836	$
Net (loss) earnings per share				
Basic	$	$	$	$
Diluted	$	$	$	$
Weighted average shares outstanding				
Basic				
Diluted				

	Fiscal Year Ended March 31,		
	2002	2003	2004
	(in thousands)		
Other Operating Data:(1)			
Capital expenditures	$ 12,944	$ 23,623	$ 28,580
EBITDA(2)	(39,563)	91,651	65,175
Special charges(3)	68,448	—	52,121
EBITDA, excluding special charges(4)	28,885	91,651	117,296

	As of March 31, 2004	
	Actual	As adjusted
	(in thousands)	
Consolidated Balance Sheet Data:		
Cash and cash equivalents	$ 17,207	$
Working capital	134,727	
Total assets	1,151,068	
Total debt	511,303	
Preferred stock	7	—
Total stockholders' equity	239,302	

(1) Includes the results of operations of ESG for the full years for fiscal 2003 and fiscal 2004, but only for nine days in fiscal 2002.

(2) We have included EBITDA because management uses it as a key measure of our performance and ability to generate cash necessary to meet our future debt service and capital expenditure requirements. EBITDA is defined as earnings before interest expense, income tax expense, depreciation and amortization. EBITDA is not a measure of financial performance under accounting principles generally accepted in the United States and should not be considered an alternative to net earnings or any other measure of performance under accounting principles generally accepted in the United States as a measure of performance or to cash flows from operating, investing or financing activities as an indicator of cash flows or as a measure of liquidity. Our calculation of EBITDA may be different from the calculations used by other companies, and therefore comparability may be limited. Certain financial covenants in our senior secured credit facility and our senior second lien credit facility are based on EBITDA, subject to adjustments, and therefore EBITDA for purposes of these financial covenants may be calculated differently from EBITDA as shown above. Depreciation and amortization in this table excludes amortization of deferred financing costs, which is included in interest expense. The following table provides a reconciliation of EBITDA to net earnings (loss):

	Fiscal Year Ended March 31,		
	2002	2003	2004
	(in thousands)		
EBITDA	$ (39,563)	$ 91,651	$ 65,175
Depreciation and amortization	11,296	35,933	37,039
Interest expense	13,294	20,511	20,343
Income tax (benefit) expense	(22,171)	12,355	2,957
Net (loss) earnings	$ (41,982)	$ 22,852	$ 4,836

(3) Special charges are discussed in detail in the notes to our consolidated financial statements and in "Management's Discussion and Analysis of Financial Condition and Results of Operations." The fiscal 2002 charges were primarily for the closures of a plant and certain other locations in the U.S. and our South American operations. The charges in fiscal 2004 related primarily to a settlement with Invensys, the recapitalization in March 2004 and costs of unsuccessful acquisition attempts.

(4) We have included EBITDA, excluding special charges, because we evaluate our business segment performance primarily based upon earnings, exclusive of restructuring charges and other unusual and special charge items. Management believes that it is better able to evaluate performance by focusing on operations excluding these special charges and that investors also may find this information to be helpful.

RISK FACTORS

You should carefully consider the risks described below before investing in our common stock. The risks described below are not the only ones facing us. Our business is also subject to the risks that affect many other companies, such as technological obsolescence, labor relations and geopolitical events. Additional risks not currently known to us or that we currently believe are immaterial also may impair our business operations and our liquidity.

Risks Relating to Our Business

We operate in an extremely competitive industry and are subject to continual pricing pressure.

We compete with a number of major domestic and international manufacturers and distributors of reserve and motive power lead-acid batteries, as well as a large number of smaller, regional competitors. Due to excess capacity in some sectors of our industry, consolidation among industrial battery purchasers and the financial difficulties being experienced by several of our competitors, we have been subjected to continual and significant pricing pressures. We anticipate heightened competitive pricing pressure as Chinese and other foreign producers, able to employ labor at significantly lower costs than producers in the U.S. and Western Europe, expand their export capacity and increase their marketing presence in our major U.S. and European markets. Several of our competitors have strong technical, marketing, sales, manufacturing, distribution and other resources, as well as significant name recognition, established positions in the market and long-standing relationships with original equipment manufacturers and other customers. In addition, certain of our competitors own lead smelting facilities which, during periods of lead cost increases or price volatility, may provide a competitive pricing advantage and reduce their exposure to volatile raw material costs. Our ability to maintain and improve our operating margins has depended, and continues to depend, on our ability to control and reduce our costs. We cannot assure you that we will be able to continue to reduce our operating expenses, to raise or maintain our prices or increase our unit volume, in order to maintain or improve our operating results.

Cyclical industry conditions have adversely affected and may continue to adversely affect our results of operations.

Our operating results are affected by the general cyclical pattern of the industries in which our major customer groups operate and the overall economic conditions in which we and our customers operate. For example, the significant capital expenditures made by the telecommunications industry during the period from fiscal 1999 through fiscal 2001, as numerous companies expanded their systems and installed standby backup battery power systems, drove demand for our reserve power products. As the telecommunications industry dramatically reduced building new systems in response to massive overcapacity, the demand for our reserve power products for this application declined significantly. Both our reserve power and motive power segments are heavily dependent on the end-user markets they serve, such as telecommunications, uninterruptible power systems and electric industrial forklift trucks. A weak capital expenditure environment in these markets has had and can be expected to have a material adverse effect on our results of operations.

Our raw materials costs are volatile and expose us to significant movements in our product costs.

We employ significant amounts of lead, plastics, steel, copper and other materials in our manufacturing processes. Lead is our most significant raw material and represents approximately 30% of our total raw materials costs. The costs of these raw materials, particularly lead, are volatile and beyond our control. Volatile raw materials costs can significantly affect our operating results and make period-to-period comparisons extremely difficult. We cannot assure you that we will be able to hedge our raw material requirements at a reasonable cost or to pass on to our customers the increased costs of our raw materials.

Our operations expose us to the risk of material environmental, health and safety liabilities, costs and litigation.

In the manufacture of our products, we process large amounts of hazardous and toxic materials, especially lead and acid. As a result, we are subject to extensive and changing environmental protection, health and safety laws and regulations governing, among other things: the generation, handling, storage, use, transportation and disposal of hazardous and toxic materials; remediation of polluted ground or water; emissions or discharges of hazardous materials into the ground, air or water; and the health and safety of our employees. Failure to comply with these laws and regulations, or to obtain and comply with required environmental permits, could result in fines, criminal charges or other sanctions by regulators. Compliance with these laws, regulations and permits has resulted in ongoing costs. From time to time we have had instances of alleged or actual noncompliance that have resulted in the imposition of fines or penalties. Our ongoing compliance with environmental, health and safety laws, regulations and permits could require us to incur significant expenses, limit our ability to modify or expand our facilities or continue production and require us to install additional pollution control equipment and make other capital improvements. In addition to compliance, investigation and cleanup costs, fines and penalties imposed by regulatory authorities resulting from alleged failure to comply with environmental laws, private parties, including current or former employees, could bring personal injury or other claims against us due to the presence in the workplace of, or their exposure to, hazardous substances, used, stored, transported or disposed of by us or contained in our products.

Certain environmental laws assess liability on owners or operators of real property for the cost of investigation, removal or remediation of hazardous substances at their properties or at properties at which they have disposed of hazardous substances. These laws may assess costs to repair damage to natural resources. Some of our manufacturing sites have a prior history of industrial use, and we may be responsible for remediating any environmental damage to these sites caused by their former owners. Soil and groundwater contamination has occurred at some of these sites in the past and might occur or be discovered at other sites in the future. We currently are investigating, remediating and monitoring soil and groundwater contamination at certain of those sites. In addition, we have been, currently are and in the future may be liable to contribute to the cleanup of locations owned or operated by other persons to which we or our predecessor companies have sent wastes for disposal, pursuant to federal and other environmental laws. We are named as a potentially responsible party at one federal "Superfund" site. Under these laws, the owner or operator of contaminated properties and companies that generated, disposed of or arranged for the disposal of wastes sent to a contaminated disposal facility can be held jointly and severally liable for the investigation and cleanup of such properties, regardless of fault.

We cannot assure you that we have been or at all times will be in compliance with environmental laws, regulations and permits or that we will not be required to expend significant funds to comply with environmental laws, regulations and permits, or that we will not be exposed to material litigation alleging failure to comply with environmental laws, regulations or permits.

We are exposed to exchange rate risks, and our net income and financial condition may suffer due to currency translations.

We invoice foreign sales and service transactions in local currencies, using actual exchange rates during the period. We translate our non-U.S. assets and liabilities into U.S. dollars using current rates as of the balance sheet date. Because a significant portion of our revenues and expenses are denominated in foreign currencies, changes in exchange rates between the U.S. dollar and foreign currencies, primarily the euro, British pound and Chinese renminbi, may adversely affect our revenue, cost of revenue and operating margins. For example, foreign currency depreciation against the U.S. dollar will reduce the value of our foreign revenues and operating margins. Foreign currency depreciation against the U.S. dollar will result in a reduction of our net investment in foreign subsidiaries. Additionally, foreign currency depreciation will make it more expensive for our non-U.S. subsidiaries to purchase certain of our raw material commodities that are priced globally in U.S. dollars. Significant movements in foreign exchange

rates can have a material impact on our results of operations and financial condition. We do not engage in significant hedging of our foreign currency exposure and cannot assure you that we would be able to hedge our foreign currency exposures at a reasonable cost.

Our international operations may be adversely affected by actions taken by foreign governments or other forces or events over which we may have no control.

We currently have significant manufacturing and distribution facilities outside of the U.S., including in The United Kingdom, France, Germany, China, Mexico, Poland, Spain, Italy and Canada. We may face political instability and economic uncertainty, cultural and religious differences and difficult labor relations in our foreign operations. We also may face barriers in the form of long-standing relationships between potential customers and their existing suppliers, national policies favoring domestic manufacturers and protective regulations including exchange controls, restrictions on foreign investment or the repatriation of profits or invested capital, changes in export or import restrictions and changes in the tax system or rate of taxation in countries where we do business. We cannot assure you that we will be able successfully to develop and expand our international operations and sales or that we will be able to overcome the significant obstacles and risks of our international operations.

Our failure to introduce new products and product enhancements and broad market acceptance of new technologies introduced by our competitors could adversely affect our business.

Many new energy storage technologies, other than lead-acid, have been introduced over the past several years. In addition, recent advances in fuel cell and flywheel technology have been introduced for use in selected applications that compete with the end uses for lead-acid industrial batteries. For many important and growing markets, such as aerospace and defense, lithium-based battery technologies have large and growing market shares and lead-acid technologies have decreasing market shares. Our ability to achieve significant and sustained penetration of key developing markets, including aerospace and defense, will depend upon our success in developing or acquiring these and other technologies, either independently, through joint ventures or through acquisitions. If we fail to develop or acquire, and to manufacture and sell, products that satisfy our customers' demands, or if we fail to respond effectively to new product announcements by our competitors by quickly introducing competitive products, market acceptance of our products could be reduced and our business could be adversely affected. We cannot assure you that our products will remain competitive with products based on technologies other than lead-acid.

We may not be able adequately to protect our proprietary intellectual property and technology.

We rely on a combination of copyright, trademark, patent and trade secret laws, non-disclosure agreements and other confidentiality procedures and contractual provisions to establish, protect and maintain our proprietary intellectual property and technology and other confidential information. Certain of these technologies, especially in thin plate pure lead technology, are important to our business and are not protected by patents. Despite our efforts to protect our proprietary intellectual property and technology and other confidential information, unauthorized parties may attempt to copy or otherwise obtain and use our intellectual property and proprietary technologies, without authorization.

Relocation of our customers' operations could adversely affect our business.

The trend by a number of our North American and Western European customers to move manufacturing operations and expand their businesses into Asia and other low labor-cost markets may have an adverse impact on our business. As our customers in traditional manufacturing-based industries seek to move their manufacturing operations to lower cost territories, there is a risk that these customers will source their energy storage products from competitors located in those territories and will cease or reduce the purchase of products from our manufacturing plants. We cannot assure you that we will be able to compete effectively with manufacturing operations of energy storage products in those territories,

whether by establishing or expanding our manufacturing operations in those lower-cost territories or acquiring existing manufacturers.

We may fail to implement our cost reduction initiatives successfully and improve our profitability.

We must continue to implement cost reduction initiatives to achieve additional cost savings in future periods. We cannot assure you that we will be able to achieve all of the cost savings that we expect to realize from current or future initiatives. In particular, we may be unable to implement one or more of our initiatives successfully or we may experience unexpected cost increases that offset the savings that we achieve. Given the continued competitive pricing pressures experienced in our industry, our failure to realize cost savings would adversely affect our results of operations.

Quality problems with our products could harm our reputation and erode our competitive position.

The success of our business will depend upon the quality of our products and our relationships with customers. In the event that our products fail to meet our customers' standards, our reputation could be harmed, which would adversely affect our marketing and sales efforts. We cannot assure you that our customers will not experience quality problems with our products.

We offer our products under a variety of brand names, the protection of which is important to our reputation for quality in the consumer marketplace.

We rely upon a combination of trademark, licensing and contractual covenants to establish and protect the brand names of our products. We have registered many of our trademarks in the U.S. Patent and Trademark Office and in other countries. In many market segments, our reputation is closely related to our brand names. Monitoring unauthorized use of our brand names is difficult, and we cannot be certain that the steps we have taken will prevent their unauthorized use, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the U.S. We cannot assure you that our brand names will not be misappropriated or utilized without our consent or that such actions will not have a material adverse effect on our reputation and on our results of operations.

We may fail to implement our plans to make acquisitions and may fail successfully to integrate any acquisitions that we do make.

As part of our business strategy, we have grown, and plan to continue growing, by acquiring other product lines, technologies or facilities that complement or expand our existing business. We may be unable to implement this part of our business strategy and may not be able to make acquisitions to continue our growth. There is significant competition for acquisition targets in the industrial battery industry. We may not be able to identify suitable acquisition candidates or negotiate attractive terms. In addition, we may have difficulty obtaining the financing necessary to complete transactions we pursue. In that regard, our credit facilities restrict the amount of additional indebtedness that we may incur to finance acquisitions and place other restrictions on our ability to make acquisitions. Our failure to execute our acquisition strategy could have a material adverse effect on our business.

Future acquisitions may involve the issuance of our equity securities as payment, in part or in full, for the businesses or assets acquired. Any future issuances of equity securities would dilute your ownership interests. In addition, future acquisitions might not increase, and may even decrease, our earnings or earnings per share and the benefits derived by us from an acquisition might not outweigh or might not exceed the dilutive effect of the acquisition. We also may incur additional debt or suffer adverse tax and accounting consequences in connection with any future acquisitions.

Where we are successful in completing acquisitions, we might experience difficulties in integrating the acquired business or assets. Acquisitions might result in unanticipated liabilities, unforeseen expenses and distraction of management time and attention. We cannot assure you that our acquisition strategy will be successful.

Risks Relating to Our Substantial Debt and Our Liquidity

Our substantial indebtedness could adversely affect our financial condition.

We have a significant amount of debt. On an as adjusted basis, giving effect to the recapitalization that occurred on March 17, 2004, and our proposed use of the anticipated proceeds of this offering, we would have had $ million of debt outstanding on March 31, 2004, our ratio of debt to total capitalization on March 31, 2004, would have been and our interest expense for fiscal 2004 would have been $ million. Our significant amount of debt could have important consequences to our stockholders. For example, it could:

- increase our vulnerability to adverse general economic and industry conditions, including interest rate fluctuations, because a significant portion of our borrowings bear and will continue to bear interest at floating rates;
- require us to dedicate a substantial portion of our cash flow from operations to debt service payments, which would reduce the availability of our cash to fund working capital, capital expenditures or other general corporate purposes, including acquisitions;
- limit our flexibility in planning for, or reacting to, changes in our business and industry;
- restrict our ability to introduce new products or new technologies or exploit business opportunities;
- place us at a disadvantage compared with competitors that have proportionately less debt; and
- limit our ability to borrow additional funds in the future, if we need them, due to financial and restrictive covenants in our debt agreements.

We cannot assure you that we will generate sufficient cash flow to meet our debt service requirements, to fund our operations and meet our business plan, to take advantage of opportunities to acquire other businesses or to develop new products or penetrate new markets.

Restrictive covenants in our debt instruments may adversely affect us.

Our financing arrangements contain a number of financial covenants, such as interest coverage and leverage ratios, and restrictive covenants that limit the amount of debt we can incur and restrict our ability to pay dividends or make other payments in connection with our capital stock, make acquisitions or investments, make capital expenditures, enter into sale/leaseback transactions, sell, buy or pledge assets and prepay debt.

Our ability to comply with these financial covenants can be affected by events beyond our control, and we cannot assure you that we will be able to comply with those covenants. A breach of any of these covenants could result in a default under our financing arrangements. Upon the occurrence of an event of default under any of our financing arrangements, the lenders could elect to declare all amounts outstanding thereunder to be immediately due and payable and terminate all commitments to extend further credit. If the lenders accelerate the repayment of borrowings, we cannot assure you that we would have sufficient assets to repay the amounts due. Certain defaults, or the acceleration of any repayment obligation, under any of our material debt instruments would permit the holders of our other material debt to accelerate our obligations with respect to such other material debt.

Risks Relating to the Offering

Morgan Stanley controls us and its interests could be in conflict with the interests of other stockholders.

After giving effect to the offering, investment funds affiliated with Morgan Stanley will own approximately % of our outstanding common stock. Two of our directors, Messrs. Fry and Hoffen, are employees of Morgan Stanley. As a result of these relationships, Morgan Stanley may be deemed to control our management and policies. In addition, Morgan Stanley may be deemed to control all matters requiring stockholder approval, including the election of a majority of our directors, the adoption of amendments to our certificate of incorporation and the approval of mergers and sales of all or

substantially all our assets. Circumstances could arise under which the interests of Morgan Stanley could be in conflict with the interests of our other stockholders.

We cannot assure you that we have implemented all required corporate governance and accounting practices and policies.

Prior to this offering, as a privately-held company, we were not subject to any of the corporate governance and financial reporting practices and policies required of a publicly-traded company. We are in the process of implementing the controls and procedures, but cannot assure you that our audit controls and procedures will comply with all of these practices and policies. Implementation of these practices and policies could disrupt our business, distract our management and employees and increase our costs. If we fail to develop and maintain effective controls and procedures, we may be unable to provide the required financial information in a timely and reliable manner.

Because investment funds affiliated with Morgan Stanley will hold more than 50% of the voting power of EnerSys after giving effect to the offering, we can be considered a "controlled company" for purposes of the New York Stock Exchange listing requirements. As such, we are permitted to and have opted-out of many of the NYSE's corporate governance requirements. Among other things, this means that our Board of Directors, our compensation committee and our nominating and corporate governance committee are not required to be independent. Morgan Stanley is acting as one of the representatives of the underwriters of this offering.

If a significant number of shares of our common stock are sold into the market following this offering, the market price of our common stock could significantly decline, even if our business is doing well.

If a trading market develops for our common stock, our employees, investment funds affiliated with Morgan Stanley and our officers and directors, who will collectively own % of our shares upon completion of the offering, may elect to sell their shares of our common stock or exercise their stock options in order to sell the stock underlying their options. Sales of a substantial number of shares of our common stock in the public market after this offering could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities. Officers, directors and stockholders owning substantially all of our shares, have agreed, subject to exceptions, that without the prior written consent of the underwriters they will not, directly or indirectly, sell any of these shares or exercise any of their options for 180 days after the date of this prospectus, subject to certain extensions. These agreements, however, can be waived by Morgan Stanley and Lehman Brothers in their sole discretion.

Our stock price may be volatile and your investment in our common stock could suffer a decline in value.

There currently is no public market for our common stock. An active trading market for our common stock may not develop. You may be unable to resell the common stock you buy at or above the initial public offering price. We will establish the initial public offering price through our negotiations with the representatives of the underwriters. You should not view the price they and we establish as any indication of the price that will prevail in the trading market.

The price at which shares of common stock are sold in the offering is significantly higher than our net tangible book value per share.

The public offering price of our shares of common stock is significantly higher than the net tangible book value per share of our common stock. Purchasers of our common stock in this offering will experience immediate and substantial dilution in pro forma net tangible book value of $ per share. Additional book value dilution is likely to occur upon the exercise of options. To the extent we raise additional capital by issuing equity securities, our stockholders may experience further substantial book value dilution.

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this prospectus, primarily in the sections entitled "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." Forward-looking statements include the information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities and the effects of future regulation and competition. Generally, you can identify these statements because they use words like "anticipates," "believes," "estimates," "expects," "future," "intends," "plans" or the negative of such terms or similar terms. These statements are only our current expectations. They are based on our management's beliefs and assumptions and on information currently available to our management.

Forward-looking statements involve risks, uncertainties and assumptions. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. Actual results may differ materially from those expressed in these forward-looking statements due to a number of uncertainties and risks, including the risks described in this prospectus and other unforeseen risks. You should not put undue reliance on any forward-looking statements.

We undertake no obligation to update forward-looking statements after we distribute this prospectus except as may be required under the federal securities laws.

USE OF PROCEEDS

We estimate that the net proceeds of the sale of the shares of common stock that we are selling in this offering will be $ million, based on an assumed initial public offering price of $ per share, the mid-point of the range on the front cover of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters' over-allotment option is exercised in full, we estimate that we will receive net proceeds of $ million.

We currently anticipate that we will use approximately $ of the net proceeds to prepay the principal of and accrued interest and prepayment penalty on our $120.0 million senior second lien term loan and approximately $ to prepay a portion of the amount outstanding under our $380.0 million senior secured term loan B. We currently anticipate that we will use the remainder of the net proceeds for general corporate purposes. We entered into the $120.0 million senior second lien term loan and the $380.0 million senior secured term loan B on March 17, 2004. The principal of the senior second lien term loan is due in a single installment on March 17, 2012, and bears interest either at a LIBOR rate plus 5% or a floating base rate determined by the lender plus 4%. The principal of the senior secured term loan B is subject to scheduled quarterly amortization of 0.25% of the initial principal amount, payable in arrears, for the first 6.75 years, and 93.25% of the initial principal in the final quarter of the seventh year, and bears interest either at a LIBOR rate plus a variable interest rate margin or a floating base rate determined by the lender plus a variable interest rate margin. We used the proceeds of these loans to refinance substantially all of our existing debt and pay accrued interest in the aggregate amount of $219.0 million, to pay fees and expenses of $11.0 million in connection with the new credit facilities and to make a cash payment in the aggregate amount of $270.0 million of which $258.0 million was distributed to our stockholders and $12.0 million was paid in the form of one-time bonuses to management as compensating payments with respect to their outstanding stock options. For additional information on these credit facilities including their terms and the use of their proceeds, see "Description of our Credit Facilities."

DIVIDEND POLICY

We do not anticipate declaring or paying any cash dividends in the foreseeable future. The timing and amount of future cash dividends, if any, would be determined by our Board of Directors and would depend upon our earnings, financial condition and cash requirements at the time. See "Description of our Credit Facilities" for a discussion of restrictions in our credit facilities that may limit our ability to pay cash dividends in the future.

In connection with our recent recapitalization on March 17, 2004, we distributed $258.0 million to our existing stockholders, pro rata on the basis of their relative ownership interests in the company. We do not intend to make similar distributions in the future.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and our consolidated capitalization at March 31, 2004:

- on an actual basis; and
- as adjusted to give effect to the following:
  - the automatic conversion of all outstanding shares of our preferred stock into shares of our common stock upon closing of this offering;
  - the sale of shares at an assumed initial public offering price of $, the midpoint of the range on the cover of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us; and
  - the use of proceeds to prepay the principal of and accrued interest and prepayment penalty on our $120.0 million senior second lien term loan and approximately $ to prepay a portion of the amount outstanding under our $380.0 million senior secured term loan B.

You should read this table in conjunction with our consolidated financial statements and the notes thereto included elsewhere in this prospectus.

	March 31, 2004	
	Actual	As Adjusted
	(In thousands)	
Cash and cash equivalents	$ 17,207	$
Debt		
Revolving credit facility	—	—
Senior secured term loan B	380,000	
Senior second lien term loan	120,000	—
Capital lease and other obligations	11,303	11,303
Total debt	511,303	
Stockholders' equity		
Preferred Stock	7	—
Common Stock	4	
Paid-in-capital	188,872	
Retained earnings (deficit)	(8,839)	
Accumulated other comprehensive income	59,258	59,258
Total stockholders' equity	239,302	
Total capitalization	$ 750,605	$

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

Our audited consolidated financial statements for fiscal 2004 are included elsewhere in this prospectus. The unaudited pro forma consolidated financial information presented herein should be read together with those financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The unaudited pro forma consolidated financial information has been provided to enable readers to understand our historical financial results in relation to our recent recapitalization that occurred on March 17, 2004, and the sale of our common stock offered by this prospectus.

Our historical March 31, 2004, balance sheet already reflects the financial impact of the recapitalization. We prepared the unaudited consolidated pro forma balance sheet to reflect the offering as if it had occurred on March 31, 2004. We prepared the unaudited pro forma consolidated statements of operations to reflect the recapitalization and the offering of our common stock as if such events had occurred on April 1, 2003.

The pro forma consolidated balance sheet data at March 31, 2004, and statement of operations data for fiscal 2004, give effect to the recapitalization, the sale of shares of our common stock at an assumed public offering price of $ per share and the conversion of our preferred stock into shares of our common stock immediately prior to the closing of this offering, along with the anticipated use of the estimated proceeds from this offering to prepay indebtedness and for other general corporate purposes.

We have excluded $18.6 million of special charges, which includes $6.6 million in deferred financing charges and $12.0 million in one-time bonus payments to management in connection with the recapitalization, from our pro forma results of operations for fiscal 2004.

Certain information normally included in financial statements prepared in accordance with generally accepted accounting principles in the U.S. has been omitted pursuant to the rules and regulations of the SEC. The pro forma consolidated statement of operations data for fiscal 2004 are not necessarily indicative of results that would have occurred had the recapitalization and this offering been completed on April 1, 2003, and should not be construed as being representative of future results of operations. Likewise, the pro forma consolidated balance sheet data at March 31, 2004, are not necessarily indicative of our financial position at March 31, 2004, had the offering been completed on March 31, 2004.

	Fiscal Year Ended March 31, 2004				
	Historical	Recapitalization adjustments	Pro forma for recapitalization	Offering adjustments	Pro forma for recapitalization and as adjusted for offering
			(unaudited)		
			(in thousands, except per share data)		
Pro Forma Consolidated Statement of Operations					
Net sales	$ 969,079	$ —	$ 969,079	$ —	$ 969,079
Cost of goods sold	722,825	—	722,825	—	722,825
Gross profit	246,254		246,254		246,254
Operating expenses	170,412	—	170,412	—	170,412
Special charges	21,147	(12,052)(1)	9,095	—	9,095(7)
Amortization expense	51	—	51	—	51
Operating earnings	54,644	12,052	66,696	—	66,696
Interest expense	20,343	11,023 (2)	31,366	(5)	
Special charges	30,974	(6,569)(3)	24,405	—	
Other (income) expense, net	(4,466)	—	(4,466)	—	(7)
Earnings before income taxes	7,793	7,598	15,391		
Income tax expense	2,957	2,811 (4)	5,768	(6)	
Net earnings	$ 4,836	$ 4,787	$ 9,623	$	$ (7)
Net earnings (loss) per share					
Basic	$	$ —	$ —	$ — (8)	$ —
Diluted	$	$ —	$ —	$ — (8)	$ —
Weighted average shares outstanding					
Basic					
Diluted					

(1) Amount represents the elimination of special charges of $12.0 million, before taxes, related to compensation expense incurred in connection with the March 17, 2004 recapitalization.

(2) Amount represents a net increase in interest expense of $11.0 million, before taxes, associated with the increased debt from the recapitalization, including $1.6 million of amortization for the increased deferred financing costs and the elimination of $2.0 million in amortization of deferred financing costs from the previous credit facility. For purposes of this calculation, the interest rates used were the actual rates (an average 4.8%) that existed at March 31, 2004.

(3) Amount represents the elimination of special charges, before taxes, of $6.6 million in deferred financing costs related to the early extinguishment of debt in connection with the March 17, 2004 recapitalization.

(4) Amount represents the income tax expense from (1), (2) and (3) above at our current 37% effective tax rate.

(5) Amount represents reduced interest expense, before taxes, resulting from the anticipated use of the estimated proceeds from this offering to repay certain debt, of $ million from a reduction of $ of senior secured term loan B, of $7.3 million from repayment of $120.0 million of senior second lien term loan and of $ million reduction in amortization of deferred financing costs related to the debt that will be prepaid with the use of proceeds. For purposes of this calculation, the interest rates used were the actual rates (an average 4.6%) that existed at March 31, 2004.

(6) Amount represents the income tax expense from (5) above at our current 37% effective tax rate.

(7) The historical and pro forma results above include special charges that are non-recurring in nature. Management believes that these results, excluding special charges, are an indication of our ongoing operating results. Certain of the special charges, in the amounts of $12.0 million (see footnote (1) above) and $6.6 million (see footnote (3) above), have been included in the

recapitalization adjustments. The following is a summary of the special charges that are not included in the pro forma consolidated statements of operations as of March 31, 2004:

	(in thousands)
Unsuccessful acquisition attempts	$ 6,800
Restructuring charges	2,295
Special charges—operating	9,095
Settlement agreement	24,405
Total additional special charges	$ 33,500

Excluding the effects of all of the special charges, which total $52.1 million, and net of a tax benefit of $19.3 million, pro forma net earnings for fiscal 2004 would have been $, basic earnings per share would have been $ and diluted earnings per share would have been $.

(8) Reflects the conversion of our preferred stock into shares of common stock and the sale of shares of common stock in the offering.

Unaudited pro forma basic and diluted earnings per share have been calculated in accordance with the SEC rules for initial public offerings. These rules require that the weighted average share calculation give retroactive effect to any changes in our capital structure as well as the number of shares whose sale proceeds will be used to repay any debt as reflected in the pro forma adjustments. Therefore, pro forma weighted average shares for purposes of the unaudited pro forma basic earnings per share calculation consist of approximately shares of our common stock outstanding prior to this offering and million shares of our common stock being offered hereby.

	As of March 31, 2004		
	Historical	Offering adjustments	Pro forma as adjusted for offering
		(unaudited) (in thousands)	
Pro Forma Consolidated Balance Sheet			
Assets			
Current assets:			
Cash and cash equivalents	$ 17,207	$ (1)	$
Accounts receivable, net	227,752		227,752
Inventories, net	131,712		131,712
Deferred taxes	24,616		24,616
Prepaid expenses	17,873		17,873
Other current assets	4,543		4,543
Total current assets	423,703		
Property, plant, and equipment, net	284,850		284,850
Goodwill	306,825		306,825
Other intangible assets, net	75,495		75,495
Deferred taxes	26,025		26,025
Other	34,170	(2)	
Total assets	$ 1,151,068	$	$
Liabilities and stockholders' equity			
Current liabilities:			
Short-term debt	$ 2,712	$ —	$ 2,712
Current portion of long-term debt	7,014	(3)	
Current portion of capital lease obligations	2,150		2,150
Accounts payable	113,043		113,043
Accrued expenses	163,717		163,717
Deferred taxes	340		340
Total current liabilities	288,976		
Long-term debt	496,200	(3)	
Capital lease obligations	3,227		3,227
Deferred taxes	60,952		60,952
Other	62,411		62,411
Total liabilities	911,766		
Stockholders' equity:			
Preferred Stock	7	(7)(4)	—
Common Stock	4	(4)	
		(5)	
Paid-in capital	188,872	(5)	
		(4)	
Retained earnings (deficit)	(8,839)		
		(6)	
Accumulated other comprehensive income	59,258		59,258
Total stockholders' equity	239,302		
Total liabilities and stockholders' equity	$ 1,151,068	$	$

(1) Amount represents cash remaining for general corporate purposes from this offering after prepayment of debt and payment of the estimated expenses of this offering.

(2) Amount represents the deferred financing fees associated with the early prepayment of debt.

(3) Amount represents the use of proceeds from this offering to prepay certain indebtedness.

(4) Amount reflects the conversion of shares of our preferred stock at the issuance amount plus a cumulative amount from the date of issuance to the date of conversion at a rate of 7.5% per year, compounded quarterly, into shares of common stock upon completion of this offering.

(5) Amount represents the sale of shares of common stock in this offering at an assumed initial public offering price of $ per share, less related estimated expenses of $ million, for net proceeds of $ million.

(6) Amount represents the prepayment penalty on the prepayment of debt with the anticipated proceeds from this offering.

DILUTION

At March 31, 2004, our net tangible book value (deficit) was $(143.0) million, or $ per share of common stock. Net tangible book value (deficit) per share is equal to our stockholders' equity (deficit) less goodwill and other intangible assets, divided by the total number of outstanding shares of our common stock. After giving effect to the sale of the shares of our common stock offered by us at an assumed initial public offering price of $ per share, the mid-point of the range on the cover of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, and the anticipated application of the proceeds from the offering, our net tangible book value at March 31, 2004, would have been $ million, or $ per share. This represents an immediate increase in net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to new investors purchasing shares of our common stock in this offering.

The following table illustrates the dilution per share:

Assumed initial public offering price per share		$
Net tangible book value (deficit) per share at March 31, 2004 before giving effect to the offering	$	
Increase in net tangible book value per share attributable to new investors purchasing shares in the offering		
Net tangible book value per share after giving effect to the offering		
Dilution in net tangible book value per share to new investors		$

If the underwriters exercise their over-allotment option in full, the net tangible book value per share after giving effect to the offering would be $ per share. This represents an increase in net tangible book value of $ per share to existing stockholders and dilution in net tangible book value of $ per share to new investors.

The following table summarizes, as of March 31, 2004, the differences between the number of shares of common stock purchased from us, the total cash consideration and the average price per share paid by the existing stockholders and by the new investors purchasing stock in the offering at an assumed initial offering price of $ per share, before deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us:

	Shares purchased		Total cash consideration		
	Number	Percentage	Amount	Percentage	Average price per share
Existing stockholders		%	$	%	$
New investors					
Total		100.0%	$	100.0%	$

If the underwriters exercise their over-allotment option in full, our existing stockholders would own % and our new investors would own % of the total number of shares of our common stock outstanding after this offering.

The preceding discussion and table assumes no exercise of:

- Stock options for shares issuable upon exercise of outstanding options as of March 31, 2004, under our stock option plans at a weighted average exercise price of $ per share; and

- Stock options for shares available for future grant or issuance under our stock option plans.

To the extent that any options are exercised, there will be further dilution to new investors. If all of our outstanding options as of March 31, 2004, had been exercised, the pro forma net tangible book value per share after this offering would be $ per share, representing an increase in pro forma net tangible book value of $ per share to existing stockholders and a dilution in the pro forma net tangible book value of $ per share to new investors.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The following tables set forth summary consolidated financial and operating data. We were incorporated in October 2000 for the purpose of acquiring the Yuasa Inc. industrial battery business from Yuasa Corporation (Japan) and did not have any operations prior to October 1, 2000. Selected consolidated financial data for the periods prior to October 1, 2000, are derived from the consolidated financial statements of Yuasa Inc., which we refer to as the Predecessor Company. The summary consolidated financial data presented below for the three-year period ended March 31, 2004, and the balance sheet data at March 31, 2002, 2003 and 2004, have been derived from our consolidated financial statements which have been audited by Ernst & Young LLP, independent auditors. The summary consolidated financial data presented below as of and for the fiscal year ended March 31, 2000, for the six months ended September 30, 2000, and as of and for the six months ended March 31, 2001, have been derived from unaudited financial statements that are not included in this prospectus. You should read the selected financial data presented below in conjunction with our consolidated financial statements and the notes to our consolidated financial statements included elsewhere in this prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Fiscal Year Ended March 31,	Six Months Ended September 30,	Six Months Ended March 31,	Fiscal Year Ended March 31,		
	2000	2000	2001	2002	2003	2004
	(Predecessor Company)			(EnerSys)		
	(in thousands, except per share amounts)					
Consolidated Statement of Operations:(1)						
Net sales	$ 385,124	$ 228,295	$ 233,051	$ 339,340	$ 859,643	$ 969,079
Cost of goods sold	294,899	175,457	173,146	266,493	653,998	722,825
Gross profit	90,225	52,838	59,905	72,847	205,645	246,254
Operating expenses	57,923	32,774	30,795	53,463	150,618	170,412
Special charges	—	—	—	68,448	—	21,147
Amortization(2)	4,052	1,774	2,373	51	51	51
Operating earnings (loss)	28,250	18,290	26,737	(49,115)	54,976	54,644
Interest expense	10,582	5,633	7,667	13,294	20,511	20,343
Special charges	—	—	—	—	—	30,974
Other (income) expense, net	384	368	264	1,744	(742)	(4,466)
Earnings (loss) before income taxes	17,284	12,289	18,806	(64,153)	35,207	7,793
Income tax expense (benefit)	6,970	4,967	8,351	(22,171)	12,355	2,957
Net earnings (loss)	$ 10,314	$ 7,322	$ 10,455	$ (41,982)	$ 22,852	$ 4,836
Net earnings (loss) per share						
Basic	—	—	—	$	$	$
Diluted	—	—	—	$	$	$
Weighted average shares outstanding						
Basic	—	—	—			
Diluted	—	—	—			

	Fiscal Year Ended March 31,	Six Months Ended September 30,	Six Months Ended March 31,	Fiscal Year Ended March 31,		
	2000	2000	2001	2002	2003	2004
	(Predecessor Company)			(EnerSys)		
	(in thousands)					
Other Operating Data:(1)						
Capital expenditures	$ 16,796	$ 10,317	$ 16,049	$ 12,944	$ 23,623	$ 28,580
EBITDA(3)	45,692	25,596	35,715	(39,563)	91,651	65,175
Special charges(4)	—	—	—	68,448	—	52,121
EBITDA, excluding special charges(5)	45,692	25,596	35,715	28,885	91,651	117,296

	As of March 31,				
	2000	2001	2002	2003	2004
	(Predecessor Company)		(EnerSys)		
			(in thousands)		
Balance Sheet Data:					
Cash and cash equivalents	$ 199	$ 9,135	$ 9,075	$ 44,296	$ 17,207
Working capital	17,081	52,776	104,418	135,356	134,727
Total assets	244,808	445,002	978,889	1,075,808	1,151,068
Total debt	99,788	152,003	253,394	252,162	511,303
Preferred stock	—	—	7	7	7
Total stockholders equity	$ 69,427	$ 172,362	$ 414,847	$ 465,747	$ 239,302

(1) Includes the results of operations of ESG for the full years for fiscal 2003 and fiscal 2004, but only for nine days in fiscal 2002.

(2) If SFAS No. 142, "Goodwill and Other Intangible Assets," had been adopted as of April 1, 1999, the absence of goodwill amortization would have increased the net earnings for the fiscal year ended March 31, 2000, six months ended September 30, 2000, and six months ended March 31, 2001, by approximately $1,123, $561 and $1,405, respectively.

(3) We have included EBITDA because management uses it as a key measure of our performance and ability to generate cash necessary to meet our future debt service and capital expenditure requirements. EBITDA is defined as earnings before interest expense, income tax expense (benefit), depreciation and amortization. EBITDA is not a measure of financial performance under accounting principles generally accepted in the United States and should not be considered an alternative to net income or any other measure of performance under accounting principles generally accepted in the United States as a measure of performance or to cash flows from operating, investing or financing activities as an indicator of cash flows or as a measure of liquidity. Our calculation of EBITDA may be different from the calculations used by other companies, and therefore comparability may be limited. Certain financial covenants in our senior secured credit facility and our senior second lien credit facility are based on EBITDA, subject to adjustments, and therefore EBITDA for purposes of these financial covenants may be calculated differently from EBITDA as shown above. Depreciation and amortization in the table excludes amortization of deferred financing costs, which is included in interest expense. The following table provides a reconciliation of EBITDA to net earnings (loss):

	Fiscal Year Ended March 31,		
	2002	2003	2004
	(in thousands)		
EBITDA	$ (39,563)	$ 91,651	$ 65,175
Depreciation and amortization	11,296	35,933	37,039
Interest expense	13,294	20,511	20,343
Income tax (benefit) expense	(22,171)	12,355	2,957
Net (loss) earnings	$ (41,982)	$ 22,852	$ 4,836

(4) Special charges are discussed in detail in the notes to our consolidated financial statements and in "Management's Discussion and Analysis of Financial Condition and Results of Operations." The fiscal 2002 charges were primarily for the closures of a plant and certain other locations in the U.S. and our South American operations. The charges in fiscal 2004 related primarily to a settlement with Invensys, the recapitalization in March 2004 and costs of unsuccessful acquisition attempts.

(5) We have included EBITDA, excluding special charges, because we evaluate our business segment performance primarily based upon operating earnings, exclusive of restructuring charges and other unusual and special charge items. Management believes that it is better able to evaluate performance by focusing on our operations excluding these special charges and that investors also may find this information to be helpful.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of our operations should be read in conjunction with our consolidated financial statements and accompanying notes included elsewhere in this prospectus. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus, including information with respect to our plans and strategy, constitutes forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements" and "Risk Factors" for more information.

Introduction

Overview

We manufacture, market and distribute reserve power and motive power lead-acid industrial batteries and related products such as chargers, power equipment and battery accessories. We also provide related after-market and customer-support services for lead-acid industrial batteries. We market and sell our products globally in more than 100 countries to over 10,000 customers through a network of distributors, independent representatives and an internal sales force. For fiscal 2004, we derived approximately 70% of our revenue from our internal sales force. No single customer accounts for greater than 5% of our consolidated revenue.

We have two business segments: reserve power and motive power. Net sales classifications by segment are as follows:

- **Reserve power batteries** are used to provide backup power for the continuous operation of critical telecommunications and uninterruptible power systems during power disruptions.

- **Motive power batteries** are used to power mobile manufacturing, warehousing and other ground handling equipment, primarily electric industrial forklift trucks.

We evaluate business segment performance based primarily upon operating earnings, exclusive of restructuring charges and unusual and special charge items. All other corporate and centrally incurred regional costs are allocated to the business segments based principally on net sales. We evaluate business segment cash flow and financial position performance based primarily upon capital expenditures and primary working capital levels. Primary working capital for this purpose is trade accounts receivable, plus inventories, minus trade accounts payable and the resulting net amount is divided by the trailing three month net sales (annualized) for the respective business segment or reporting location, to derive a primary working capital percentage ratio. Further, we closely monitor and manage trade accounts receivable days sales outstanding ("DSO"), inventory turns and trade accounts payable days outstanding ("DPO"). Lastly, on a consolidated basis, we review short and long term debt levels, on a daily basis, with corresponding leverage ratios monitored, primarily using debt to EBITDA ratios, excluding special charges. EBITDA is earnings before interest, income taxes, depreciation and amortization. See "Other Operating Data."

We operate and manage our business in three primary geographic regions of the world—the Americas, Europe and Asia. Our business is highly decentralized with 19 manufacturing locations throughout the world. Our management structure and financial reporting systems, and associated internal controls and procedures, are all consistent with our two business segments and three geographic regions in which we operate. We report on a March 31 fiscal year.

Our financial results are largely driven by the following factors:

- general cyclical patterns of the industries in which our customers operate;

- changes in our market share in the business segments and regions where we operate;

- changes in our selling prices and, in periods when our product costs increase, our ability to raise our selling prices to pass such cost increases through to our customers;

- the extent to which we are able to efficiently utilize our global manufacturing facilities and optimize their capacity;

- the extent to which we can control our fixed and variable costs, including those for our raw materials, manufacturing and distribution, operating activities and interest; and

- changes in our short and long term debt levels and changes in our credit facilities floating interest rates, impact on our interest expense.

In fiscal 2004, approximately 34% of our total costs were fixed and 66% were variable.

Starting in fiscal 2002, the telecommunications industry dramatically reduced building new systems in response to massive overcapacity. Additionally, in fiscal 2002 and fiscal 2003 the global economy was weak. These conditions combined to produce excess capacity in some sectors of our industry, driving consolidation among industrial battery purchasers. Several of our competitors experienced financial difficulties. As a result, we have been subjected to pricing pressures over the past several years. We anticipate heightened competitive pricing pressure as Chinese and other foreign producers, able to employ labor at significantly lower costs than producers in the U.S. and Western Europe, expand their export capacity and increase their marketing presence in our major U.S. and European markets. Our ability to maintain and improve our operating margins has depended, and continues to depend, on our ability to control our costs and maintain our pricing. As a result, our business strategy has been highly focused on increasing our market share, tightly controlling capital expenditures and cash and reducing our costs as sales volumes fell.

Our Corporate History

There have been several key stages in the development of our business, which explain to a significant degree our results of operations over the past four years.

We were formed in late 2000 by Morgan Stanley Capital Partners and the management of Yuasa Inc. to acquire the industrial battery business of Yuasa Corporation (Japan) in North and South America. Our reported results for the period prior to the acquisition of this business reflect the operations of the predecessor company to the business we acquired.

In addition, our results of operations for the past three fiscal years have been significantly affected by our acquisition of ESG on March 22, 2002. This acquisition more than doubled our size. Our results of operations for fiscal 2002 include ESG for only nine days, while our results for fiscal 2003 and 2004 include ESG for the full fiscal year. Giving effect to the ESG acquisition, as if it occurred at the beginning of fiscal 2002, pro forma net sales and net earnings would have been $897.5 million and $24.2 million, respectively, after excluding $60.6 million in fiscal 2002 special charges net of tax.

Our successful integration of ESG provided global scale in both the reserve and motive power markets. The ESG acquisition also provided us with a further opportunity to reduce costs and improve operating efficiency that, among other initiatives, led to closing underutilized manufacturing plants, distribution facilities, sales offices and eliminating other redundant costs, including staff. We recorded a $68.4 million special charge in fiscal 2002 associated with this business activity and strategy.

The cash purchase price for ESG was approximately $400 million and was financed by convertible preferred stock of $283 million, a seller note of $58.3 million and additional borrowings. We acquired net assets of approximately $393 million, which included goodwill of approximately $128 million. On March 17, 2004, we refinanced the ESG acquisition debt and completed a recapitalization transaction in which we entered into a new $600 million financing arrangement, consisting of a $100 million senior secured revolving credit facility, a $380 million senior secured term loan B and a $120 million senior second lien term loan. We will repay the $120 million senior second lien term loan and a portion of the $380 million senior secured term loan B with a portion of the proceeds of this offering. We used $500 million of the proceeds of these credit facilities to repay existing debt of $219 million, to fund a cash payment of $270 million to our existing stockholders and management and to pay transaction costs of $11 million.

Our historical consolidated financial statements show our result of operations as a private company. After completion of this offering, we will be a public company, and we estimate that the incremental costs of complying with our new public company reporting obligations will be approximately $5 million per year.

Market and Economic Conditions

Our operating results are directly affected by the general cyclical pattern of the industries in which our major customer groups operate. For example, the significant capital expenditures made by the telecommunications industry during the period from fiscal 1999 through fiscal 2001 drove demand for our reserve power products, as numerous companies expanded their systems and installed standby backup battery power systems. However, the demand for our reserve power systems declined when the telecommunications industry significantly reduced building new systems in response to massive overcapacity.

Both our reserve power and motive power segments are heavily dependent on the end markets they serve, and our results of operations will vary depending on the capital expenditure environment in these markets. In addition, general economic conditions in the U.S. and international markets in which we and our customers operate also affect demand for our products. Sales of our motive power products, for example, depend significantly on demand for new electric industrial forklift trucks, which in turn depends on end-user demand for additional motive capacity in their distribution and manufacturing facilities. The overall economic conditions in the markets we serve can be expected to have a material effect on our results of operations.

In fiscal 2003, market and economic conditions stabilized, the euro strengthened on average for the year by 14% against the dollar and our cost-reduction initiatives yielded savings in excess of $35.0 million. In fiscal 2004, market and economic conditions generally were stable and began improving, particularly in the second half of the fiscal year in the Americas and Asia. See "Quarterly Information." In fiscal 2004, excluding special charges, earnings and operating cash flow increased as sales volume in units increased approximately 4%, the euro strengthened on average for the year by 18% against the dollar and cost-reduction programs yielded approximately $30.0 million of additional savings.

In late fiscal 2004, our primary raw material costs began increasing significantly, with the cost of lead—approximately 30% of our total raw material costs—increasing approximately 30% in the fourth quarter of fiscal 2004 over the prior fiscal quarter. We anticipate our average cost of lead in fiscal 2005 will be substantially higher than in fiscal 2004. We enacted a series of price increases in late fiscal 2004 that are expected to increase our battery selling prices by approximately 5% in fiscal 2005. We cannot assure you that our price increases will be accepted by the industry. Further cost-reduction programs have been identified that will partially offset rising raw material costs. If lead prices for fiscal 2004 remain at their current level, and if we are unable to adjust our pricing to accommodate increased lead costs, we would experience a significant decline in operating earnings in fiscal 2005.

Components of Revenue and Expense

Net sales include: the invoiced amount for all products sold and services provided; freight costs, when paid for by our customers; less all related allowances, rebates, discounts and sales, value-added or similar taxes.

Cost of goods sold includes: the cost of material, labor and overhead; the cost of our service businesses; freight; warranty and other costs such as distribution centers; obsolete or slow moving inventory provisions; and certain types of insurance.

Cost of goods sold includes the following approximate components of cost for fiscal 2004:

Raw materials	49%
Labor and overhead	40
Subtotal	89
Freight	6
All other, including warranty expense	5
Total	100%

These components of cost of goods sold are substantially similar in our two business segments and remain relatively consistent from year to year.

We employ significant amounts of lead, plastics, steel, copper and other materials in our manufacturing processes. The costs of these raw materials, particularly lead, are volatile and beyond our control. Lead is our single largest raw material item and represents approximately 30% of total raw material costs. Lead prices have experienced significant volatility during the past six months. The highest price for lead during fiscal 2004 was $0.4423 per pound on March 1, 2004, and the highest price for lead since the end of fiscal 2004 was $0.3860 per pound on April 1, 2004. Lead, plastics, steel and copper in the aggregate represent approximately 75% of our total raw material costs. Volatile raw materials costs can significantly affect our operating results and make period-to-period comparisons difficult. The costs of commodity raw materials such as lead, steel and copper have increased significantly in recent periods. We attempt to control our raw material costs through strategic purchasing decisions. Where possible, we pass along some or all of our increased raw material costs to our customers. The following table shows certain average commodity prices for fiscal 2002, 2003 and 2004 and the spot prices as of May 4, 2004:

	Fiscal year ended March 31,			
	2002	2003	2004	May 4, 2004
Lead $/lb.[1]	$ 0.2159	$ 0.2053	$ 0.2773	$ 0.3406
Steel $/lb.[2]	0.1502	0.1700	0.1688	0.3500
Copper $/lb.[1]	0.7158	0.7074	0.9307	1.2770

(1) Source: London Metal Exchange

(2) Source: Nucor

Labor and overhead are primarily attributable to our manufacturing facilities. Labor costs represent approximately 57% of this total category. Overhead includes plant operating costs such as utilities, repairs and maintenance, taxes, supplies and depreciation.

Operating expenses include all non-manufacturing selling, general and administrative, engineering and other expenses. These include salaries and wages, sales commissions, fringe benefits, supplies, maintenance, general business taxes, rent, communications, travel and entertainment, depreciation, advertising and bad debt expenses.

Operating expenses are incurred in the following functional areas of our business and are substantially similar in both of our business segments. Approximately 61% of total operating expenses are for staff costs.

Selling	67%
General and administrative	27
Engineering	6
Total	100%

Special charges are expenses not normally incurred in the day-to-day operations of our business.

Other income (expense), net includes non-operating foreign currency transaction gains (losses), fixed asset disposal gains (losses), license fees and rental income. Our exposure to exchange rate fluctuations is largely limited to currency translation gains (losses) reflected on our financial statements. Due to our global manufacturing and distribution footprint, which means that most of our operating costs and revenues are incurred and paid in local currencies, we believe that we have a significant natural hedge against the impact on our business of exchange rate fluctuations.

Results of Operations

Consolidated fiscal year ended March 31, 2004, compared to fiscal year ended March 31, 2003, statement of operations highlights

	Fiscal 2003		Fiscal 2004		Increase (Decrease)	
	In Millions	As % Net Sales	In Millions	As % Net Sales	In Millions	%
Net sales	$ 859.6	100.0%	$ 969.1	100.0%	$ 109.5	12.7%
Cost of goods sold	653.9	76.1	722.8	74.6	68.9	10.5%
Gross profit	205.7	23.9	246.3	25.4	40.6	19.7%
Operating expenses	150.6	17.5	170.5	17.6	19.9	13.2%
Special charges	0.0	0.0	21.1	2.2	21.1	n/a
Amortization	0.1	0.0	0.1	0.0	(0.0)	(0.0)%
Operating earnings	55.0	6.4	54.6	5.6	(0.4)	(0.7)%
Interest expense	20.5	2.4	20.3	2.1	(0.2)	(1.0)%
Special charges	0.0	0.0	31.0	3.2	31.0	n/a
Other (income) expense, net	(0.7)	(0.1)	(4.5)	(0.5)	3.8	n/a
Earnings before income taxes	35.2	4.1	7.8	0.8	(27.4)	(77.8)%
Income tax expense	12.3	1.4	3.0	0.3	(9.3)	(75.6)%
Net earnings	$ 22.9	2.7%	$ 4.8	0.5%	($ 18.1)	(79.0)%

Overview

Our fiscal 2004 results were favorably affected by an improving global economic climate, particularly in the Americas and Asia during the second half of the fiscal year, increased unit volume of 3.8%, cost reduction programs that saved approximately $30 million and continued low interest rates. Excluding $52.1 million of special charges net of tax, we would have recorded net earnings of $37.7 million in fiscal 2004, an increase of 64.6% compared to fiscal 2003 net earnings of $22.9 million.

Net sales by geographic region were as follows:

	Fiscal 2003		Fiscal 2004		Increase	
	In Millions	% Total Sales	In Millions	% Total Sales	In Millions	%
Europe	$ 434.5	50.5%	$ 511.1	52.7%	$ 76.6	17.6%
Americas	392.0	45.6	408.8	42.2	16.8	4.3%
Asia	33.1	3.9	49.2	5.1	16.1	48.6%
Total	$ 859.6	100.0%	$ 969.1	100.0%	$ 109.5	12.7%

The net sales growth in Asia and the Americas was primarily driven by unit volume increases, while the growth in Europe was virtually all attributable to the strengthening of major European currencies, primarily the euro, against the dollar. Pricing was generally stable during fiscal 2004, with the exception of certain reserve power products, particularly in Asia, where pricing declined modestly.

Operating earnings by geographic region were as follows:

	Fiscal 2003		Fiscal 2004		Increase (Decrease)	
	In Millions	As% Net Sales	In Millions	As% Net Sales	In Millions	%
Europe	$ 26.7	6.1%	$ 37.0	7.2%	$ 10.3	38.6%
Americas	24.7	6.3	34.4	8.4	9.7	39.3%
Asia	5.7	17.2	4.3	8.7	(1.4)	(24.6)%
Subtotal	57.1	6.6	75.7	7.8	18.6	32.6%
Eliminations, special charges and other	(2.1)	(0.2)	(21.1)	(2.2)	(19.0)	n/a
Total	$ 55.0	6.4%	$ 54.6	5.6%	$ (0.4)	(0.7)%

Our fiscal 2004 operating results reflect $21.1 million of special charges. Fiscal 2004 operating earnings, excluding $21.1 million of special charges, were $37.0 million in Europe (49%), $34.4 million in the Americas (45%) and $4.3 million in Asia (6%). The special charges are described in detail below under "Special Charges." Fiscal 2004 operating earnings, excluding the special charges, were $75.7 million, which represents a 32.6% increase compared to $57.1 million in fiscal 2003. This improvement is primarily attributable to a modest improvement in sales unit volumes, the strong European currencies, primarily the euro, and cost savings programs. Operating earnings margins, excluding special charges, improved 120 basis points in fiscal 2004 to 7.8% primarily as a result of increased unit volumes and cost savings programs.

In the Americas, operating earnings increased as substantial improvements were achieved in cost reductions and unit sales volume increased, particularly in the motive power business. In Europe, operating earnings increased as substantial improvements were achieved in cost reduction and European currencies, primarily the euro, strengthened compared to the dollar. In Asia, operating earnings decreased as pricing declined approximately 3% and significant startup costs were incurred in adding sales offices and related costs during the year.

A discussion of specific fiscal 2004 versus fiscal 2003 operating results follows, including an analysis and discussion of the results of our two business segments.

Net Sales

	Fiscal 2003		Fiscal 2004		Increase	
	In Millions	% Total Sales	In Millions	% Total Sales	In Millions	%
Reserve power	$ 426.9	49.7%	$ 480.0	49.5%	$ 53.1	12.4%
Motive power	432.7	50.3	489.1	50.5	56.4	13.0%
Total	$ 859.6	100.0%	$ 969.1	100.0%	$ 109.5	12.7%

Fiscal 2004 unit sales volume increased 3.8% or $32.6 million with the balance of the fiscal 2004 increase of $76.9 million attributable to the strong European currencies, primarily the euro, compared to the dollar. The euro exchange rate to the dollar averaged 1.18 ($ / €) in fiscal 2004 compared to 1.00 ($ / €) in fiscal 2003. Pricing was stable but down slightly for fiscal 2004. Motive power pricing was stable throughout fiscal 2004, with the Americas flat and Europe down approximately 0.5%. Reserve power pricing was down approximately 1% during fiscal 2004, with the Americas and Europe down slightly and Asia down approximately 3%, as competitive factors in China, which recently have stabilized, have driven pricing down over the past two-year period and are now comparable with pricing levels in other regions of the world.

Fiscal 2004 net sales growth in the Asia reserve power business was very strong with an increase of approximately 50%, based primarily upon a focused expansion of our sales offices and added sales personnel, selected new products and strong market growth in China. We expect the Asian market will continue to grow at a faster rate than other regions of the world for our reserve power products.

Fiscal 2004 unit net sales growth in reserve power and motive power was approximately 3.8% and 4.3%, respectively, compared to fiscal 2003 levels. In reserve power, Asia experienced strong fiscal 2004 growth as previously discussed, with the Americas up approximately 1% and Europe flat over fiscal 2003. In motive power, fiscal 2004 unit volume increased approximately 7% in the Americas and 2% in Europe compared to fiscal 2003.

Our fiscal 2004 sales also benefited from improving economic conditions in the second half of the year, particularly in the Americas and Asia, for many of our end markets applications, such as electric industrial forklift trucks, wireless telecom and aerospace and defense. As further evidence of the improved business climate and its favorable impact on our financial results in the second half of fiscal 2004, growth rates in fiscal 2004 compared to fiscal 2003 third and fourth quarters net sales and operating earnings (excluding special charges) follow:

	3rd Quarter	4th Quarter
Net sales growth rate		
In dollars	19.0%	19.4%
In approximate units volume	8.0%	12.0%
Operating earnings growth rate		
In dollars	35.5%	43.4%
Margin increase	1.0%	1.5%

Gross Profit

	Fiscal 2003		Fiscal 2004		Increase	
	In Millions	As % Net Sales	In Millions	As % Net Sales	In Millions	%
Gross profit	$ 205.7	23.9%	$ 246.3	25.4%	$ 40.6	19.7%

The improvement in gross profit was realized by both business segments and was driven primarily by increased net sales volume and cost savings programs, partially offset by higher raw material costs in the second half of fiscal 2004. Fiscal 2004 cost savings initiatives of approximately $25 million improved gross profit, with most savings related to reductions in manufacturing plant costs (labor and overhead), particularly in Europe, and raw material costs. These cost reduction programs remain a critical element of our business strategy to continue to improve efficiencies, optimize our manufacturing capacity, and further reduce our costs. We anticipate fiscal 2005 cost savings program will realize additional savings.

Operating Expenses

	Fiscal 2003		Fiscal 2004		Increase	
	In Millions	As % Net Sales	In Millions	As % Net Sales	In Millions	%
Operating expenses, excluding special charges	$ 150.6	17.5%	$ 170.5	17.6%	$ 19.8	13.1%
Special charges	—	—	21.1	2.2	21.1	N/A

Selling expenses were approximately 67% of fiscal 2004's $170.5 million in operating expenses and were a similar percentage of fiscal 2003 amounts. The increase in fiscal 2004 operating expenses was primarily attributable to increased sales and expansion of our sales locations and personnel in Asia.

Special Charges

Included in our fiscal 2004 operating results are $52.1 million of special charges as follows:

	Fiscal 2004	
	In Millions	Fiscal Quarter Recorded
Recorded as an operating expense:		
Special bonus	$ 12.0	4th
Unsuccessful acquisition attempts	6.8	3rd
Restructuring	2.3	3rd
Total operating expense	21.1	
Recorded in other non-operating expenses:		
Invensys settlement agreement	24.4	3rd
Deferred financing costs	6.6	4th
Total other non-operating expense	31.0	
Combined total	$ 52.1	

The special bonus was paid in connection with the March 17, 2004, recapitalization transaction. The charge for unsuccessful acquisitions primarily includes legal and professional fees, and the plant closing costs are related to the final settlement of labor matters from a North American plant closed in fiscal 2002.

The $24.4 million charge associated with Invensys represents an omnibus settlement that, among other items, repaid seller notes, terminated a battery supply agreement and canceled common stock warrants, all of which were attributable to the ESG acquisition. The deferred financing costs written off related to debt refinanced in the March 2004 recapitalization.

In the aggregate, $33.5 million of these special charges were recorded in the third quarter and $18.6 million in the fourth quarter of fiscal 2004. Of the total $52.1 million in special charges, $6.6 million was a non-cash item.

Operating Earnings

	Fiscal 2003		Fiscal 2004		Increase (Decrease)	
	In Millions	As % Net Sales	In Millions	As % Net Sales	In Millions	%
Reserve power	$ 31.2	7.3%	$ 38.7	8.1%	$ 7.5	24.0%
Motive power	23.8	5.5	37.0	7.6	13.2	55.5%
Subtotal	55.0	6.4	75.7	7.8	20.7	37.6%
Special charges	—	—	(21.1)	(2.2)	(21.1)	n/a
Total	$ 55.0	6.4%	$ 54.6	5.6%	$ (0.4)	(0.7)%

Fiscal 2004 operating earnings, excluding special charges of $21.1 million, increased 37.6% to $75.7 million while the margin increased 140 basis points to 7.8%. We experienced increases and margin improvements in both segments of our business. This improvement in operating earnings is primarily

attributable to increases in sales volume, cost savings initiatives and the strength of the European currencies, partially offset by higher raw material costs and increased operating expenses.

Interest Expense

Fiscal 2004 interest expense of $20.3 million (net of interest income of $0.3 million) was essentially flat compared to fiscal 2003 of $20.5 million with a lower average interest rate of 5.0% in fiscal 2004 compared to 5.1% in fiscal 2003, and the lower average debt outstanding of $285 million compared to $292 million in fiscal 2003. The average debt outstanding includes the face amount of the discounted seller notes redeemed in December 2003 and borrowings under our accounts receivable financing program. Included in fiscal 2004 interest expense are non-cash charges of $5.3 million compared to $4.9 million in fiscal 2003. This increase is primarily due to the reduction in the non-cash credit in fiscal 2003 associated with our interest rate options, which expired in fiscal 2004, partially offset by a reduction in the charge associated with the accretion expense of the Invensys seller notes. Included in both years is approximately $2 million of amortization of deferred financing costs.

Other (Income) Expense, Net

Fiscal 2004 other income of $4.5 million consists primarily of non-operating foreign currency transaction gains of $4.0 million, which is also the primary reason for the significant increase compared to fiscal 2003. This large fiscal 2004 foreign currency transaction gain is primarily attributable to the strengthening of the euro against the dollar for certain debt transactions that occurred during the first and second quarters of fiscal 2004.

Earnings Before Income Taxes

Fiscal 2004 earnings before income taxes were $7.8 million, a decrease of $27.4 million or 77.8% compared to fiscal 2003, primarily attributable to $52.1 million of fiscal 2004 special charges. When excluding these special charges in fiscal 2004, we would have recorded earnings before income taxes of $59.9 million or an increase of 70.2% or $24.7 million over fiscal 2003. Additionally, the earnings before tax margin of 0.8% in fiscal 2004 would have been 6.2% after excluding the special charges or 210 basis points above the fiscal 2003 margin of 4.1%.

Income Tax Expense

The fiscal 2004 effective income tax rate was 37% compared to 35% in fiscal 2003. This increase is largely the result of increased U.S. federal income taxes on certain types of undistributed foreign income (Subpart F) and increased U.S. state income taxes, as many states in which we operate continue to increase rates or reduce available income exclusions. We expect the effective tax rate in fiscal 2005 will approximate 37%.

Net Earnings

Fiscal 2004 net earnings were $4.8 million or a decrease of 78.8% compared to fiscal 2003 net earnings of $22.9 million. Excluding the $52.1 million in special charges (net of tax), we would have recorded net earnings of $37.7 million in fiscal 2004, an increase of 64.6% compared to fiscal 2003 with a margin of 3.9%. This increase in net earnings is primarily attributable to increased sales volume, cost savings initiatives, stable interest expense and increased other income from foreign currency gains, offset by higher raw material and operating costs.

Consolidated fiscal year ended March 31, 2003, compared to fiscal year ended March 31, 2002, statement of operations highlights

	Fiscal 2002		Fiscal 2003		Increase (Decrease)	
	In Millions	As % Net Sales	In Millions	As % Net Sales	In Millions	%
Net sales	$ 339.3	100.0%	$ 859.6	100.0%	$ 520.3	153.3 %
Cost of sales	266.5	78.5	653.9	76.1	387.4	145.4 %
Gross profit	72.8	21.5	205.7	23.9	132.9	182.6 %
Operating expenses	53.5	15.8	150.6	17.5	97.1	181.5 %
Special charges	68.4	20.2	0.0	0.0	(68.4)	(100.0)%
Amortization	0.0	0.0	0.1	0.0	0.1	n/a
Operating earnings (loss)	(49.1)	(14.5)	55.0	6.4	104.1	(212.0)%
Interest expense	13.3	3.9	20.5	2.4	7.2	54.1 %
Special charges	0.0	0.0	0.0	0.0	0.0	n/a
Other (income) expense, net	1.8	0.5	(0.7)	(0.1)	(2.5)	(138.9)%
Earnings (loss) before income taxes	(64.2)	(18.9)	35.2	(4.1)	99.4	(154.8)%
Income tax expense (benefit)	(22.2)	(6.5)	12.3	1.4	34.5	(155.4)%
Net earnings (loss)	$ (42.0)	(12.4)%	$ 22.9	2.7%	$ 64.9	(154.5)%

Overview

Fiscal 2003 operating results include the ESG acquisition for a full fiscal year, while fiscal 2002 includes only nine days or $11.5 million in net sales. Accordingly, the significant increase in most components of fiscal 2003 income statement line items is primarily attributable to the impact of this fiscal 2002 acquisition. Giving effect to the ESG acquisition, as if it occurred at the beginning of fiscal 2002, pro forma net sales and net earnings would have been $897.5 million and $24.2 million, respectively, after excluding $60.6 million in fiscal 2002 special charges net of tax. The ESG acquisition increased fiscal 2003 net sales by approximately $563 million.

Our fiscal 2003 operating results were negatively affected by a weak and volatile global economic climate, particularly in the Americas reserve power market, reduced sales unit volumes of approximately 7% when giving effect to the ESG acquisition as if it occurred at the beginning of fiscal 2002, higher interest expense attributable to the ESG acquisition, offset in part by non-operating currency gains, strengthening European currencies, primarily the euro, that increased net sales approximately $50 million, and cost savings initiatives that resulted in savings exceeding $35 million.

Our fiscal 2002 results included $68.4 million in charges described below under "Special Charges." These charges included $51.7 million in non-cash items.

Net sales by geographic region were as follows:

	Fiscal 2002		Fiscal 2003		Increase
	In Millions	% Total Sales	In Millions	% Total Sales	In Millions
Europe	$ 8.8	2.6%	$ 434.5	50.5%	$ 425.7
Americas	330.2	97.3	392.0	45.6	61.8
Asia	0.3	0.1	33.1	3.9	32.8
Total	$ 339.3	100.0%	$ 859.6	100.0%	$ 520.3

The $520.3 million increase in fiscal 2003 net sales was primarily the result of the ESG acquisition. Pricing declined in fiscal 2003 in excess of 1%, particularly in reserve power products.

Our fiscal 2003 operating earnings by geographic region were $26.7 million in Europe (6.1% margin), $24.7 million in the Americas (6.3% margin) and $5.7 million (17.2% margin) in Asia. A fiscal 2002 operating loss of $49.1 million (14.5% margin) was incurred, virtually all attributable to the Americas. This loss included a special charge of $68.4 million described below under "Special Charges." When excluding this special charge, we would have reported operating earnings of $19.3 million (5.7% margin) in fiscal 2002 with approximately 98% of this amount attributable to the Americas.

A discussion of specific fiscal 2003 versus fiscal 2002 operating results follows, including an analysis and discussion of the results of our two business segments.

Net Sales

	Fiscal 2002		Fiscal 2003		Increase (Decrease)	
	In Millions	As % Total Sales	In Millions	As % Total Sales	In Millions	%
Reserve power	$ 162.6	47.9%	$ 426.9	49.7%	$ 264.3	162.5%
Motive power	176.7	52.1	432.7	50.3	256.0	144.9%
Total	$ 339.3	100.0%	$ 859.6	100.0%	$ 520.3	153.3%

The inclusion of ESG net sales for the full year of fiscal 2003 resulted in an increase of approximately $563 million in net sales compared with fiscal 2002, partially offset by a decrease of approximately $43 million in the pre-acquisition EnerSys business. The $43 million decrease included the discontinuance of certain operations at the end of fiscal 2002. Fiscal 2002 net sales included $11.5 million from ESG. Foreign currency translation adjustments of $50.0 million, primarily the euro, had approximately a 6% positive impact on net sales in fiscal 2003. Both reserve power and motive power fiscal 2003 net sales increased by approximately 150% as a result of the ESG acquisition. Giving effect to the ESG acquisition as of the beginning of fiscal 2002, pro forma unit sales volume decreased in fiscal 2003 by approximately 7%. Of this fiscal 2003 pro forma unit volume decrease, approximately 14% was in the reserve power segment, particularly in the Americas where unit volumes decreased approximately 25%. The motive power segment decreased approximately 1% in fiscal 2003 on a pro forma basis. The fiscal 2003 weakness experienced in reserve power was primarily the result of the continued retrenchment in the global telecommunications industry that began in fiscal 2002, and reduction in the UPS and other reserve power industries largely attributable to the fiscal 2003 general decline in global economic conditions. The motive power segment decreased largely as a result of the cyclical nature of the electric industrial forklift truck market, due to weak global economic conditions.

Gross Profit

Total gross profit margin was 23.9% in fiscal 2003 and 21.5% in fiscal 2002, an increase of 240 basis points. The increase in gross profit margin in fiscal 2003 principally relates to gaining economies of scale from cost reductions and continued tight cost controls. Cost savings initiatives, resulting principally from the ESG acquisition, were the main factor in increasing margins. The $132.8 million increase in fiscal 2003 gross profit is primarily attributable to the ESG acquisition.

Operating Expenses

Operating expenses were $150.6 million in fiscal 2003 (17.5% of net sales) and $53.5 million in fiscal 2002 (15.8% of net sales), an increase of $97.1 million. Approximately $97.0 million of this increase, excluding the effect of strengthening European currencies, is due to the ESG acquisition. Foreign currency translation adjustments, primarily the euro, increased fiscal 2003 operating expenses by approximately 6%.

Fiscal 2003 operating expenses, as a percent of net sales, increased 170 basis points compared to fiscal 2002, again because of the ESG acquisition. Operating expense ratios are higher in our European businesses, primarily due to those operations being more decentralized than our operations in the Americas and Asia.

Special Charges

Included in our fiscal 2002 operating results are $68.4 million of special charges as follows:

North American plant closure	$ 29.6
Closure of South American operations	27.3
Product rationalization	7.5
Other location closures	4.0
Total	$ 68.4

These charges in part resulted from the ESG acquisition, as redundant facilities and costs were eliminated to improve future operating efficiencies and profitability. Of this total cost, $51.7 million was a non-cash charge, primarily from the North American plant closure ($23.1 million) and closure of the South American operations ($20.8 million). The remaining $16.7 million of cash costs are legal and professional expenses, severance and operating costs of closed facilities, including the South American operations, until disposition.

Operating Earnings

	Fiscal 2002		Fiscal 2003		Increase (Decrease)	
	In Millions	As % Net Sales	In Millions	As % Net Sales	In Millions	%
Reserve power	$ 7.7	4.7%	$ 31.2	7.3%	$ 23.5	305.2%
Motive power	11.6	6.6	23.8	5.5	12.2	105.2%
Subtotal	19.3	5.7	55.0	6.4	35.7	185.0%
Special charges	(68.4)	(20.2)	—	—	68.4	n/a
Total	$ (49.1)	(14.5%)	$ 55.0	6.4%	104.1	n/a

Operating earnings in fiscal 2002, excluding special charges, were $19.3 million (5.7% of net sales). In addition to the improvement in fiscal 2003 operating earnings from the ESG acquisition, operating earning margins, excluding the fiscal 2002 special charge, improved 70 basis points primarily due to cost reduction initiatives that resulted in savings in excess of $35.0 million.

Interest Expense

Fiscal 2003 interest expense of $20.5 million, net of interest income of $0.2 million, increased by $7.2 million compared to fiscal 2002. The significant increase in fiscal 2003 interest expense was due primarily to the higher average level of debt outstanding ($292 million as compared to $162 million in fiscal 2002) as a result of debt incurred in March 2002 for the acquisition of ESG. The average debt level includes the face amount of the discounted seller notes and borrowings under our accounts receivable financing program. Interest expense attributable to the higher borrowing level was $6.6 million, partially offset by $3.7 million due to lower average borrowing rates of 5.1% as compared to 7.3% in fiscal 2002. Included in fiscal 2003 interest expense are non-cash charges of $4.9 million compared to $1.6 million in fiscal 2002. This $3.3 million increase is primarily attributable to $4.1 million for the accretion expense of the Invensys seller notes, $0.9 million of additional amortization from deferred financing costs associated with the added borrowings for the ESG acquisition, offset by a $1.6 million non-cash credit associated with our interest rate options which expired in fiscal 2004.

Other (Income) Expense, Net

Fiscal 2003 other income of $0.7 million is primarily attributable to non-operating foreign currency transaction gains (euro versus dollar) while the fiscal 2002 other expense of $1.7 million is primarily attributable to non-operating foreign currency transaction losses of $2.0 million. The fiscal 2002 foreign currency transaction losses are attributable to our operations in both Brazil and Argentina, as both the Brazilian real and Argentina peso declined significantly as compared to the dollar during that year. Our South American operations were discontinued as of the end of fiscal 2002.

Earnings (Losses) Before Income Taxes

Earnings before income taxes was $35.2 million (4.1% of net sales) in fiscal 2003 compared with a loss before income tax benefit of $64.2 million (-18.9% of net sales) in fiscal 2002. Fiscal 2002 earnings before tax, excluding the special charges discussed above, were $4.3 million (1.3% of net sales).

Income Tax (Benefit) Expense

We recorded a provision for income taxes of $12.4 million in fiscal 2003 compared with a benefit for income taxes of $22.2 million in fiscal 2002. The effective income tax expense and benefit rate is 35% in both fiscal 2002 and 2003.

Net (Loss) Earnings

We recorded net earnings of $22.9 million (2.7% margin) in fiscal 2003 compared with a net loss of $42.0 million (-12.4% margin) in fiscal 2002. This $64.9 million increase in fiscal 2003 net earnings is primarily the result of the ESG acquisition and the $44.1 million special charges net of tax that were recorded in fiscal 2002. When excluding the fiscal 2002 special charges net of tax of $44.1 million, fiscal 2002 net earnings would have been $2.1 million (0.6% margin).

Liquidity and Capital Resources

Cash Flow and Financing Activities

Cash and cash equivalents at March 31, 2002, 2003 and 2004 were $9.1 million, $44.3 million and $17.2 million, respectively.

Cash provided by operating activities for fiscal 2002, 2003 and 2004 was $21.1 million, $55.4 million and $39.2 million, respectively. The reduction in operating cash flow in fiscal 2004 was principally due to the special charges and an increase in working capital commensurate with our sales increase. Cash expenditures related to the fiscal 2002 restructuring actions, which are included in operating activities, were $8.8 million in fiscal 2003 and $2.3 million in fiscal 2004 principally related to staff redundancy. In addition, we paid $9.3 million in fiscal 2003 and $7.7 million in fiscal 2004 primarily for staff redundancy, against a liability established in fiscal 2002 with the acquisition of ESG for ESG-related restructuring activities.

Cash used for investing activities for fiscal 2002, 2003 and 2004 was $336.0 million, $12.9 million and $27.0 million, respectively. Capital expenditures were $12.9 million, $23.6 million and $28.6 million in fiscal 2002, 2003 and 2004, respectively. The use of cash in fiscal 2002 included the ESG acquisition.

Cash provided by (used in) financing activities for fiscal 2002, 2003 and 2004 was $314.8 million, $(8.2) million and $(40.0) million, respectively. The fiscal 2002 amount was principally a result of $283.0 million in proceeds from the issuance of preferred stock and $36.0 million in proceeds from the issuance of long-term debt, both of which were used to finance the ESG acquisition. The fiscal 2004 amount reflects the financing transactions related to the Invensys settlement and the recapitalization.

In December 2003, we entered into an agreement with Invensys plc under which we paid $94.1 million for the repurchase of seller notes and warrants delivered to Invensys as part of the consideration for the ESG acquisition and in settlement of other matters, primarily termination of a supply agreement. The Invensys settlement transaction was funded by utilizing $43.1 million of short-term investments, $19.0 million of borrowings from an accounts receivable financing facility that was paid off on March 9, 2004, $7.0 million additional tranche B borrowing and a $25.0 million revolver drawdown.

In connection with the cash payment, on March 17, 2004, we refinanced our previously existing credit facilities and entered into a new $480.0 million senior secured credit facility, which consists of a $380.0 million senior secured term loan B and a $100.0 million senior secured revolving credit facility, and entered into a new $120.0 million senior second lien term loan. We used the proceeds of the combined $500.0 million in term loans to fund a cash payment to our existing stockholders and certain members of our management in the amount of $270.0 million, refinance the majority of our existing debt and pay accrued interest in the amount of $219.0 million and to pay transaction costs of $11.0 million. No amounts were borrowed under the revolving credit line in conjunction with the cash payment.

The $380.0 million senior secured term loan B has a 0.25% quarterly principal amortization and matures on March 17, 2011. The $120.0 million senior second lien term loan matures as a single installment on March 17, 2012. The $100.0 million senior secured revolving credit facility matures on March 17, 2009. Borrowings under the credit agreements bear interest at a floating rate based, at our option, upon a LIBOR rate plus an applicable percentage or the greater of the federal funds rate plus 0.5% or the prime rate, plus an applicable percentage. The effective borrowing rates for fiscal 2002, 2003 and 2004 were 7.3%, 5.1% and 5.0%, respectively.

All obligations under the credit agreements are secured by, among other things, substantially all of our U.S. assets. Our credit agreements contain various covenants which, absent prepayment in full of the indebtedness and other obligations, or the receipt of waivers, would limit our ability to conduct certain specified business transactions, buy or sell assets out of the ordinary course of business, engage in sale and leaseback transactions, pay dividends and take certain other actions.

We currently are in compliance with all covenants and conditions under our credit agreements. Since we believe that we will continue to comply with these covenants and conditions, we believe that we have adequate availability of funds to meet our expected cash requirements.

Contractual Obligations and Commercial Commitments

At March 31, 2004, we had certain cash obligations, which are due as follows:

	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
			(in millions)		
Short-term debt	$ 2.7	$ 2.7	$ —	$ —	$ —
Long-term debt	503.2	7.0	7.6	7.6	481.0
Capital lease obligations	5.4	2.1	3.3	—	—
Operating leases	25.0	10.2	11.4	3.2	0.2
Purchase contracts	11.9	11.9	—	—	
Restructuring	50.4	33.5	16.9	—	—
Total	$ 598.6	$ 67.4	$ 39.2	$ 10.8	$ 481.2

Under our senior secured credit facility, we had outstanding standby letters of credit of $0.2 million, $0.2 million and $0.3 million at March 31, 2002, 2003 and 2004, respectively. The amounts shown in the table above do not include interest charges on these cash obligations.

Credit Facilities and Leverage

Our focus on working capital management and cash flow from operations is measured by our ability to reduce total debt and reduce our leverage ratios. Shown below are the leverage ratios in connection with our credit facilities for fiscal 2003 and 2004. Our higher leverage in fiscal 2004 reflects the recapitalization in March 2004. We will reduce leverage substantially with the proceeds of this offering. The leverage ratio for fiscal 2004, adjusted for the offering, is times adjusted EBITDA as described below. We believe our future operating cash flow, net of capital expenditures, will reduce total debt and our leverage ratios.

	Fiscal 2003	Fiscal 2004	As adjusted for offering fiscal 2004
		(in millions)	
EBITDA(1)	$ 91.7	$ 65.2	$
Adjustments per credit agreement definitions(2)	—	53.8	
Adjusted EBITDA per credit agreements	91.7	119.0	
Senior debt, net(3)	151.9	375.4	
Total debt, net(3)	254.6	501.3	
Leverage ratios:			
Senior debt/adjusted EBITDA ratio(4)	1.7X	3.2X	X
Maximum ratio permitted	3.2X	3.9X	X
Total debt/adjusted EBITDA ratio(4)	2.8X	4.2X	X
Maximum ratio permitted	4.8X	5.0X	X

(1) We have included EBITDA because management uses it as a key measure of our performance and ability to generate cash necessary to meet our future debt service and capital expenditure requirements. EBITDA is defined as earnings before interest expense, income tax expense, depreciation and amortization. EBITDA is not a measure of financial performance under accounting principles generally accepted in the United States and should not be considered an alternative to net earnings or any other measure of performance under accounting principles generally accepted in the United States as a measure of performance or to cash flows from operating, investing or financing activities as an indicator of cash flows or as a measure of liquidity. Our calculation of EBITDA may be different from the calculations used by other companies, and therefore comparability may be limited. Certain financial covenants in our senior secured credit facility and our senior second lien credit facility are based on EBITDA, subject to adjustments, which is shown above. Depreciation and amortization in this table excludes the amortization of deferred financing costs, which is included in interest expense. The following table provides a reconciliation of EBITDA to net earnings (loss):

	Fiscal Year Ended March 31,		
	2002	2003	2004
		(in thousands)	
EBITDA	$ (39,563)	$ 91,651	$ 65,175
Depreciation and amortization	11,296	35,933	37,039
Interest expense	13,294	20,511	20,343
Income tax expense (benefit)	(22,171)	12,355	2,957
Net earnings (loss)	$ (41,982)	$ 22,852	$ 4,836

(2) Adjustments to EBITDA for the credit agreement definitions include all of the special charges of $52.1 million in fiscal 2004 and other adjustments in the aggregate of $1.7 million.

(3) Debt includes capital lease obligations and is net of U.S. cash and cash equivalents. Senior debt excludes the Invensys seller notes in 2003 and the senior second lien term loan and unsecured debt in 2004.

(4) These ratios are included to show compliance with the leverage ratios set forth in our credit facilities. We show both our current ratios and the maximum ratios permitted under our senior secured credit facility. The maximum ratios permitted under the senior second lien credit facility are less restrictive than those shown.

Stockholders' Equity

Stockholders' equity decreased $226.4 million during fiscal 2004, principally reflecting the cash distribution of $258.4 million in our recapitalization on March 17, 2004, and cancellation of warrants of $5.0 million, partially offset by net earnings of $4.8 million, currency translation adjustments of $30.3 million, primarily due to the strengthening of European currencies, unrealized gain on derivative instruments (interest rate swaps) of $0.9 million and a reduction in the minimum pension liability adjustment of $0.9 million.

Stockholders' equity increased $50.9 million during fiscal 2003, principally reflecting net earnings of $22.9 million, currency translation adjustments of $32.4 million primarily due to the strengthening of European currencies, partially offset by unrealized loss on derivative instruments (interest rate swaps) of $2.6 million and an increase in the minimum pension liability adjustment of $1.7 million.

Market Risk

We have exposure to interest rate risk from our short-term and long-term debt, both of which have variable interest rates.

In February 2001, we entered into interest rate swap agreements to fix the interest rate on $60.0 million of our floating rate debt through February 22, 2006, at 5.59% per year. In April and May, 2004, we amended these agreements to extend the maturity to February 22, 2008, and reduce the fixed rate to 5.16% per year beginning May 24, 2004.

Also in April 2004, we entered into interest rate swap agreements to fix the interest rates on an additional $60.0 million of floating rate debt through May 5, 2008. The fixed rates per year begin May 5, 2004, and are 2.85% during the first year, 3.15% the second year, 3.95% the third year and 4.75% the fourth year.

In total, these interest rate swap agreements provide protection against significant increases in LIBOR (the base variable interest rate on the majority of our debt) on $120.0 million of our debt.

An increase in base interest rates would increase the fair value of the interest rate swap agreements. However, assuming the swaps stay in place until maturity, the change in fair value would have no effect on interest expense, cash flows or other results of operations.

We are also exposed to foreign currency exchange risks. The geographic diversity of our sales and costs mitigates the risk of the volatility of currency in any particular region of the world. As of March 31, 2004, we had not entered into any foreign currency forward contracts.

To ensure a steady supply of lead and to mitigate against large increases in cost, we enter into contracts with our suppliers for the purchase of lead. Each such contract is for a period not extending

beyond one year. Under these contracts, we were committed to the purchase of the following amounts of lead:

Date	$'s Purchased	# Pounds Purchased	Average Cost/Pound	Approximate % of Annual Lead Consumption
	(in millions)	(in millions)		
May 3, 2004	$ 28.8	90.9	$ 0.32	28%
March 31, 2004	11.9	38.7	0.31	12
March 31, 2003	16.2	62.6	0.26	20

We have significant risk in our exposure to certain raw material costs, which were approximately 49% of total cost of goods sold in fiscal 2004. Our largest single raw material cost is for lead, which has also experienced a significant increase in cost during the second half of fiscal 2004 and remains volatile. A 10% increase (over our actual average cost in fiscal 2004) in our cost of lead would increase our annual total cost of goods sold by approximately $11.0 million or 1.1% of net sales.

Based on changes in the timing and amount of interest rate and foreign currency exchange rate movements and our actual exposures and hedges, actual gains and losses in the future may differ from our historical results.

Seasonality

Our business generally does not experience significant monthly or quarterly fluctuations in net sales volume as a result of weather or other trends that can be directly linked to seasonality patterns. However, our second fiscal quarter normally experiences moderate reductions in net sales volume as compared to our first fiscal quarter for that year, due to summer manufacturing shutdowns of our customers and holidays primarily in the United States and Western Europe. Additionally, our fourth fiscal quarter normally experiences the highest sales volume of any fiscal quarter within a given year. Many reserve power telecommunications customers tend to perform extensive service and engage in higher battery replacement and maintenance activities in the first calendar quarter of a year, which is our fourth fiscal quarter. In addition, many of our largest industrial customers are on a calendar fiscal year basis and many tend to purchase their durable goods more heavily in that quarter than any other within the calendar year.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying footnotes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results could differ from those estimates, and such differences may be material to the financial statements. The process of determining significant estimates is fact specific and takes into account factors such as historical experience, current and expected economic conditions, product mix and, in some cases, actuarial techniques. We evaluate these significant factors as facts and circumstances dictate. Historically, actual results have not differed significantly from those determined using estimates. The following are the accounting policies that most frequently require us to make estimates and judgments and are critical to understanding our financial condition, results of operations and cash flows:

Revenue Recognition

Sales are recorded when the terms of the customer agreement are fulfilled, the product has been shipped and title has passed or the services have been provided, the sales price is fixed or determinable and collectibility is reasonably assured. We reduce sales by applicable provisions for discounts, returns, and allowances and taxes at the time of sale.

Allowance for Doubtful Accounts

We maintain an allowance for estimated losses resulting from the inability of customers to make required payments. The allowance is based on historical data and trends, as well as a review of relevant factors concerning the financial capability of our customers.

Warranty Reserves

We sell our products to customers with typical manufacturers' product warranties covering defects in workmanship and materials. The length of the warranty term depends on the product being sold, but generally, reserve power products generally carry a one year warranty and motive power products carry a one- to five-year warranty. We accrue our estimated exposure to warranty claims at the time of sale based upon historical experience. We review these estimates on a regular basis and adjust the warranty provisions as actual experience differs from historical estimates or other information becomes available.

Inventory Reserves

We adjust our inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions.

Goodwill

We test goodwill for impairment on an annual basis or upon the occurrence of certain circumstances or events. We follow the two-step testing method as prescribed by SFAS No. 142. In the first step, the fair value of the reporting units—Americas, Europe and Asia—is determined based on a discounted cash flow analysis approach. If the net book value of the reporting units does not exceed the fair value, the second step of the impairment test (calculating the impairment loss of the goodwill by comparing the book value of the goodwill to the fair value of the goodwill) is not necessary. We have recorded no impairment of goodwill.

Long-Lived Assets

We review and evaluate our long-lived assets for impairment when events or changes in circumstances indicate the related carrying amounts may not be recoverable. An impairment is considered to exist if total estimated future cash flows on an undiscounted basis are less than the carrying value amount of the asset. An impairment loss is measured and recorded based on discounted estimated future cash flows or other fair value techniques. Assumptions underlying future cash flow estimates are subject to risks and uncertainties.

Pension

We use certain assumptions in the calculation of the actuarial valuation of our defined benefit plans. These assumptions include the weighted average discount rate, rates of increase in compensation levels and expected long-term rates of return on assets. If actual results are less favorable than those projected by us, additional expense may be required.

As of March 31, 2004, our consolidated benefit obligations exceeded our accrued benefit costs by approximately $13 million. Fiscal 2004 periodic pension cost was approximately $4 million.

Taxes

We account for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes," which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between book and tax bases or recorded assets and liabilities. SFAS No. 109 also

requires that deferred tax assets be reduced by a valuation allowance, if it is more likely than not that some portion or all of the deferred tax assets will not be recognized.

At March 31, 2002, we had deferred tax assets ($50.2 million) in excess of deferred tax liabilities ($45.7 million) of $4.5 million. At March 31, 2003, we had deferred tax liabilities ($71.1 million) in excess of deferred tax assets ($47.4 million) of $23.7 million. At March 31, 2004, we had deferred tax liabilities ($61.3 million) in excess of deferred tax assets ($50.6 million) of $10.7 million. The deferred tax assets at March 31, 2002, 2003 and 2004 of $50.2 million, $47.4 million and $50.6 million, respectively, are net of valuation allowances of $41.1 million, $66.9 million and $74.1 million, respectively. We have recorded the above valuation allowances primarily for net operating loss carryforwards in foreign tax jurisdictions that have incurred significant past tax losses, and have determined that it is more likely than not that these deferred tax assets will not be realized.

We evaluate on a quarterly basis the realizability of our deferred tax assets by assessing our valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization are our forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets.

New Accounting Pronouncements

In December 2003, the FASB issued SFAS No. 132 (revised 2003), *Employers' Disclosures about Pensions and Other Postretirement Benefits*. The revisions to SFAS No. 132 are intended to improve financial statement disclosures for defined benefit plans and was initiated in 2003 in response to concerns raised by investors and other users of financial statements, about the need for greater transparency of pension information. In particular, the standard requires that companies provide more details about their plan assets, benefit obligations, cash flows, benefit costs and other relevant quantitative and qualitative information. The guidance is effective for fiscal years ending after December 15, 2003. We have complied with these revised disclosure requirements.

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. This statement amends SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, to provide clarification on the financial accounting and reporting of derivative instruments and hedging activities and requires contracts with similar characteristics to be accounted for on a comparable basis. Our adoption of SFAS No. 149 during 2003 did not have a material effect on our financial condition or results of operations.

In January 2003, the FASB issued Financial Interpretation (FIN) 46, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51.* This Interpretation addresses consolidation by business enterprises of certain variable interest entities. This Interpretation applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies to us in the first fiscal year beginning after March 15, 2004, to variable interest entities in which we hold a variable interest that we acquired before February 1, 2003. This Interpretation may be adopted by recognizing a cumulative-effect adjustment as of the date on which it is first applied or by restating issued financial statements for one or more years with a cumulative-effect adjustment as of the beginning of the first year restated. We have not determined the impact of this pronouncement, but do not believe it will have a material effect on our financial position and results of operations.

Quarterly Information

Fiscal 2003 and 2004 quarterly operating results, and the associated quarterly trends within each of those two fiscal years, are affected by the same economic and business conditions as described in the fiscal 2004 versus fiscal 2003 and fiscal 2003 versus fiscal 2002 analyses previously discussed.

	Fiscal 2003				Fiscal 2004			
	June 30, 2002 1st Qtr.	Sept 29, 2002 2nd Qtr.	Dec 29, 2002 3rd Qtr.	March 31, 2003 4th Qtr.	June 29, 2003 1st Qtr.	Sept 28, 2003 2nd Qtr.	Dec 28, 2003 3rd Qtr.	March 31, 2004 4th Qtr.
	(in millions, except per share amounts)							
Net sales	$ 208.4	$ 207.6	$ 212.9	$ 230.7	$ 218.3	$ 222.1	$ 253.3	$ 275.4
Cost of goods sold	162.8	157.6	160.2	173.3	165.7	164.8	189.3	203.0
Gross profit	45.6	50.0	52.7	57.4	52.6	57.3	64.0	72.4
Operating expenses, including amortization	36.3	37.1	37.2	40.1	40.1	39.9	43.0	47.6
Special charges	—	—	—	—	—	—	9.1	12.0
Operating earnings	9.3	12.9	15.5	17.3	12.5	17.4	11.9	12.8
Interest expense	5.0	4.5	5.4	5.6	5.1	5.1	5.6	4.5
Special charges	—	—	—	—	—	—	24.4	6.6
Other (income) expense	(0.3)	0.4	0.0	(0.8)	(2.0)	(1.7)	(0.3)	(0.5)
Earnings (loss) before income taxes	4.6	8.0	10.1	12.5	9.4	14.0	(17.8)	2.2
Income tax expense (benefit)	1.6	2.8	3.5	4.5	3.6	5.3	(7.4)	1.5
Net earnings (loss)	$ 3.0	$ 5.2	$ 6.6	$ 8.0	$ 5.8	$ 8.7	$ (10.4)	$ 0.7
Net earnings (loss) per share								
Basic	$	$	$	$	$	$	$	$
Diluted	$	$	$	$	$	$	$	$
Weighted average shares outstanding								
Basic								
Diluted								

Net Sales

Quarterly net sales by business segment were as follows:

	Fiscal 2003				Fiscal 2004			
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
	(in millions)							
Net sales:								
Reserve power	$ 101.6	$ 102.8	$ 99.7	$ 122.8	$ 107.4	$ 109.4	$ 127.0	$ 136.2
Motive power	106.8	104.8	113.2	107.9	110.9	112.7	126.3	139.2
Total	$ 208.4	$ 207.6	$ 212.9	$ 230.7	$ 218.3	$ 222.1	$ 253.3	$ 275.4
Segment net sales as % total:								
Reserve power	48.8%	49.5%	46.8%	53.2%	49.2%	49.3%	50.1%	49.5%
Motive power	51.2	50.5	53.2	46.8	50.8	50.7	49.9	50.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Fiscal 2004 net sales growth on a quarter to quarter sequential basis was primarily due to unit sales volume increases (decreases) of approximately (6%), 2%, 10% and 7% respectively, and the strengthening of European currencies, primarily the euro, versus the dollar throughout the year. For fiscal 2004, annual unit sales volume increased by approximately 4% for both the reserve power and motive power business segments and the company in total. The dollar to euro exchange rate averaged 1.18 for 2004, with the spot rates 1.09 at March 31, 2003, and 1.23 at March 31, 2004.

Fiscal 2003 net sales growth on a quarter to quarter sequential basis was primarily due to the strengthening of European currencies, primarily the euro, versus the dollar throughout the year. Fiscal 2003 net sales volume increases (decreases) on a quarter to quarter sequential basis were approximately (1%), (2%), 2% and 2% respectively, and for the entire fiscal 2003, decreased approximately 7% on a pro forma basis versus fiscal 2002. The dollar to euro exchange rate averaged 1.00 for fiscal 2003, with the spot rates 0.87 at March 31, 2002, and 1.09 at March 31, 2003. Fiscal 2003 annual unit sales volume decreased approximately 14% in reserve power and 1% in motive power when compared to fiscal 2002 levels on a pro forma basis.

The mix of reserve power and motive power sales to total sales did not fluctuate significantly during the quarterly periods within fiscal 2003 and fiscal 2004.

Operating Earnings

Fiscal 2004 quarterly operating earnings were as follows:

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
	(in millions)			
Operating earnings, excluding special charges	$ 12.5	$ 17.4	$ 21.0	$ 24.8
Margin	5.7%	7.8%	8.3%	9.0%
Special charges	—	—	$ (9.1)	$ (12.0)
Margin	—	—	(3.6)%	(4.4)%

Excluding the special charges in the third and fourth quarters, fiscal 2004 operating earnings grew on a quarter to quarter sequential basis primarily due to unit sales volume increases, the strengthening of European currencies and cost savings initiatives. The fiscal 2004 quarterly improvements in operating earnings margins from 5.7% in the first quarter to 9% in the fourth quarter are due to both unit sales volume increases and cost savings of approximately $30 million for the year.

Fiscal 2003 quarterly operating earnings grew on a quarter to quarter sequential basis primarily due to the strengthening European currencies and cost savings initiatives. The fiscal 2003 quarterly improvements in operating earnings margins from 4.5% in the first quarter to 7.5% in the fourth quarter are primarily due to cost savings that were in excess of $35 million for the fiscal year.

Other (Income) Expense, Net

Fiscal 2004 other income includes approximately $4 million of non-operating foreign currency gains primarily attributable to certain debt transactions. Included in the fiscal 2004 first and second quarters are $1.5 million and $1.6 million, respectively, of foreign currency gains from these debt transactions.

BUSINESS

Overview

We are one of the world's largest manufacturers, marketers and distributors of lead-acid industrial batteries. We also manufacture, market and distribute related products such as chargers, power equipment and battery accessories, and we provide related after-market and customer-support services for lead-acid industrial batteries. Industrial batteries generally are characterized as reserve power batteries or motive power batteries.

- **Reserve power batteries** are used to provide backup power for the continuous operation of critical systems, such as telecommunications and computer systems, including process control and database systems, during power failures.

- **Motive power batteries** are used to power mobile manufacturing, warehousing and other ground handling equipment, primarily electric industrial forklift trucks.

We believe that we hold approximately 24% of the worldwide market share in the lead-acid industrial battery business, with market shares of 30% in North America, 30% in Europe and 5% in Asia. For 2003, we believe that our worldwide market share in reserve power batteries was approximately 20% and in motive power batteries was approximately 28%. In addition, we sell to the aerospace and defense markets. Our net sales for fiscal 2004 were $969.1 million, of which approximately 42% was attributable to the Americas, 53% to Europe, the Middle East and Africa, which we refer to as EMEA, and 5% to Asia.

Our reserve power batteries are marketed and sold principally under the *PowerSafe*, *DataSafe* and *Genesis* brands. Our motive power batteries are marketed and sold principally under the *Hawker, Exide* and *General* brands. We also manufacture and sell related direct current—DC—power products including chargers, electronic power equipment and a wide variety of battery accessories. Our battery products span a broad range of sizes, configurations and electrical capacities, enabling us to meet a wide variety of customer applications.

We manufacture reserve power and motive power batteries at 19 manufacturing facilities located across the Americas, Europe and Asia and market and sell these products globally in more than 100 countries to over 10,000 customers through a network of distributors, independent representatives and an internal sales force. We provide responsive and efficient after-market support for our products through strategically located warehouses and a company-owned service network supplemented by independent representatives.

Our Industry

The size of the worldwide industrial lead-acid battery market in 2003 was $3.6 billion, according to BCI, EuroBat and management estimates. The two key components of this market are reserve power batteries—a $2.0 billion market—and motive power batteries—a $1.6 billion market. The aerospace and defense market is an additional important sector of the battery industry, but is not included as a component of the $3.6 billion worldwide market information above.

Reserve power batteries also are known as network, standby or stationary power batteries and are used primarily for backup power applications to ensure continuous power supply in case of main (primary) power failure or outage.

Reserve power batteries are used primarily to supply standby DC operating power for:

- telecommunications systems, such as wireless, wireline and internet access systems, central and local switching systems, satellite stations and radio transmission stations;

- uninterruptible power systems—UPS—applications for computer and computer-controlled systems, including process control systems;

- portable power applications, including security systems and recreational vehicles;
- switchgear and electrical control systems used in electric utilities and energy pipelines; and
- commercial and military aircraft, submarines and tactical military vehicles.

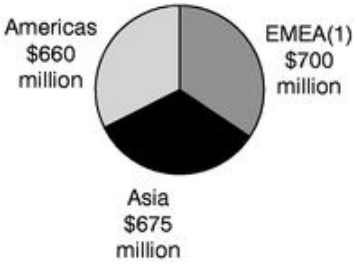
For many critical systems, power loss, even for short periods of time, can result in loss of process control, massive data loss and significant financial liability. Reserve power batteries are essential for the continuing operations of financial institutions, computer and computer-controlled systems, communications providers and electric utilities.

There are two major reserve power lead-acid battery technologies, each designed for specific applications: vented (flooded) and valve-regulated lead-acid (VRLA, or sealed). Vented batteries require periodic watering and maintenance. Valve-regulated batteries require less maintenance, and are often smaller, than vented batteries. Our thin plate pure lead (TPPL) VRLA technology provides high performance premium solutions for demanding customer applications.

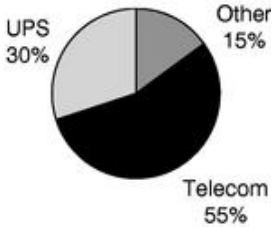
We estimate that the worldwide market for reserve power lead-acid based battery products in 2003 was $2.0 billion, divided by geographic market and end-use as follows:

2003 Worldwide Reserve Power Battery Market

Geographic market



End-use application(2)



Source: BCI, EuroBat and management estimates.

(1) Europe, Middle East and Africa

(2) North America only

Motive power batteries are used primarily to provide power for electric material handling and ground handling equipment. Motive power batteries are primarily used in electric industrial forklift trucks. Motive power batteries compete primarily with propane- and diesel-powered internal combustion engines.

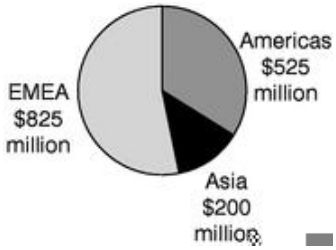
Motive power batteries are used principally in the following applications:

- electric industrial forklift trucks in distribution and manufacturing facilities;
- ground support equipment used at airports, including baggage tuggers, pushback tractors and belt loaders; and
- mining equipment, including scoops, coal haulers, shield haulers, underground forklifts, shuttle cars and locomotives.

We estimate that the total market for motive power lead-acid based battery products for fiscal 2003 was approximately $1.6 billion, consisting of the following:

2003 Worldwide Motive Power Battery Market

Geographic market



End-user applications(1)

Source: BCI, EuroBat and management estimates.

(1) North America only

Industry Trends

We believe that the following key trends will continue to affect the industrial battery business:

- ***Migration of manufacturing to low cost regions.*** Emerging low-cost manufacturing regions, such as China, Eastern Europe and Mexico, have become increasingly important in the global industrial battery business. The combination of low labor and materials cost savings, offset somewhat by increased freight costs, have resulted in the growth of these regions as exporters of reserve batteries to North America and Western Europe. Due to the size and weight of motive batteries, the increased freight costs often outweigh the labor and material cost savings, limiting export potential in the motive power segment. In addition, as our customers and potential customers continue to relocate their facilities to these regions to achieve cost savings, we expect significant growth in the domestic market in those regions for both reserve and motive batteries.

- ***Demand for global capabilities.*** Multinational corporations increasingly are centralizing their relationships with a few global suppliers and providers to capture the benefits of large-scale purchasing and uniform quality control, particularly in the reserve power markets. In addition, these multinationals are demanding prompt and consistent global servicing for their battery needs.

Reserve Power Trends

- ***Growth in the telecommunications industry.*** The Telecommunications Industry Association projects telecom equipment spending in the U.S. to grow at a compounded annual rate of 7% from 2003 to 2007 due, in large part, to improvement in the economy and new broadband technology, such as Voice over Internet Protocol and Fiber to the Premises. We believe that the next generation wireless broadband network expansion will produce increases in equipment sales and the related backup power systems at mobile telecom switching offices and cell sites.

- ***Increasing awareness of UPS systems and benefits.*** High profile power outages in Europe, China and the U.S. have drawn attention to the poor condition of electrical transmission systems. We expect that

concern over such power outages will create an increase in demand for UPS systems from parties previously not inclined to install such backup power systems.

- ***Growth of emerging markets.*** Developing nations are expanding the infrastructure necessary for economic growth at a faster rate than industrialized countries. We believe the largest potential markets for reserve power open to global providers include Asian and Eastern European nations.

Motive Power Trends

- ***Improving overall global economic conditions.*** Demand for motive power batteries is substantially driven by growth in gross domestic product and industrial production. In the U.S., both indicators are projected to increase by at least 4% in 2004 according to Consensus Economics, Inc.

- ***Environmental Regulation.*** Environmental protection standards recently proposed in the U.S. would place additional emissions restrictions on small internal combustion engines, increasing the cost of internal combustion-powered forklifts. We believe that these recent standards and increased cost will accelerate the historical migration to electric or propane-powered forklifts from internal combustion engines.

Our Strengths

We believe that our competitive strengths should enable us to expand our global market share and position us to achieve profitable growth. These strengths include:

- ***Our portfolio of leading brands with strong market positions.*** We have a portfolio of well-known brands that has enabled us to build strong market positions. We believe that we hold the number one or two market position for reserve power and motive power batteries. We offer some of the most recognized brands in the industry, including *PowerSafe, DataSafe, Genesis, Huada, Hawker, Exide* and *General*. We market, sell and service many of these brands on a global basis, have high brand recognition and are known for quality and dependability.

- ***Our large installed base.*** We have a significant installed base of reserve power and motive power batteries with our customers. Due to our end-users' tendency to replace their existing products with similar products, our large installed base generates significant aftermarket sales. Repeat sales to our existing customers, as well as service revenues for our installed products, provide a competitive advantage.

- ***Our global capabilities.*** We serve diverse geographic markets, manufacturing from 19 facilities located across the Americas, Europe and Asia, enabling us to serve our customers on a global basis. Our global service and distribution network permits us to take full advantage of our large installed base of reserve power and motive power batteries and offers a competitive advantage in pursuing customers who demand consistent products and aftermarket sales and service worldwide. In addition, we are well positioned to capitalize on the strong economic growth and increasing demand for batteries in emerging markets such as China. Our integrated global network allows us to efficiently manage our manufacturing, distribution and service by optimizing production in low cost regions.

- ***Our broad range of products.*** We believe that we offer the broadest product line in the industry, including batteries with a wide range of applications and capacities. We offer batteries with energy densities from less than one ampere-hour (Ah) to 4,000 Ah. In the reserve power segment, we have a complete product offering of flooded, VRLA and thin plate pure lead, which we refer to as TPPL, battery products, enabling us to sell to a diverse customer base as well as to fulfill individual customer requirements for a wide range of applications. We are the only manufacturer of TPPL technology in the markets we serve. In the motive power segment, we have a full selection of

batteries and chargers for our worldwide customer base, including a high-performance "square tube" battery offered in North America.

- ***Our strong management team with a proven track record.*** We believe that we have a superior team of managers, with extensive experience in the industrial battery business. Our senior management team, led by our Chief Executive Officer, John D. Craig, has an average of over 25 years of industry experience, including significant experience in the industrial battery business. Over the past three years, our management team has responded to difficult industry conditions by realigning our manufacturing and distribution facilities, controlling costs and successfully integrating a major acquisition. Following the offering, our management team will own shares and options that, when exercised, will represent % of our common stock on a fully diluted basis.

Our Strategy

Our primary business objective is to capitalize on our competitive strengths to continue to expand our global market share, increase our net sales and improve our profit margins. We intend to achieve these objectives by implementing the following strategies:

- ***Expand our industry-leading position.*** We are an industry leader in reserve power and motive power batteries and will endeavor to expand our position by continuing to focus on customer service, product development and cost structure. We believe that our leadership in lead-acid batteries, including applications such as TPPL in certain of our reserve power batteries and "square-tubes" in certain of our motive power batteries, will continue to be a competitive advantage in meeting the evolving needs of our customers. We also intend to leverage our broad product offering and global installed base to penetrate new customers and generate additional aftermarket sales and service opportunities.

- ***Continue to expand into high-growth geographic markets.*** We are expanding our presence significantly in Asia and Eastern Europe, two of the highest growth geographic markets. For example, from fiscal 2003 to fiscal 2004, our net sales from the Asian market grew from $32.8 million to $49.2 million. Given the significant transportation costs involved, particularly with respect to motive power batteries, our local manufacturing capability, combined with our global scale, provides a significant advantage in competing for the business of multinational customers. We believe that our global brands, and our reputation for quality, will provide us with the ability to retain those of our key end-user customers who are shifting and expanding their manufacturing and service facilities to China, Eastern Europe and other developing markets and to gain new customers in those markets.

- ***Further penetrate high-growth end markets.*** We believe that the UPS, broadband, wireless and aerospace and defense markets offer high-growth potential for sales of our products. We expect that the military and aerospace markets, where our TPPL batteries have demonstrated competitive advantages, will grow at faster rates than the overall economy for the next several years. In addition, we anticipate growth in several new premium portable power markets including medical applications, specialty aftermarket batteries and recreational vehicles.

- ***Continue to focus on manufacturing efficiency and cost reduction programs.*** We intend to continue our focus on manufacturing efficiency and cost reduction by identifying new opportunities to reengineer, automate and consolidate our manufacturing processes and facilities, redesign our products and business processes, improve our information technology to increase efficiency and optimize our worldwide supply chain to reduce direct material costs and streamline our distribution networks.

- ***Pursue selective acquisitions.*** We will seek to acquire additional product lines and to strengthen and expand our portfolio, including in non-lead-acid technologies, by acquiring and integrating other

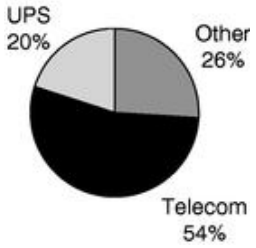
industrial battery companies or entering into joint ventures or other technology transfer arrangements.

Our Products

Reserve Power

Based on information from industry sources, we believe that we are the largest supplier of lead-acid reserve power products on a worldwide basis, with a 20% market share in 2003. Our sales of reserve power products during fiscal 2004 by end-market were as follows:

Fiscal 2004 Reserve Power Sales



Our reserve power products include a variety of lead-acid batteries, both flooded and VRLA, and other DC power equipment and services. Reserve power products are used to provide backup or standby power for critical facilities or electrical equipment in the event of a loss of power from the primary power source.

The primary applications for reserve power batteries are:

- ***Telecommunications applications,*** such as stored energy systems to power central telephone exchanges, cellular infrastructure and other wireless and wireline systems operated by major telephone and internet backbone providers. For telecommunications applications, our batteries are designed to provide high reliability and extended operation.

- ***UPS applications,*** principally battery systems to maintain uninterrupted operation for computers and computer-controlled equipment. UPS batteries normally provide power in the event of loss of power from the primary external AC power source, typically to provide for the orderly shut-down of computer equipment to protect against loss of data or to ensure operation of equipment during power outages on a short-term basis until emergency generators are able to start operating at sufficient capacity to power the equipment.

- ***Switchgear and electrical control systems applications,*** such as standby power systems to maintain operability of electric utility generation, transmission and distribution systems. For typical switchgear and electrical control systems, backup power is supplied for several hours, while also providing a very high discharge rate for short periods at several intervals to operate switchgear.

- ***Portable power applications,*** such as corporate and residential alarm systems, point of sale equipment, emergency lighting, closed circuit television systems, test equipment, recreational vehicles, medical devices, hospital life support equipment and various types of instrumentation and specialty aftermarket batteries for large vehicles.

- ***Specialty applications, including aerospace and defense,*** including battery power systems for combat vehicles, commercial and military aircraft and submarines.

We also manufacture and purchase for resale a wide variety of battery trays, component racks and other accessories that are used in conjunction with our reserve power systems products and a complete line of cabinets for installation of lead-acid batteries. Many of our battery racks and cabinets are designed to meet very demanding customer specifications, including racks designed to withstand seismic shocks. Our

ability to customize trays, racks and other accessories gives us a competitive advantage over many of our competitors who do not provide this level of service.

Our reserve power battery product and related products are sold worldwide primarily under the *PowerSafe, DataSafe, Genesis, Cyclon, Odyssey, Huada, Varta* and *Armasafe* brand names.

Brand	Summary technical description	Applications
PowerSafe	A premium range of highly reliable flooded VRLA products	Serves the demanding requirements of telecommunications, including central office, outside plant and wireless applications, electric utility, including power generation, transmission and distribution applications, and switchgear markets
DataSafe	A full range of flooded and VRLA batteries	Specifically designed for the high power requirements of the most demanding UPS systems, ranging from workstations to data centers
Genesis	An extensive range of premium pure lead, lead calcium and Gel VRLA batteries	Provides superior performance for such diverse applications as security systems, emergency lighting, UPS, mobility, cable TV and medical uses
Cyclon	A special spiral wound design of our TPPL VRLA technology	Delivers high performance in very dense design, while delivering superior battery life characteristics, providing customers with a compact solution to their power requirements
Odyssey	Premium TPPL VRLA batteries	For car audio, marine and starting, lighting and ignition applications for motorcycles, personal watercraft, all terrain vehicles and specialty commercial vehicles
Huada	An extensive range of VRLA batteries designed for the China market	Designed to meet the needs of the various power segments of the China telecommunications and UPS markets
Varta	Flooded standard batteries	A well recognized and highly regarded regional brand in Germany and Eastern Europe that is used extensively in the European defense market, including submarine batteries
Armasafe	TPPL technology designed to perform to military specifications	Used for tactical military vehicles such as the M1-A1 Abrams tank and the Humvee

Motive Power

Based on information from industry sources, we believe that our worldwide market share in the motive power market was 28% in 2003. Our sales of motive power products in fiscal 2004 by end-market were as follows:

Fiscal 2004 Motive Power Sales

Our motive power products include complete systems and individual components used to power, monitor, charge and test the batteries used in electric industrial forklift trucks and other material handling equipment. Motive power batteries typically are designed to provide relatively high discharge rates for a six- to eight-hour operating period. They also require rugged design to withstand the rigors of operation within moving industrial vehicles that subject them to high levels of vibration and shock.

The primary applications for motive power batteries are:

- electric industrial forklift trucks and other material handling equipment;
- railroad and grade crossing warning lights and diesel locomotive engine starting; and
- mining and other specialty equipment.

Our motive power chargers convert AC to DC power to recharge motive power batteries during the intervals between operating periods of the vehicles in which the batteries are installed. Our other principal motive power accessories include electronic controls to operate chargers from remote locations and a system for periodically adding water to batteries.

Our motive power batteries are sold worldwide primarily under the brands *Hawker, Exide* and *General*, and a line of battery handling equipment and accessories under the *ProSeries* brand, which includes products such as automated battery charging systems, racks and safety equipment. Our *Hawker* brand is the largest motive power brand, by sales, in the world.

Brand/Sub-brand	Summary technical description	Applications
Hawker		
Perfect Plus *Evolution*	Utilize round tube, positive plate design	Electric industrial forklift trucks
Energy Plus *Powerline* *Top Power* *Waterless*	Utilize flat plate design	
Exide-Ironclad *Workhog* *Deserthog* *Loadhog* *Smarthog* *Superhog*	Utilize square tube positive plate design which provides more power over longer periods of time and higher voltages under load	Electric industrial forklift trucks
General *General Series* *HUP*	Utilize flat plate design for reliable, cost-effective power	Electric industrial forklift trucks

We are one of the largest manufacturers and distributors of motive power battery chargers in the world. These products are sold principally under the brand names *Hawker*, *Exide* and *General*. We are one of the only manufacturers to offer all three types of proven technology: ferro-resonant, silicon rectifiers and switchmode or high-frequency chargers. Our chargers are designed to recharge our batteries as well as any of our competitors' batteries. Recently, we developed a range of "smart" chargers, capable of communicating with our batteries and forklift trucks, enabling users to obtain valuable information.

Our Customers

We serve over 10,000 customers in over 100 countries, on a direct basis or through our distributors with $408.8 million or 42.2% of our net sales attributable to the Americas and $560.3 million or 57.8% attributable to other countries. No single customer accounts for more than 5% of our revenues.

Reserve Power

Our reserve power customers consist of regional customers such as Verizon, British Telecom, Telstra and China Telecom as well as global customers including Nokia, Powerware, Emerson, MGE and Siemens. These customers are in diverse markets ranging from telecom to UPS, electric utilities, security systems, emergency lighting and personal mobility. In addition, we sell our aerospace and defense products to numerous countries, including the governments of the U.S., Germany and the U.K. and to major defense and aviation original equipment manufacturers, which we refer to as OEMs, including Lockheed-Martin and Boeing.

Motive Power

Our motive power customers include a large, diversified customer base. We are not overly dependent on any particular end market or geographic region. These customers include materials handling equipment dealers, OEMs and end users of such equipment. End users include manufacturers, distributors, warehouse operators, retailers, airports, mine operations and railroads. Several of our top motive power customers are forklift truck manufacturers, including the Linde Group, Jungheinrich and Crown Lift Trucks. We also sell to a significant buying group, NACCO Material Handling.

Distribution and Services

Reserve Power

We distribute, sell and service reserve power products globally through a combination of company-owned offices, independent manufacturers' representatives and distributors managed by our regional sales managers. With our global manufacturing locations and regional warehouses, we believe we are well positioned to meet our customers' delivery and servicing requirements. We have targeted our approach to meet local market conditions, which we believe provides the best possible service for our regional customers and our global accounts.

Motive Power

We distribute, sell and service our motive power products throughout the world, principally through company-owned sales and service facilities, as well as through independent manufacturers' representatives. We believe we are the only battery manufacturer in the motive power battery industry that operates a primarily company-owned service network. This company-owned network allows us to offer high-quality service, including preventative maintenance programs and customer support. Our warehouses and service locations enable us to respond quickly to customers in the markets we serve. The extensive industry experience of our sales organization results in strong long-term customer relationships.

Manufacturing and Raw Materials

We believe that our global approach to manufacturing has significantly helped us increase our market share during the past several years. We manufacture our products at nine facilities in the Americas, eight facilities in Europe and two facilities in China. With a view toward projected demand, we strive to optimize and balance capacity at our battery manufacturing facilities located throughout the world, while simultaneously minimizing our product cost. By taking a global view of our manufacturing requirements and capacity, we are better able to anticipate potential capacity bottlenecks and equipment and capital funding needs.

The primary raw materials used to manufacture our products include lead, plastics, steel and copper. We purchase lead, which accounts for approximately 30% of our raw material purchases, from a number of leading suppliers throughout the world. Because lead is traded on the world's commodity markets and its price fluctuates daily, we enter into hedging arrangements from time to time for our projected requirements to mitigate the adverse effects of these fluctuations. We also enter into similar arrangements in connection with our purchases of steel. With respect to the remainder of our raw materials, we generally seek to enter into one- to two-year fixed-priced contracts when cost effective.

Competition

The industrial lead-acid battery market is highly competitive and has experienced substantial consolidation both among competitors who manufacture and sell industrial batteries and among customers who purchase industrial batteries. Our competitors range from development stage companies to major domestic and international corporations. We also compete with other energy storage technologies such as non-lead-acid batteries, fuel cells and flywheels.

We compete primarily on the basis of reputation, product quality, reliability of service, delivery and price. We believe that our products and services are competitively priced. We possess an approximate 24% global market share in our products and enjoy an incumbent advantage due to barriers to entry. These barriers include the tendency of reserve power battery customers to buy from suppliers on whom they rely with confidence for their critical power needs, the preference of large multinational customers to centralize battery purchases with equally large suppliers equipped with responsive and global servicing networks. An additional barrier is the large initial capital requirement for entrants to develop the necessary manufacturing capacity.

Reserve Power

We believe we have one of the largest market shares, on a worldwide basis, for reserve power products. We compete principally with Exide Technologies, GS Yuasa and C&D Technologies, as well as Fiamm and East Penn Manufacturing.

Motive Power

We believe we have one of the largest market shares, on a worldwide basis, for motive power products. Our principal competition in our motive power segment is Exide Technologies. In North America, we also compete with East Penn Manufacturing and C&D Technologies. In Europe, we also compete with Fiamm and Hoppecke. In Asia, we also compete with JSB, Shinkobe, Yuasa and Hitachi.

Warranties

Warranties for our products vary by geography and product and are competitive with other suppliers of these types of products. Generally, our reserve power products carry a one-year warranty and our motive power products warranties range from one to five years. The warranty on our battery chargers typically ranges from one to three years.

The length of our warranties is sometimes extended to reflect varied regional characteristics and competitive influences. In some cases, we may extend the warranty period to include a pro rata period, which is typically based around the design life of the product and the application served. Our warranties generally cover defects in workmanship and materials and are limited to specific usage parameters.

Intellectual Property

There are no patents that we consider to be material to our business. Although from time to time we apply for patents on new inventions and designs, we believe that the growth of our business will depend primarily upon the quality of our products and our relationships with our customers, rather than the extent of our patent protection.

We own or possess licenses and other rights to use a number of trademarks. We have registered many of these trademarks in various styles in the U.S. Patent and Trademark Office and with other countries. Our various trademark registrations currently have a duration of one to twelve years, varying by mark and jurisdiction of registration. We endeavor to keep all of our material registrations current. We believe that many such rights and licenses are important to our business by helping to develop strong brand-name recognition in the marketplace. Some of our significant trademarks include: *Exide, Exide-Ironclad, HUP, Loadhog, Superhog, Workhog, Deserthog, Smarthog, Cobra, GBC, ESB, Hybernator, Liberator, Oasis, Titan PowerTech, PowerGuard, PowerPlus, LifePlus, Waterless, Powerline, Energy Plus, LifeGuard, PowerLease, Envirolink, Varta, Perfect, Hawker, Armasafe+, Odyssey, PowerSafe, DataSafe, Genesis, Cyclon, Genesis NP, Genesis Pure Lead, Supersafe, Oldham, Chloride* and *Espace*.

Product and Process Development

Our product and process development efforts are focused on the creation and optimization of new battery products using existing technologies, which differentiate our stored energy solutions from our competition's. We allocate our resources to the following key areas:

- the design and development of new products;
- optimizing and expanding our existing product offering;
- waste reduction;
- production efficiency and utilization;
- capacity expansion, without additional facilities; and
- quality attribute maximization.

Employees

At March 31, 2004, we had approximately 6,500 employees. Of these employees, approximately 3,300, almost all of whom work in our European facilities, were covered by collective bargaining agreements. The average term of these agreements is one to two years, with the longest term being three and one-half years. These agreements expire over the period from 2004 to 2007.

We consider our employee relations to be good. We have not experienced any material labor unrest, disruption of production or strike.

Environmental Regulation

In the manufacture of our products, we process large amounts of hazardous and toxic materials, especially lead and acid. As a result, we are subject to extensive and changing environmental protection, health and safety laws and regulations governing, among other things: the generation, handling, storage, use, transportation and disposal of hazardous and toxic materials; remediation of polluted ground or

water; emissions or discharges of hazardous materials into the ground, air or water; and the health and safety of our employees. Failure to comply with these laws and regulations, or to obtain and comply with required environmental permits, could result in fines, criminal charges or other sanctions by regulators. Compliance with these laws, regulations and permits has resulted in ongoing costs. From time to time we have had instances of alleged or actual noncompliance that have resulted in the imposition of fines or penalties. Our ongoing compliance with environmental, health and safety laws, regulations and permits could require us to incur significant expenses, limit our ability to modify or expand our facilities or continue production and require us to install additional pollution control equipment and make other capital improvements. In addition to compliance, investigation and cleanup costs, fines and penalties imposed by regulatory authorities resulting from alleged failure to comply with environmental laws, private parties, including current or former employees, could bring personal injury or other claims against us due to the presence in the workplace of, or their exposure to, hazardous substances, used, stored, transported or disposed of by us or contained in our products.

Certain environmental laws assess liability on owners or operators of real property for the cost of investigation, removal or remediation of hazardous substances at their properties or at properties at which they have disposed of hazardous substances. These laws may assess costs to repair damage to natural resources. Some of our manufacturing sites have a prior history of industrial use, and we may be responsible for remediating any environmental damage to these sites caused by their former owners. Soil and groundwater contamination has occurred at some of these sites in the past and might occur or be discovered at other sites in the future. We currently are investigating, remediating and monitoring soil and groundwater contamination at certain of those sites. In addition, we have been, currently are and in the future may be liable to contribute to the cleanup of locations owned or operated by other persons to which we or our predecessor companies have sent wastes for disposal, pursuant to federal and other environmental laws. We are named as a potentially responsible party at one federal "Superfund" site. Under these laws, the owner or operator of contaminated properties and companies that generated, disposed of or arranged for the disposal of wastes sent to a contaminated disposal facility can be held jointly and severally liable for the investigation and cleanup of such properties, regardless of fault.

A number of our facilities in the United States and Europe are certified to the ISO 14001 standard. ISO 14001 is a globally recognized program that focuses on the implementation, maintenance and continual improvement of an environmental management system and the improvement of environmental performance at the site. In addition, various governmental agencies have recognized several of our manufacturing facilities for excellence with respect to environmental performance.

Litigation

From time to time, we are involved in litigation incidental to the conduct of our business. We do not expect that any of this litigation, individually or in the aggregate, will have a material adverse effect on our financial condition, results of operations or cash flow.

Facilities

Set forth below is a table of our principal manufacturing and principal distribution facilities, their principal functions, the approximate size of the facility and whether the facility is owned or leased.

Location	Function/Products Produced (1)	Size (square feet)	Owned/Leased
North America:			
Reading, PA	Corporate Offices	109,000	Owned
Richmond, KY	Motive and Reserve Power Batteries	277,000	Owned
Cleveland, OH	Motive Power Chargers	66,000	Owned
Ooltewah, TN	Motive Power Batteries	90,000	Owned
Warrensburg, MO	Reserve Power Batteries	341,000	Owned
Hays, KS	Reserve Power Batteries	351,000	Owned
Sumter, SC	Metal fabrication, Motive and Reserve Power	52,000	Owned
Santa Fe Springs, CA	Distribution Center, Motive and Reserve Power Batteries	35,000	Leased
Carlstadt, NJ	Distribution Center, Motive and Reserve Power Batteries	25,000	Leased
Tijuana, Mexico	Reserve Power Batteries	156,000	Owned
Monterrey, Mexico	Reserve and Motive Power Batteries	80,000	Owned
Brampton, Canada	Assembly and distribution, Motive and Reserve Power Batteries	37,000	Leased
Europe:			
Arras, France	Reserve and Motive Power Batteries	484,000	Owned
Newport, Wales	Reserve Power Batteries	233,000	Owned
Manchester, England	Reserve Power Batteries	475,000	Owned
Hagen, Germany	Reserve and Motive Power Batteries	395,000	Owned/Leased
Bielsko-Biala, Poland	Motive Power Batteries	172,000	Leased
Brebieres, France	Motive Power Chargers	41,000	Leased
Zamudio, Spain	Reserve and Motive Power Batteries	55,000	Owned
Villanova, Italy	Reserve and Motive Power Batteries	50,000	Leased
Herstal, Belgium	Distribution Center, Motive and Reserve Power Batteries	84,000	Leased
Asia:			
Shenzhen, China	Reserve Power Batteries	176,000	Owned
Jiangsu, China	Reserve Power Batteries	130,000	Owned

(1) The primary function of listed facilities is manufacturing industrial batteries, unless otherwise noted.

Quality Systems

We utilize a global strategy for quality management systems, policies and procedures, the basis of which is the ISO 9001:2000 standard. We believe in the principles of this standard and reinforce this by mandatory compliance for all manufacturing, sales and service locations that are registered to the ISO 9001 standard. This strategy enables us to provide effective products and services to meet our customers' needs.

Directors and Executive Officers

Set forth below is certain information regarding our executive officers and directors.

Name	Age	Position
John D. Craig	53	Chairman of the Board of Directors, President and Chief Executive Officer
Michael T. Philion	52	Executive Vice President—Finance, and Chief Financial Officer
Charles K. McManus	57	Executive Vice President—North America Reserve Power and Worldwide Marketing
John A. Shea	41	Executive Vice President—Motive Power Americas
Richard W. Zuidema	55	Executive Vice President—Administration
Cheryl A. Diuguid	53	Senior Vice President—Asia
Raymond R. Kubis	50	President—Europe
Howard I. Hoffen	40	Director
Eric T. Fry	37	Director
		Director Nominee
		Director Nominee
		Director Nominee
		Director Nominee

Executive officers are appointed by and serve at the pleasure of our board of directors. A brief biography of each director and executive officer follows:

John D. Craig*, Chairman of the Board of Directors, President and Chief Executive Officer.* Mr. Craig has served as Chairman of the Board of Directors, President and Chief Executive Officer and a director since November 2000. From 1998 to October 2000, he served as President and Chief Operating Officer of Yuasa Inc., the predecessor company to EnerSys. Mr. Craig joined Yuasa in 1994. Mr. Craig received his Master of Electronics Engineering Technology degree from Arizona State University and his Bachelor's degree from Western Michigan University.

Michael T. Philion*, Executive Vice President—Finance and Chief Financial Officer.* Mr. Philion has served as Executive Vice President—Finance and Chief Financial Officer since November 2000. From 1994 to October 2000, he served as Vice President—Finance and Chief Financial Officer of Yuasa. Prior thereto, Mr. Philion was employed as a banking merger and acquisitions specialist with Ernst & Young and as a senior financial executive with a large regional food service management company. Mr. Philion is a certified public accountant. He received his Bachelor of Science degree in Accounting from Pennsylvania State University.

Charles K. McManus*, Executive Vice President—North America Reserve Power and Worldwide Marketing.* Mr. McManus has served as Executive Vice President—North America Reserve Power and Worldwide Marketing since March 2002. Mr. McManus served as Executive Vice President of Stationary Power from 2000 to 2002 and as Vice President—Stationary Power of Yuasa from 1997 to 2000. From 1990 to 1997, Mr. McManus was employed by GNB Industrial Battery Company as Vice President—Telecom Business Unit. Mr. McManus attended the University of Pennsylvania.

John A. Shea*, Executive Vice President—Motive Power, Americas.* Mr. Shea has served as Executive Vice President—Motive Power Americas since March 2002. From November 2000 to March 2002, he served as Executive Vice President—Motive Power. From 1995 to November 2000, Mr. Shea was Vice President Sales and Marketing—Motive Power of Yuasa. He joined Yuasa in 1987. Mr. Shea received his Bachelor of Arts degree in Business Administration with a double major in Marketing and Human Resource Management from California State University.

Richard W. Zuidema*, Executive Vice President—Administration.* Mr. Zuidema served as Executive Vice President—Administration since March 2002. From November 2000 until March 2002, Mr. Zuidema was Executive Vice President—Administration and International. Mr. Zuidema served as Vice

President—Administration of Yuasa from 1998 to 2000. Mr. Zuidema received his Master of Business Administration degree from the University of Buffalo and his Bachelor of Sciences degree in Business Administration and Finance from the State University of New York.

***Cheryl A. Diuguid**, Senior Vice President—Asia.* Ms. Diuguid has served as Senior Vice President—Asia since February 2004. From March 2002 to February 2004, Ms. Diuguid served as Vice President of Strategic Planning and Asia. Ms. Diuguid was employed by Invensys plc from 1991 to 2002, where she served as Vice President and General Manager of Worldwide Operations for the Energy Storage Group from April 1999 to March 2002. Ms. Diuguid received her Master of Business Administration degree from Duke University, her Master of Science degree in Chemistry from the University of Virginia and her Bachelor of Science degree in Chemistry from Lynchburg College.

***Raymond R. Kubis**, President—Europe.* Mr. Kubis has served as President—Europe, since March 2002. From October 1998 to March 2002, Mr. Kubis was Vice President, General Manager, Motive Power, for the Energy Storage Group of Invensys plc. Mr. Kubis received his Master of Business Administration degree from The Wharton School of the University of Pennsylvania and his Bachelor of Science degree in Accounting from the University of Illinois.

***Howard I. Hoffen**, Director.* Mr. Hoffen has been a director since November 2000. Mr. Hoffen is a Managing Director of Morgan Stanley & Co. Incorporated. He joined Morgan Stanley & Co. Incorporated in 1985. Mr. Hoffen serves as a Director of Catalytica Energy Systems, Inc. and Choice One Communications, both of which trade on the Nasdaq Stock Market. He is also a Director of the following private companies: Cantera Resources, Concert Capital, Direct Response Corporation, Homesite Group Inc., Triana Energy, Union Drilling Co. Inc. and Vanguard Health Systems. Mr. Hoffen received his Master of Business Administration degree from Harvard Business School and his Bachelor of Science degree from Columbia University.

***Eric T. Fry**, Director.* Mr. Fry has been a director since November 2000. Mr. Fry is a Managing Director of Morgan Stanley. He joined Morgan Stanley & Co. Incorporated in 1989. Mr. Fry serves as a Director of Cross Country Healthcare, Inc., which is traded on the Nasdaq Stock Market. He is also a Director of American Color Graphics, Inc., Direct Response Corporation, Homesite Group, LifeTrust America, Vanguard Health Systems and The Underwriter Group Limited. Mr. Fry received his Master of Business Administration degree from Harvard Business School and his Bachelor of Science degree in Economics from The Wharton School at the University of Pennsylvania.

Composition of the Board After This Offering

Upon the closing of this offering, our board of directors will consist of seven members, including and , independent directors who have been named to serve on our board of directors effective as of the closing of this offering. We expect to add a third independent member to our board of directors within 12 months after the closing of this offering. The two additional directors, and , are designees of investment funds affiliated with Morgan Stanley, which we refer to as the Morgan Stanley Funds. There are no family relationships among our directors or executive officers.

Pursuant to our certificate of incorporation, our board of directors is divided into three classes. The members of each class will serve for a staggered, three-year term. Upon the expiration of the term of a class of directors, nominees for directors in that class will be considered for election for three-year terms at the annual meeting of stockholders in the year in which the term of directors in that class expires. The classes are composed of the following directors:

- Mr. Fry, and will be Class I directors, whose terms will expire at the 2005 annual meeting of stockholders;
- and will be Class II directors, whose terms will expire at the 2006 annual meeting of stockholders; and
- Mr. Craig and Mr. Hoffen will be Class III directors, whose terms will expire at the 2007 annual meeting of stockholders.

Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of our directors. This classification of our board of directors may have the effect of delaying or preventing changes in control of our company.

Committees of our Board of Directors

At the closing of this offering, our board of directors will have an audit committee, a compensation committee and a nominating and corporate governance committee, each of which will have the composition and responsibilities described below. Our board of directors from time to time may establish other committees.

Since the Morgan Stanley Funds will continue to hold more than 50% of the voting power of EnerSys following this offering, we are a "controlled company" within the meaning given to that term in the New York Stock Exchange Listed Company Manual. So long as we are a "controlled company," we are exempt from certain listing requirements, including, among others, the requirements that a majority of our board of directors be independent directors and that all the members of our compensation and nominating and corporate governance committees be independent directors.

Audit Committee

Upon the closing of this offering, our audit committee will consist of , and Mr. Fry. has been determined to be our "audit committee financial expert," as such term is defined in Item 401(h) of Regulation S-K. The audit committee will be responsible for:

- engaging our independent auditor;
- approving the overall scope of our audit;
- assisting our board of directors in monitoring the integrity of our financial statements, the independent accountants' qualifications and independence, the performance of the independent accountants and our internal audit function and our compliance with legal and regulatory requirements;
- annually reviewing our independent auditor's report describing the auditing firm's internal quality-control procedures, any material issues raised by the most recent internal quality control review, or peer review, of the auditing firm;
- monitoring the rotation of partners of the independent auditor on our engagement team;
- discussing the annual audited financial and quarterly statements with management and the independent auditor and reviewing our material accounting policies and estimates and administrative and financial controls;
- discussing earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;
- discussing policies with respect to risk assessment and risk management;
- meeting separately, periodically, with management, internal auditors and the independent auditor;
- reviewing with the independent auditor any audit problems or difficulties and management's response;
- setting clear hiring policies for employees or former employees of the independent auditor;
- approving the retention of the independent auditor to perform any proposed permissible non-audit services;
- handling such other matters as are specifically delegated to the audit committee by our board of directors from time to time; and
- reporting regularly to our full board of directors.

Within 12 months after the closing of this offering, we plan to nominate an additional new independent member to the audit committee to replace Mr. Fry so that all three of our audit committee

members will be "independent," as such term is defined in Rule 10A-3(b)(i) under the Securities Exchange Act of 1934, as amended.

Our board of directors has adopted a written charter for the audit committee, which will be available on our website at http://www.enersys.com.

Compensation Committee

Upon the closing of this offering, our compensation committee will consist of one independent director, and Mr. Hoffen and Mr. Fry. The compensation committee is responsible for:

- reviewing key employee compensation policies, plans and programs;
- reviewing and approving the compensation of our executive officers;
- reviewing and approving employment contracts and other similar arrangements between us and our executive officers;
- reviewing and consulting with the chief executive officer on the selection of officers and evaluation of executive performance and other related matters;
- administration of stock plans and other incentive compensation plans; and
- such other matters that are specifically delegated to the compensation committee by our board of directors from time to time.

None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers who serve on our board or compensation committee.

Nominating and Corporate Governance Committee

Upon the closing of this offering, our nominating and corporate governance committee will consist of one independent director, and Mr. Hoffen and Mr. Fry. The nominating and corporate governance committee will be responsible for identifying and recommending potential candidates qualified to become board members, recommending directors for appointment to board committees and developing and recommending to our board a set of corporate governance principles.

Director Compensation

Upon the closing of the offering, we expect to pay our directors (other than directors who are our employees) an annual cash retainer of $ and a fee of $ for each of our board meetings, and $ for each committee meeting, attended. We will reimburse any member of our board who is not an employee for reasonable expenses incurred in connection with his or her attendance at board and committee meetings. We also plan to grant stock options or other awards under our 2004 Equity Incentive Plan to independent directors.

Executive Compensation

The following table shows the annual cash compensation and certain other compensation paid or accrued by us for fiscal 2004 to our Chief Executive Officer and our other four most highly compensated executive officers. We refer to these officers collectively as our named executive officers.

Summary Compensation Table

Name and Principal Position	Annual Compensation			Long-Term Compensation Awards	
	Salary	Bonus	Other	Securities Underlying Options (#)	All Other Compensation
John D. Craig Chairman, President and Chief Executive Officer	$ 725,000	$ 725,000(1) $ 3,687,855(2)	$ 2,100(3)		$ (4)
Michael T. Philion Executive Vice President—Finance, Chief Financial Officer and Director	$ 335,000	$ 201,000(1) $ 1,580,280(2)	$ 2,100(3)		$ 13,235(5)
Richard W. Zuidema Executive Vice President—Administration and Director	$ 336,000	$ 201,600(1) $ 1,207,049(2)	$ 2,100(3)		$ 13,387(5)
John A. Shea Executive Vice President—Motive Power Americas	$ 311,000	$ 186,600(1) $ 1,259,796(2)	$ 2,100(3)		$ 12,749(5)
Raymond R. Kubis President—Europe	$ 366,048(6)	$ 217,587(1)(7) $ 415,477(2)	$ (8)		$ 22,860(9)

(1) Consists of normal bonus for fiscal 2004 paid in fiscal 2005.

(2) Consists of a one-time payment in connection with our recapitalization on March 17, 2004, which was based on certain option holdings of the named executive.

(3) Consists of car allowance benefits.

(4) Consists of long-term disability premiums in the amount of $7,150, 401(k) matching contributions in the amount of $17,010 plus benefits under a split dollar life insurance policy in the amount of $. These benefits represent the price of the term portion of the policy premiums plus the discounted present value of the imputed interest on the investment portion of the premiums over Mr. Craig's expected life.

(5) Consists of 401(k) matching contributions.

(6) U.S. dollar equivalent of annual salary of €297,600, based on the exchange rate at March 31, 2004, $1.23 to €1.00.

(7) Consists of U.S. dollar equivalent of fiscal 2004 bonus of €176,900, based on the exchange rate at March 31, 2004, $1.23 to €1.00.

(8) U.S. dollar equivalent of €53,111, based on the exchange rate at March 31, 2004, $1.23 to €1.00. This represents perquisites paid to Mr. Kubis for fiscal 2004 and includes private school tuition of $55,781 for Mr. Kubis' children, personal travel expenses of $9,546 and car allowance benefits of $.

(9) This represents the U.S. dollar equivalent of €18,585 in pension contributions to an individual retirement account, based on the exchange rate at March 31, 2004, $1.23 to €1.00.

Stock Option Grants in Fiscal 2004

The following table sets forth information regarding stock options granted during fiscal 2004 to the executive officers named below.

	Number of Securities Underlying Options Granted (#)(1)	Percentage of Total Options Granted to Employees in Fiscal 2004	Exercise Price per Share ($/Sh)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(2)	
					5%	10%
John D. Craig Chairman, President and Chief Executive Officer		2.78 4.54 4.64 7.60 4.12		10/30/07 10/30/07 10/30/10 10/30/10 10/30/10		
Michael T. Philion Executive Vice President—Finance, Chief Financial Officer		1.11 1.81 1.86 3.04 1.65		10/30/07 10/30/07 10/30/10 10/30/10 10/30/10		
Richard W. Zuidema Executive Vice President—Administration		1.11 1.81 1.86 3.04 1.65		10/30/07 10/30/07 10/30/10 10/30/10 10/30/10		
John A. Shea Executive Vice President—Motive Power Americas		1.11 1.81 1.86 3.04 1.65		10/30/07 10/30/07 10/30/10 10/30/10 10/30/10		
Raymond R. Kubis President—Europe		1.11 1.81 1.86 3.04 1.65		10/30/07 10/30/07 10/30/10 10/30/10 10/30/10		

(1) One-half of the options granted in fiscal 2004 vested upon grant. The unvested portion of the grant vests 50% per year over two years.

(2) Potential realizable values are net of exercise price, but before any taxes associated with exercise. The assumed rates of stock appreciation are provided in accordance with SEC rules based upon an assumed initial public offering price of $ per share, and do not represent our estimate or projection of future stock price.

Aggregated Option Exercises in Fiscal 2004 and Fiscal Year-End Option Values

None of our named executive officers exercised options to purchase our common stock during fiscal 2004. The following table shows information about the value of each of our named executive officers' unexercised options as of March 31, 2004.

Fiscal 2004
Year-End Option Values

	Number of Securities Underlying Unexercised Options at Fiscal Year-End(1)		Value of Unexercised In-the-Money Options at Fiscal Year-End(2)	
	Exercisable	**Unexercisable**	**Exercisable**	**Unexercisable**
John D. Craig Chairman, President and Chief Executive Officer				
Michael T. Philion Executive Vice President—Finance, Chief Financial Officer				
Richard W. Zuidema Executive Vice President—Administration				
John A. Shea Executive Vice President—Motive Power Americas				
Raymond R. Kubis President—Europe				

(1) Includes common stock equivalent number of shares issuable if certain stock options had been exercised for preferred stock and then converted into common stock, all as of March 31, 2004.

(2) There was no public trading market for our common stock as of March 31, 2004. Accordingly, these values have been based upon an assumed initial public offering price of $ per share less the applicable exercise price payable for these shares, multiplied by the number of shares underlying the option.

Equity Compensation Plan Information

The following table sets forth information as of March 31, 2004, regarding all of our existing compensation plans pursuant to which equity securities are authorized for issuance to employees and non-employee directors.

Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))**	**Total of securities reflected in columns (a) and (c)**
	(a)	**(b)**	**(c)**	**(d)**
Equity Compensation Plans Approved By Stockholders(1)				
Equity Compensation Plans Not Approved By Stockholders	—	—	—	—
Total				

(1) Consists of options to purchase shares of common stock under the EnerSys Management Equity Plan ("MEP"), which was adopted by stockholders on . Options granted under this plan generally vest 25% per year from the date of grant. Upon an IPO, an additional 30% of granted options vest immediately.

Employment Agreements

All of our named executive officers have entered into employment or directorship agreements with us. The following is a description of the material terms of these agreements.

Employment Agreements with Messrs. Craig, Philion, Zuidema and Shea

We entered into an employment agreement with Mr. Craig on November 9, 2000. Mr. Craig's employment agreement is for a three-year term that is automatically extended on a daily basis to continue for three years from the date of such extension. Mr. Craig's employment agreement provides that after an initial public offering of our stock, we will use our best efforts to nominate him as Chairman of the board

and that he shall also serve as the Chief Executive Officer and Chairman of the Board of each direct and indirect subsidiary of EnerSys. Mr. Craig's employment agreement provides that he may not compete with our business for three years following termination of his employment. We entered into employment agreements with each of Messrs. Philion, Zuidema and Shea on November 9, 2000. The employment agreements entered into by Messrs. Philion, Zuidema and Shea are for a two-year term that is automatically extended on a daily basis to continue for two years from the date of such extension. These employment agreements provide generally that the executive may not compete with our business for two years following termination of his employment.

Subject to annual increases at the sole discretion of the compensation committee, Mr. Craig's base salary is $725,000, Mr. Philion's base salary is $335,000, Mr. Zuidema's base salary is $336,000 and Mr. Shea's base salary is $311,000. Contingent upon meeting goals established by the Board of Directors and the compensation committee, Mr. Craig is entitled to a bonus of up to 100% of base salary, and each of Mr. Philion, Mr. Zuidema and Mr. Shea is entitled to a bonus of up to 60% of base salary.

We may terminate the employment of Mr. Craig, Philion, Zuidema or Shea for cause if he has been involved in any of the following: the commission of a felony or crime involving moral turpitude; a knowing and intentional fraud; an act or omission that is materially injurious to EnerSys; or the willful and continued failure or refusal to substantially perform his duties as an employee. If we were to terminate one of these executive's employment without cause, or if he resigns with good reason, we would be obligated to pay him his base salary, plus annual bonuses in an amount equal to the average of his two most recent annual bonuses, for the remainder of the term of the employment agreement. The employment agreements provide that if any payments due to the executive are subject to excise tax under Section 4999 of the Internal Revenue Code of 1986, we will provide the executive with a tax gross-up payment to negate the excise tax. "Good reason" means any of the following: a decrease in base salary; a material diminution of authority, responsibilities or positions; a relocation to any office location that is more than 50 miles from Reading, Pennsylvania; or our giving notice that we intend to discontinue the automatic extension of the employment agreement.

Directorship Agreement with Mr. Kubis

On January 8, 2002, Mr. Kubis entered into a directorship agreement and a managing directorship agreement with respect to his services as President—Europe. These directorship agreements are for two-year terms that may be extended at our option. They provide generally that Mr. Kubis may not compete with our business for at least 12 months following termination of his directorship. Subject to annual increases at the sole discretion of the compensation committee, Mr. Kubis's base salary is €297,600 (U.S. dollar equivalent of $366,048, based on the exchange rate at March 31, 2004, $1.23 to €1.00) and, contingent upon meeting goals established by the Board of Directors and the compensation committee, Mr. Kubis is entitled to an annual bonus of up to 60% of base salary.

We may terminate Mr. Kubis' directorship appointment for cause if he has been involved in any of the following: the commission of a felony or crime involving moral turpitude; a knowing and intentional fraud; an act or omission that is materially injurious to EnerSys; or the willful and continued failure or refusal to substantially perform his duties as a director. If we were to terminate Mr. Kubis' appointment without cause, or if he resigned with good reason, we would be obligated to pay him his base remuneration, plus annual bonuses in an amount equal to the average of his two most recent annual bonuses, for two years. The directorship agreement provides that if any payments due to Mr. Kubis are subject to excise tax under Section 4999 of the Internal Revenue Code of 1986, we will provide Mr. Kubis with a tax gross-up payment to negate the excise tax. "Good reason" means any of the following: a decrease in base remuneration; a material diminution of authority, responsibilities or positions; a relocation from Brussels, Belgium to any other location, unless Mr. Kubis is relocated to the United States or, upon 90 days prior notice and the payment of reasonable relocation expenses, to London, Paris or Frankfort; or a failure to renew the managing directorship agreement.

2004 Equity Incentive Plan

The following is a summary of the material terms of our 2004 Equity Incentive Plan, which we refer to as the 2004 EIP. This description is not complete. For more information, we refer you to the full text of the 2004 EIP, which has been filed as an exhibit to the registration statement of which this prospectus forms a part. We adopted the 2004 EIP effective as of , 2004.

The 2004 EIP authorizes the grant of non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards to employees and directors of us and of our affiliates. A maximum of shares of our common stock may be subject to awards under the 2004 EIP. The number of shares issued or reserved pursuant to the 2004 EIP (or pursuant to outstanding awards) is subject to adjustment as a result of mergers, consolidations, reorganizations, stock splits, stock dividends and other dilutive changes in our common stock. Shares subject to any awards that expire without being exercised or that are forfeited shall again be available for future grants of awards under the 2004 EIP. In addition, shares subject to awards that have been retained by us in payment or satisfaction of the purchase price or tax withholding obligation of an award shall not count against the limit described above.

Administration. The 2004 EIP is administered by our compensation committee. The committee has the sole discretion to determine the employees and directors to whom awards may be granted under the 2004 EIP, the manner in which such awards will vest, and the other conditions applicable to awards. Options, stock appreciation rights, restricted stock and other stock-based awards may be granted by the committee to employees and directors in such numbers and at such times during the term of the 2004 EIP as the committee shall determine. The committee is authorized to interpret the 2004 EIP, to establish, amend and rescind any rules and regulations relating to the 2004 EIP, and to make any other determinations that it deems necessary or desirable for the administration of the 2004 EIP. The committee may correct any defect, supply any omission or reconcile any inconsistency in the 2004 EIP in the manner and to the extent the committee deems necessary or desirable.

Options. The committee will determine the exercise price and other terms for each option. An option holder may exercise an option by written notice and payment of the exercise price in a form acceptable to the committee, which may include: by cash, check or wire transfer; by the surrender of a number of shares of common stock already owned by the option holder for at least the minimum period required by law and to avoid any accounting charge with a fair market value equal to the exercise price; through the delivery of irrevocable instructions to a broker to sell shares obtained upon the exercise of the option and to deliver to us an amount out of the proceeds of the sale equal to the aggregate exercise price for the shares being purchased; or another method approved by the committee.

Stock Appreciation Rights. The committee may grant stock appreciation rights independent of or in connection with an option. The exercise price per share of a stock appreciation right will be an amount determined by the committee, and the committee will determine the other terms applicable to stock appreciation rights. Generally, each stock appreciation right will entitle a participant upon exercise to an amount equal to:

- the excess of (i) the fair market value on the exercise date of one share of common stock over (ii) the exercise price, times
- the number of shares of common stock covered by the stock appreciation right. Payment shall be made in common stock or in cash, or partly in common stock and partly in cash, all as shall be determined by the committee.

Restricted Stock and Restricted Stock Units. The committee may award restricted common stock and restricted stock units. Restricted stock awards consist of shares of stock that are transferred to the participant subject to restrictions that may result in forfeiture if specified conditions are not satisfied. Restricted stock unit awards result in the transfer of shares of stock to the participant only after specified conditions are satisfied. The committee will determine the restrictions and conditions applicable to each award of restricted stock or restricted stock units.

Other Stock-Based Awards. The committee may grant awards of rights to purchase stock, phantom stock units, performance shares and other awards that are valued in whole or in part by reference to, or are otherwise based on the fair market value of, shares of our common stock. The other stock-based awards will be subject to terms and conditions established by the committee.

Performance Criteria. Vesting of awards granted under the 2004 EIP may be subject to the satisfaction of one or more performance goals established by the committee. The performance goals may vary from participant to participant, group to group, and period to period.

Transferability. Unless otherwise determined by the committee, awards granted under the 2004 EIP are not transferable other than by will or by the laws of descent and distribution.

Change of Control. The committee may provide, either at the time an award is granted or thereafter, that a change in control (as defined in the 2004 EIP) that occurs after the initial public offering shall have such effect as specified by the committee, or no effect, as the committee in its sole discretion may provide.

Term of the 2004 EIP; Amendment and Termination. The 2004 EIP became effective on , 2004, and will terminate on the tenth anniversary thereof unless sooner terminated. The board may amend, alter or discontinue the 2004 EIP in any respect at any time, but no amendment may diminish any of the rights of a participant under any awards previously granted, without his or her consent, unless such amendment affected all participants in the same manner. In addition, if shareholder approval is required under applicable tax or other laws, no amendment may be made without obtaining such shareholder approval.

Federal Income Tax Consequences of Awards Under the 2004 Equity Incentive Plan. The following discussion summarizes certain federal income tax consequences of the issuance and receipt of options under the 2004 EIP under the law as in effect on the date hereof. The summary does not purport to cover all federal employment tax or other federal tax consequences that may be associated with the 2004 EIP, nor does it cover state, local, or non-U.S. taxes.

When a non-qualified stock option is granted, there are no income tax consequences for the option holder or us. When a non-qualified stock option is exercised, in general, the option holder recognizes compensation equal to the excess of the fair market value of the common stock on the date of exercise over the exercise price multiplied by the number of shares of common stock subject to the option that was exercised. We are entitled to a deduction equal to the compensation recognized by the option holder for our taxable year that ends with or within the taxable year in which the option holder recognized the compensation.

When a stock appreciation right is granted, there are no income tax consequences for the participant or us. When a stock appreciation right is exercised, in general, the participant recognizes compensation equal to the cash and/or the fair market value of the shares received upon exercise. We are entitled to a deduction equal to the compensation recognized by the participant.

Generally, when a restricted stock unit or a share of restricted stock is granted, there are no income tax consequences for the participant or us. Upon the payment to the participant of common shares in respect of restricted share units or the release of restrictions on restricted stock, the participant, generally, recognizes compensation equal to the fair market value of the shares as of the date of delivery or release. We are entitled to a deduction equal to the compensation recognized by the participant.

In general, under Section l62(m) of the Internal Revenue Code of 1986, as amended (the "Code"), remuneration paid by a public corporation to its chief executive officer or any of its other top four named executive officers, ranked by pay, is not deductible to the extent it exceeds $1,000,000 for any year. However, Section 162(m) excepts from the this rule certain amounts payable pursuant to plans or agreements adopted before an initial public offering. The Company intends to take advantage of this exception and expects that Section 162(m) will not limit the deductibility of any amounts payable pursuant to the 2004 EIP.

Under the so-called "golden parachute" provisions of the Code, the accelerated vesting of stock options and benefits paid under other awards in connection with a change in control of a corporation may be required to be valued and taken into account in determining whether participants have received compensatory payments, contingent on the change in control, in excess of certain limits. If these limits are exceeded, a portion of the amounts payable to the participant may be subject to an additional twenty percent (20%) federal tax and may be nondeductible to us.

CERTAIN RELATIONSHIPS AND TRANSACTIONS

Relationship with Morgan Stanley

After giving effect to this offering, the Morgan Stanley Funds will own approximately % of our outstanding common stock.

As of March 31, 2004, Morgan Stanley Senior Funding, Inc., a subsidiary of Morgan Stanley, had a $5.0 million participation in and acts as an agent under our new senior secured credit facility, and it acts as an agent under our new senior second lien term loan. Morgan Stanley Senior Funding was the sole lender and acted as agent under our former senior secured credit facility. Morgan Stanley & Co. Incorporated, an affiliate of Morgan Stanley, is acting as one of the representatives of the underwriters of this offering.

Securityholder Agreement

We entered into a securityholder agreement with the Morgan Stanley Funds and our other equity holders dated as of November 9, 2000, providing for certain governance matters, restrictions on transfers of our equity interests by certain equity holders and certain registration rights. On , 2004, we entered into an amended and restated securityholder agreement (which we refer to herein as the securityholder agreement) with the Morgan Stanley Funds, certain investment funds affiliated with J.P. Morgan, which we refer to as the J.P. Morgan Funds, and certain entities affiliated with GM, which we refer to as the GM Shareholders, as well as with certain members of our senior management who own an aggregate of shares of common stock and options to purchase an aggregate of shares of common stock.

All significant decisions involving our company or our subsidiaries require the approval of our board of directors, acting by a simple majority vote. The securityholder agreement provides that our board of directors will consist of seven members upon the closing of this offering, which may be increased to not more than nine members at the discretion of our board of directors. Our chief executive officer will be a nominee for election to our board of directors. The Morgan Stanley Funds are entitled to designate a majority of the nominees for election to our board of directors and to designate a majority of the members of our compensation committee and nominating and corporate governance committee. The parties to the securityholder agreement have agreed with us to vote their shares of common stock to elect such nominees for director. Such rights are subject to any listing requirement of the New York Stock Exchange on which the shares of our common stock are expected to be traded, and to any other requirements of the Exchange Act, which may require that some of such nominees and committee members be "independent," as such term is defined in Rule 10A-3(b)(i) under the Exchange Act or otherwise. Such rights to designate a majority of such nominees or committee members will terminate when the Morgan Stanley Funds cease to own more than 50% of our outstanding common stock. Thereafter, and until the Morgan Stanley Funds cease to own at least 25% of our outstanding common stock, the Morgan Stanley Funds will be entitled to designate a number of such nominees or members that is proportionate to its percentage holdings of our common stock.

Since the Morgan Stanley Funds will continue to hold more than 50% of the voting power of EnerSys stock following this offering, we are a "controlled company" within the meaning given to that term in the New York Stock Exchange Listed Company Manual. So long as we are a "controlled company," we are exempt from certain listing requirements, including, among others, the requirements that a majority of our board of directors be independent directors and that all the members of our compensation and nominating and corporate governance committees be independent directors.

We have agreed with each member of our senior management who is a party to the securityholder agreement that such person may not, directly or indirectly, transfer or encumber his or her shares of our common stock owned, or issuable upon the exercise of options owned, immediately prior to the closing of this offering, subject to certain exceptions (including transfers to facilitate certain "cashless exercises" of options to acquire common stock). These restrictions terminate with respect to such person when either (a) the Morgan Stanley Funds own less than 15% of our outstanding common stock or (b), with respect to vested shares and options under the 2000 MEP, the employment of such person with our company is

terminated by us without "cause" or by such person for "good reason," or upon such person's death, "permanent disability" or "retirement" (in each case as defined in such agreement) (but in no event earlier than the one hundred eightieth day after the completion of this offering).

We have agreed with each of our institutional stockholders, other than the MSCP Funds, that is a party to the securityholder agreement that such stockholder may not, directly or indirectly, transfer or encumber its shares of our common stock owned immediately prior to the closing of this offering, subject to certain exceptions. These restrictions terminate when the Morgan Stanley Funds own less than 15% of our outstanding common stock.

We have agreed that each Morgan Stanley Fund and each J. P. Morgan Fund and GM Shareholder has the ability, subject to certain exceptions, to require us to register the shares of common stock held by parties to the securityholder agreement in connection with the resale of such shares, so long as the aggregate market value of the shares to be registered is at least $50 million, in the case of requests involving an underwritten public offering, or $15 million, in the case of any other public offering. In addition, each party to the securityholder agreement will have the ability to exercise certain "piggyback" registration rights in connection with other registered offerings by us.

Indemnity and Expense Agreement

We have agreed with each Morgan Stanley Fund, in an agreement dated March 22, 2002, that, to the fullest extent permitted by law, none of such stockholders, or any of their respective partners or other affiliates, or their respective members, shareholders, directors, managers, officers, employees, agents or other affiliates, or any person or entity who serves at the request of any such stockholder on behalf of any person or entity as an officer, director, manager, partner or employee of any person or entity (referred to herein as indemnified parties), shall be liable to our company for any act or omission taken or suffered by such indemnified party in connection with the conduct of the affairs of our company or otherwise in connection with such stockholder's shareholdings in our company, unless such act or omission resulted from fraud, wilful misconduct or gross negligence by such indemnified party or any mistake, negligence, dishonesty or bad faith of any agent of such indemnified party.

We have also agreed with each Morgan Stanley Fund that, to the fullest extent permitted by law, we will indemnify each of such indemnified parties for any and all liabilities and expenses (including amounts paid in satisfaction of judgments, in compromises and settlements, as fines and penalties and legal or other costs and reasonable expenses of investigating or defending against any claim or alleged claim) of any nature whatsoever, known or unknown, liquidated or unliquidated, that are incurred by such indemnified party and arise out of or in connection with the affairs of our company, or any indemnified party's shareholdings in our company, including acting as a director, manager or officer or its equivalent of our company or otherwise in connection with the matters contemplated herein; provided that an indemnified party shall be entitled to indemnification hereunder only to the extent that such indemnified party's conduct did not constitute fraud, wilful misconduct or gross negligence.

We have also agreed to pay, or reimburse, each Morgan Stanley Fund for, all such stockholder's reasonable out-of-pocket fees and expenses incurred in connection with or related to such stockholder's investment in our company.

As a result of the Morgan Stanley Funds holding approximately % of our outstanding shares of common stock, after giving effect to the offering, and their rights under the securityholder agreement, Morgan Stanley may be deemed to control our management and policies, although such control is not exercised on a day-to-day basis. In addition, Morgan Stanley may be deemed to control all matters requiring stockholder approval, including the election of a majority of our directors, the adoption of amendments to our certificate of incorporation and the approval of mergers and sales of all or substantially all our assets. Circumstances could arise under which the interests of Morgan Stanley could be in conflict with the interests of our other stockholders.

Relationship with our Management

We have entered into employment or directorship agreements with our executive officers, granted stock options to our executive officers under our management equity plan and paid certain bonuses to our executive officers. See "Management."

PRINCIPAL STOCKHOLDERS

Set forth below is certain information concerning the beneficial ownership, as of , 2004, of our common stock and preferred stock, and as adjusted to give effect to the offering, by each person known to us to be a beneficial owner of more than 5% of any class of our capital stock, by each of our directors, by each of our named executive officers, by all our management equityholders as a group and by all our directors and executive officers as a group.

	Before the Offering				After the Offering	
	Common Stock		Preferred Stock		Common Stock	
	Number of Shares	Percent of Class	Number of Shares	Percent of Class	Number of Shares	Percent of Class
MSCP Funds(1) 1585 Broadway New York, NY 10036						
MSGEM Funds(2) 1585 Broadway New York, NY 10036	—	—				
J.P. Morgan Funds(3) 522 Fifth Avenue New York, NY 10036	—	—				
GM Shareholders(4) 767 Fifth Avenue New York, NY 10153	—	—				
John D. Craig(5)			—	—		
Michael T. Philion(6)			—	—		
Charles K. McManus(7)			—	—		
Richard W. Zuidema(8)			—	—		
John A. Shea(9)			—	—		
Raymond R. Kubis(10)	—	—	—	—		
Cheryl A. Diuguid(11)	—	—	—	—		
Howard I. Hoffen(12)			—	—		
Eric T. Fry(13)			—	—		
All directors and executive officers as a group (Nine persons, including Messrs. Craig, Philion, McManus, Zuidema, Shea, Kubis, Hoffen and Fry and Cheryl A. Diuguid)			—	—		

* Less than 1% of the outstanding shares of common stock.

(1) Includes Morgan Stanley Dean Witter Capital Partners IV, L.P., MSDW IV 892 Investors, L.P. and Morgan Stanley Dean Witter Capital Investors IV, L.P. Includes shares of common stock and shares of common stock issuable upon the conversion of preferred stock.

(2) Includes Morgan Stanley Global Emerging Markets Private Investment Fund, L.P. and Morgan Stanley Global Emerging Markets Private Investors, L.P. Includes shares of common stock issuable upon the conversion of preferred stock.

(3) Includes J.P. Morgan Direct Corporate Finance Institutional Investors LLC, J.P. Morgan Direct Corporate Finance Private Investors LLC and 522 Fifth Avenue Fund, L.P. Includes shares of common stock issuable upon the conversion of preferred stock.

(4) Includes First Plaza Group Trust and GM Capital Partners I, L.P. Includes shares of common stock issuable upon the conversion of preferred stock.

(5) Includes shares of common stock and shares of common stock subject to outstanding options that are exercisable within 60 days.

(6) Includes shares of common stock and shares of common stock subject to outstanding options that are exercisable within 60 days.

(7) Includes shares of common stock and shares of common stock subject to outstanding options that are exercisable within 60 days.

(8) Includes shares of common stock and shares of common stock subject to outstanding options that are exercisable within 60 days.

(9) Includes shares of common stock and shares of common stock subject to outstanding options that are exercisable within 60 days.

(10) Includes shares of common stock and shares of common stock subject to outstanding options that are exercisable within 60 days.

(11) Includes shares of common stock and shares of common stock subject to outstanding options that are exercisable within 60 days.

(12) Includes shares of common stock subject to outstanding options that are exercisable within 60 days. Mr. Hoffen is a Managing Director of Morgan Stanley & Co. Incorporated and exercises shared voting and investment power over the shares owned by the Morgan Stanley Funds and the MSGEM Funds. Mr. Hoffen disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(13) Includes shares of common stock and common stock options exercisable within 60 days. Mr. Fry is a Managing Director of Morgan Stanley & Co. Incorporated and exercises shared voting and investment power over the shares owned by the Morgan Stanley Funds and the MSGEM Funds. Mr. Fry disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

DESCRIPTION OF OUR CREDIT FACILITIES

General

Our wholly-owned subsidiary, EnerSys Capital Inc., entered into new senior secured and senior second lien credit facilities on March 17, 2004, with a group of lenders for which Bank of America, N.A., acts as administrative agent and collateral agent, Morgan Stanley Senior Funding, Inc., acts as syndication agent, and Lehman Commercial Paper Inc., acts as documentation agent. Morgan Stanley & Co. Inc., an affiliate of Morgan Stanley Senior Funding, Lehman Brothers Inc., an affiliate of Lehman Commercial Paper Inc., and Banc of America Securities LLC, an affiliate of Bank of America, N.A., are acting as the representatives of the underwriters of the offering.

The $480.0 million senior secured facility consists of:

- a seven-year senior secured term loan B in the initial aggregate principal amount of $380.0 million; and
- a five-year senior secured revolving credit facility available for working capital and other general corporate purposes, including letters of credit and swing line loans, in an aggregate principal amount of up to $100.0 million.

The senior second lien term loan consists of an eight-year term loan in the initial aggregate principal amount of $120.0 million.

The proceeds of the term loan B and the second lien term loan were used to repay existing indebtedness and accrued interest in the aggregate amount of $219.0 million, to fund a cash payment in the aggregate amount of $270.0 million to existing stockholders and management and to pay transaction costs of $11.0 million.

Guarantees and Security

The obligations of EnerSys Capital under the senior secured credit facility and the senior second lien credit facility are guaranteed by the company and each of the existing and future direct and indirect wholly-owned subsidiaries of EnerSys Capital other than foreign subsidiaries. The obligations of EnerSys Capital, the company and each of the subsidiary guarantors under the senior secured credit facility are secured by a first priority security interest in substantially all of the assets of EnerSys Capital, the company and the subsidiary guarantors, but the collateral is limited to 65% of the voting stock of any foreign subsidiary. The obligations of EnerSys Capital, the company and each of the subsidiary guarantors under the senior second lien credit facility are secured by a second-priority lien in the same collateral.

Interest Rates

Interest accrues on loans under our credit facilities at rates equal to LIBOR or, at our option, an alternate base rate—Bank of America's prime rate or the federal funds rate plus 0.5%—in each case as in effect from time to time, plus an applicable interest rate margin. For a period of at least three years, EnerSys Capital is required to maintain interest rate protection on a portion of the term loans to minimize its exposure to increases in short-term interest rates.

Maturity

The lenders' commitments under the senior secured revolving credit facility terminate on March 17, 2009. Generally, amounts repaid under the senior secured revolving credit facility may be re-borrowed until its termination or such date as the revolving commitments are earlier terminated or reduced. The senior secured term loan B is subject to quarterly amortization in an amount equal to 0.25% of its initial principal amount, with the entire remaining principal balance payable on March 17, 2011. Principal under the senior second lien term loan is payable in a single installment on March 17, 2012.

Prepayment and Commitment Reductions

Under the terms of our credit facilities, we are permitted to use proceeds of this offering to repay amounts outstanding under our senior second lien term loan, so long as the net proceeds of the offering are at least $50.0 million and we have a leverage ratio of 3.0 to 1 or less after giving effect to such prepayment. We expect to meet these conditions and intend to repay in full amounts outstanding under our senior second lien term loan. The prepayment of the senior second lien term loan to be made from the proceeds of the common stock offered hereby will require payment of a prepayment premium of 2.00%. Thereafter, the following amounts must be applied to prepay principal outstanding under, and to permanently reduce commitments under, the senior secured credit facility:

- 50% of the net proceeds of the issuance of the company's common equity or certain qualifying preferred equity;
- 100% of the net proceeds of debt issued by the company or any of its subsidiaries, subject to certain exceptions, and of certain issuances of the company's preferred equity interests not eligible for the 50% exclusion under the preceding clause or equity interests in any of its subsidiaries;
- 100% of the net proceeds from certain asset sales and insurance and condemnation awards, subject to rights to reinvest such proceeds; and
- 50% of excess cash flow, as determined in accordance with the terms of the senior secured facility.

The senior secured facility provides that we may make optional prepayments of loans, in whole or in part, from time to time without premium or penalty. We may reduce or terminate the unused portion of the revolving credit commitment under the senior secured facility at any time without penalty.

Covenants

The credit facilities contain affirmative covenants and other requirements. In general, the affirmative covenants provide for mandatory reporting of financial and other information to the lenders and notice to the lenders upon the occurrence of certain events. The affirmative covenants also include, among other things, a requirement to implement interest rate protection agreements on a portion of our debt and standard covenants requiring us to, among other things, keep our assets in good repair and insured, comply with laws, keep proper books and records, pay taxes in a timely manner and follow other similar good business practices all in a manner consistent with past practice.

The credit facilities contain negative covenants and restrictions, including restrictions on our ability to:

- *incur indebtedness*—additional indebtedness is generally limited to $35.0 million for all subsidiaries with an additional $40.0 million available only to foreign subsidiaries of EnerSys Capital, plus up to an aggregate of $20.0 million of capitalized lease obligations and purchase money indebtedness and an additional $50.0 million of accounts receivable financing but only if after giving effect thereto our leverage ratio (as described below) is no more than 3.0 to 1;
- *create liens on our properties and assets*—except for permitted capital leases and purchase money mortgages (limited to $20.0 million in the aggregate) and liens securing no more than $35.0 million of permitted additional indebtedness, liens are generally prohibited;
- *guarantee obligations*—provision of performance and completion bonds is permitted, but subject to a $30.0 million limit;
- *merge or consolidate with other persons or transfer all or substantially all of our assets*—these transactions, other than between our wholly-owned subsidiaries, are prohibited;
- *dispose of assets*—other than proceeds of sales of obsolete, uneconomic or worn-out assets, proceeds of sales of assets are required to be reinvested or applied to debt repayment, and in any event all such proceeds in excess of $10.0 million per year are required to be applied to debt repayment;

- *make investments, loans or advances*—investments in foreign subsidiaries are limited to $30.0 million, investments in joint ventures to $15.0 million, and other general investments to $10.0 million, with each such limit being an aggregate limit for the duration of the credit facilities;

- *make acquisitions*—we are permitted to make acquisitions if certain conditions are met, subject to cash consideration limits of $25.0 million per transaction and $100.0 million in aggregate for the duration of the credit facilities and total consideration limits (cash and company common stock) of $75.0 million per transaction and $200.0 million in aggregate for the duration of the credit facilities;

- *pay dividends and other restricted payments*—we may pay dividends on our common stock, subject to an annual limit of $20.0 million, only if our leverage ratio is equal to or less than 3.0 to 1 and the credit ratings accorded the senior secured credit facility by Standard & Poor's and Moody's are at least BB- and Ba3, respectively, each with a stable outlook;

- *engage in transactions with affiliates*—we may engage in transactions with affiliates generally only on an arms-length basis, but specified inter-company transactions are not subject to these restrictions and we may pay to Morgan Stanley affiliates customary fees and expense reimbursements;

- *engage in different lines of business*—we may not engage in any business other than the manufacture, distribution, installation and servicing of batteries and reasonably related products;

- *make certain prepayments and amendments of debt*—except with the proceeds of the common stock offered hereby we are not permitted to prepay amounts outstanding under the senior second lien term loan; and

- *make capital expenditures*—our capital expenditures are limited to $45.0 million in fiscal 2005 and $60.0 million in each subsequent fiscal year, with the right to carry unused amounts forward for one year.

The credit facilities require that we meet certain specified financial ratios which are measured by reference to our consolidated earnings before interest, income taxes, depreciation and amortization, or EBITDA, as calculated in accordance with the terms of the credit facilities. The following minimum or maximum ratios pertain to the senior secured credit facility. The covenant ratios in the senior second lien credit facility are less restrictive.

- Our interest coverage ratio (EBITDA to interest expense) must be at least 3.1 to 1, with the required coverage increasing periodically to a maximum of 3.5 to 1. On a pro forma basis, after giving effect to the use of the proceeds of the common stock offered hereby to repay the senior second lien term loan and a portion of the senior secured facility, our coverage ratio for the fiscal quarter ended March 31, 2004 was to 1.

- Our leverage ratio (the ratio of total debt to EBITDA) must not exceed 5.0 to 1, with the maximum permitted leverage ratio decreasing periodically to a minimum of 2.7 to 1. On a pro forma basis, after giving effect to the use of the proceeds of the common stock offered hereby to repay the senior second lien term loan and a portion of the senior secured facility, our leverage ratio for the fiscal quarter ended March 31, 2004 was to 1.

- Our senior leverage ratio (the ratio of senior secured debt, which excludes the senior second lien term loan, to EBITDA) must not exceed 3.9 to 1, with the maximum permitted senior secured leverage ratio decreasing periodically to a minimum of 2.0 to 1. On a pro forma basis, after giving effect to the use of the proceeds of the common stock offered hereby to repay the senior second lien term loan and a portion of the senior secured facility, our senior secured leverage ratio for the fiscal quarter ended March 31, 2004 was to 1.

Events of Default

The credit facilities contain certain customary events of default including non-payment of principal, interest or other amounts, inaccuracy of representations and warranties, violation of covenants, cross-default to certain other indebtedness and agreements, bankruptcy and insolvency events, ERISA events, material judgments, actual or asserted impairment of loan documentation or security and change of control events.

Fees and Expenses

We are required to pay certain fees in connection with the credit facilities, including letter of credit fees, a fixed annual administrative agency fee and commitment fees on the senior secured credit facility payable quarterly in arrears and based on the average daily unused portion of the commitment.

DESCRIPTION OF CAPITAL STOCK, CERTIFICATE OF INCORPORATION AND BYLAWS

General Matters

Upon the closing of this offering, our authorized capital stock will consist of shares of common stock, par value $.01 per share, of which shares will be issued and outstanding (shares if the underwriters exercise their over-allotment option in full) and shares of undesignated preferred stock, par value $.01 per share, none of which will be outstanding, and we will have outstanding options to purchase an aggregate of shares of common stock.

As of , 2004, we had outstanding shares of Class A Common Stock, shares of Class A Convertible Preferred Stock, and options to purchase an aggregate of shares of our Class A Common Stock. Prior to the closing of this offering, all our outstanding shares of Class A Convertible Preferred Stock will be converted into an aggregate of shares of Class A Common Stock, and thereafter all of our then outstanding shares of Class A Common Stock will be reclassified into shares of our common stock and each of such shares of common stock will be split into shares of common stock.

The following summary describes the material provisions of our capital stock. We urge you to read our certificate of incorporation and our bylaws, which are included as exhibits to the registration statement of which this prospectus forms a part.

Certain provisions of our certificate of incorporation and bylaws summarized below will become operative immediately prior to consummation of this offering and may be deemed to have an anti-takeover effect and may delay or prevent a tender offer or takeover attempt that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by stockholders.

Common Stock

Upon the closing of this offering, we will have one class of common stock. All holders of shares of common stock are entitled to the same rights and privileges. Holders of shares of common stock are entitled to one vote per share on the election or removal of our directors and on all other matters to be voted on by our stockholders.

Holders of shares of common stock are not entitled to any preemptive right to subscribe for additional shares of common stock. The holders of shares of common stock are entitled to receive dividends, when, as and if declared by our board of directors, out of funds legally available therefor. Holders of shares of common stock are entitled to share ratably, upon dissolution or liquidation, in the assets available for distribution to holders of shares of common stock after the payment of all prior claims.

Preferred Stock

Upon the closing of this offering, our authorized capital stock will include million shares of undesignated preferred stock, none of which will be issued or outstanding. Our board of directors will be authorized, without further action by our stockholders, to provide for the issuance of such preferred stock in one or more series and to fix the dividend rate, conversion privileges, voting rights, redemption rights, redemption price or prices, liquidation preferences and qualifications, limitations and restrictions thereof with respect to each series. Holders of shares of preferred stock may be entitled to receive a preference payment in the event of any liquidation, dissolution or winding-up of our company before any payment is made to the holders of shares of our common stock. In some circumstances, the issuance of shares of preferred stock may render more difficult or tend to discourage a merger, tender offer or proxy contest, the assumption of control by a holder of a large block of our securities or the removal of incumbent management. Upon the affirmative vote of our board of directors, without stockholder approval, we may issue shares of preferred stock with voting and conversion rights that could adversely affect the holders of

shares of our common stock. We have no current intention to issue any additional shares of preferred stock. Shares of our Class A Convertible Preferred Stock converted prior to the closing of this offering will not be reissued.

Section 203 of the Delaware General Corporation Law

Section 203 of the Delaware General Corporation Law may have the effect of delaying, deferring or preventing a change of control of our company. In general, Section 203 of the Delaware General Corporation Law prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the date such stockholder became an "interested stockholder," unless:

- prior to such date the board of directors of the corporation approved either the "business combination" or the transaction that resulted in the stockholder becoming an "interested stockholder;"
- upon consummation of the transaction that resulted in the stockholder becoming an "interested stockholder," the "interested stockholder" owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned by persons who are directors and also officers and certain other stockholders; or
- on or subsequent to such date the "business combination" is approved by the board of directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least $66^{2}/_{3}\%$ of the outstanding voting stock that is not owned by the "interested stockholder."

A "business combination" includes certain mergers, stock or asset sales and other transactions resulting in a financial benefit to the "interested stockholder." An "interested stockholder" is a person who, together with affiliates and associates, owns (or in the preceding three years, did own) 15% or more of the corporation's voting stock. However, the Morgan Stanley Funds and their affiliates will not be deemed to be "interested stockholders" regardless of the percentage of our voting stock owned by them. The statute could prohibit or delay mergers or other takeover or change in control attempts with respect to us and, accordingly, may discourage attempts to acquire us.

Limitation on Liability and Indemnification of Directors and Officers

We have included in our certificate of incorporation and bylaws provisions to (a) eliminate the personal liability of our directors for monetary damages resulting from breaches of their fiduciary duty (but such provision does not eliminate liability for breaches of the duty of loyalty, acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, violations under Section 174 of the Delaware General Corporation Law or for any transaction from which the director derived an improper personal benefit) and (b) indemnify our directors and officers to the fullest extent permitted by Section 145 of the Delaware General Corporation Law, including circumstances in which indemnification is otherwise discretionary.

Acting pursuant to the provisions of our certificate of incorporation and bylaws and the provisions of Section 145 of the Delaware General Corporation Law, we have entered into agreements with each of our officers and directors to indemnify them to the fullest extent permitted by such provisions and such law. We are also expressly authorized to carry directors' and officers' insurance providing indemnification for our directors, officers and certain employees for some liabilities. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability and indemnification provisions in our certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against

directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors or officers pursuant to the provisions described above, or otherwise, we have been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Other Provisions of our Certificate of Incorporation and Bylaws

Classified Board of Directors. Our certificate of incorporation provides for our board of directors to be divided into three classes of directors serving staggered three-year terms. Each class shall consist, as nearly as may be practicable, of one-third of the total number of directors constituting our entire board of directors. As a result, approximately one-third of our board of directors will be elected each year. Moreover, except as otherwise provided in our securityholder agreement, stockholders may remove a director only for cause. This provision, when coupled with the provisions of our certificate of incorporation and bylaws authorizing, except as otherwise provided in our securityholder agreement, only our board of directors to fill vacant directorships, will preclude a stockholder from removing incumbent directors without cause and simultaneously gaining control of our board of directors by filling the vacancies created by such removal with its own nominees. This provision of our certificate of incorporation may not be amended or repealed by our stockholders except with the consent of the holders of two-thirds of our outstanding common stock.

Special Meeting of Stockholders. Our certificate of incorporation provides that special meetings of our stockholders may be called only by our board of directors or the Chairman of our board of directors. This provision will make it more difficult for stockholders to take action opposed by our board of directors. This provision of our certificate of incorporation may not be amended or repealed by our stockholders except with the consent of the holders of two-thirds of our outstanding common stock.

No Stockholder Action by Written Consent. Our certificate of incorporation provides that no action required or permitted to be taken at any annual or special meeting of our stockholders may be taken without a meeting, and the power of our stockholders to consent in writing, without a meeting, to the taking of any action is specifically denied. Such provision limits the ability of any stockholder to take action immediately and without prior notice to our board of directors. Such a limitation on a majority stockholder's ability to act might impact such person's or entity's decision to purchase our voting securities. This provision of our certificate of incorporation may not be amended or repealed by the stockholders except with the consent of the holders of two-thirds of our outstanding common stock.

Advance Notice Requirements for Stockholder Proposals and Director Nominations. Our bylaws provide that stockholders seeking to bring business before an annual meeting of stockholders, or to nominate candidates for election as directors at an annual or special meeting of stockholders, must provide timely notice thereof in writing. To be timely, a stockholder's notice must be delivered to, or mailed and received at, our principal executive offices: in the case of an annual meeting that is called for a date that is within 30 days before or after the anniversary date of the immediately preceding annual meeting of stockholders, not less than 60 days nor more than 90 days prior to such anniversary date; and in the case of our annual meeting to be held during our 2005 fiscal year and in the case of an annual meeting that is called for a date that is not within 30 days before or after the anniversary date of the immediately preceding annual meeting, or in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth day following the date on which notice of the date of the meeting was mailed or public disclosure of the date of the meeting was made, whichever occurs first. Our bylaws also specify certain requirements for a stockholder's notice to be in proper written form. These provisions may preclude some stockholders from bringing matters before the stockholders at

an annual or special meeting or from making nominations for directors at an annual or special meeting. As set forth below, our bylaws may not be amended or repealed by our stockholders, except with the consent of holders of two-thirds of our outstanding common stock.

Adjournment of Meetings of Stockholders. Our bylaws provide that when a meeting of our stockholders is convened, the presiding officer, if directed by our board of directors, may adjourn the meeting if no quorum is present for the transaction of business or if our board of directors determines that adjournment is necessary or appropriate to enable the stockholders to consider fully information that our board of directors determines has not been made sufficiently or timely available to stockholders or to otherwise effectively exercise their voting rights. This provision will, under certain circumstances, make more difficult or delay actions by the stockholders opposed by our board of directors. The effect of such provision could be to delay the timing of a stockholders' meeting, including in cases where stockholders have brought proposals before the stockholders that are in opposition to those brought by our board of directors and therefore may provide our board of directors with additional flexibility in responding to such stockholder proposals. As set forth below, our bylaws may not be amended or repealed by our stockholders, except with the consent of holders of two-thirds of our outstanding common stock.

No Cumulative Voting. The Delaware General Corporation Law provides that stockholders are not entitled to the right to cumulate votes in the election of directors unless our certificate of incorporation provides otherwise. Our certificate of incorporation does not provide for cumulative voting.

Authorized but Unissued Capital Stock. Our certificate of incorporation authorizes our board of directors to issue one or more classes or series of preferred stock, and to determine, with respect to any such class or series of preferred stock, the voting powers (if any), designations, powers, preferences, rights and qualifications, limitations or restrictions of such preferred stock. We have no current intention to issue any additional shares of preferred stock.

The Delaware General Corporation Law does not require stockholder approval for any issuance of previously authorized shares of our capital stock. However, the listing requirements of the New York Stock Exchange, which would apply so long as our common stock is listed on the New York Stock Exchange, require stockholder approval of certain issuances equal to or exceeding 20% of the then outstanding voting power or then outstanding number of shares of our common stock. These additional shares may be used for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions.

One of the effects of the existence of unissued and unreserved common stock or preferred stock may be to enable our board of directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of our company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management and possibly deprive the stockholders of opportunities to sell their shares of common stock at prices higher than prevailing market prices.

Amendment of the Bylaws. Our certificate of incorporation provides that our bylaws may not be amended or repealed by our stockholders except with the consent of holders of two-thirds of our outstanding common stock and grants our board of directors the authority to amend and repeal our bylaws without a stockholder vote in any manner not inconsistent with the laws of Delaware or our certificate of incorporation. This provision will make it more difficult for our stockholders to make changes to our bylaws that are opposed by our board of directors. This provision of our certificate of incorporation may not be amended or repealed by our stockholders except with the consent of the holders of two-thirds of our outstanding common stock.

Transfer Agent and Registrar

is the transfer agent and registrar for our common stock.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our common stock. Future sales in the public market of substantial amounts of our common stock, including shares issued upon exercise of outstanding options after any restrictions on sale lapse, could adversely affect prevailing market prices and impair our ability to raise equity capital in the future.

After this offering, shares of our common stock will be outstanding. The shares sold in the offering, plus any shares sold upon exercise of the over-allotment option described in "Underwriters," will be freely tradable without restriction under the Securities Act, unless purchased by our "affiliates," as that term is defined in Rule 144 under the Securities Act.

After this offering, shares of our common stock will be subject to outstanding options.

The shares of common stock held after this offering by our existing stockholders will be "restricted securities" within the meaning of Rule 144. Restricted securities may be sold in the public market only if the sale is registered or if the securities or the transaction qualifies for an exemption from registration. One such exemption, under Rule 144 under the Securities Act, is summarized below. Sales of restricted securities in the public market, or the availability of those shares for sale, could adversely affect the market price of our common stock.

Under Rule 144, a person, or persons whose shares are aggregated, who has beneficially owned restricted securities for at least one year will be entitled to sell, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding; and
- the average weekly trading volume of the common stock during the four weeks preceding the filing of the stockholder's required notice of sale with the SEC.

Sales under Rule 144 also are subject to other requirements regarding the manner of sale, notice and availability of current public information about us.

Under Rule 144(k), a person who is not deemed to have been one of our "affiliates" at any time during the 90 days preceding a sale, and who has beneficially owned the restricted securities proposed to be sold for at least two years, is entitled to sell those shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

We and our executive officers and directors have agreed with the underwriters not to:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock for a period of up to 180 days after the date of this prospectus, subject to certain extensions, without the prior written consent of Morgan Stanley and Lehman Brothers.

After the expiration of the lock-up period, if the underwriters' over-allotment option is not exercised in full, a substantial number of additional shares could become available for sale to the public.

We intend to file a registration statement on Form S-8 under the Securities Act as soon as practicable after completion of this offering to register shares of common stock reserved for issuance under our [Stock Plan]. This registration will permit the resale of these shares by nonaffiliates in the public market without restriction under the Securities Act, upon completion of the lock-up period described above. Shares of common stock registered under the Form S-8 registration statement held by affiliates will be subject to Rule 144 volume limitations.

UNDERWRITERS

Under the terms and subject to the conditions contained in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. Incorporated, Lehman Brothers Inc. and Banc of America Securities LLC are acting as representatives, have severally agreed to purchase, and EnerSys has agreed to sell to them, severally, the number of shares indicated below:

Name	Number of Shares
Morgan Stanley & Co. Incorporated	
Lehman Brothers Inc.	
Banc of America Securities LLC	
Total	

The underwriters are offering the shares of common stock subject to their acceptance of the shares from EnerSys and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters' over-allotment option described below.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the public offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of $ a share under the public offering price. Any underwriter may allow, and such dealers may reallow, a concession not in excess of $ a share to other underwriters or to certain dealers. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representatives.

EnerSys has granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of additional shares of common stock at the public offering price set forth on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional shares of common stock as the number listed next to the underwriter's name in the preceding table bears to the total number of shares of common stock listed next to the names of all underwriters in the preceding table. If the underwriters' option is exercised in full, the total price to the public would be $, the total underwriters' discounts and commissions would be $ and total proceeds to EnerSys would be $.

The underwriting discounts and commissions will be determined by negotiations among EnerSys and the representatives and are a percentage of the offering price to the public. Among the factors to be considered in determining the discounts and commissions will be the size of the offering, the nature of the security to be offered and the discounts and commissions charged in comparable transactions. The estimated offering expenses payable by EnerSys in addition to the underwriting discounts and commissions, are approximately , which includes legal, accounting and printing costs and various other fees associated with registering and listing the common stock.

The underwriters have informed EnerSys that they do not intend sales to discretionary accounts to exceed five percent of the total number of shares of common stock offered by them.

Application has been made to have the common stock approved for quotation on the New York Stock Exchange under the symbol "ENS."

Each of EnerSys and the directors, executive officers and certain other stockholders of EnerSys has agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated and Lehman Brothers Inc. on behalf of the underwriters, it will not, during the period ending 180 days after the date of this prospectus.

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or

- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock;

whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise. The restrictions described in this paragraph do not apply to:

- the sale of shares to the underwriters;

- the issuance by EnerSys of shares of common stock upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this prospectus of which the underwriters have been advised in writing; or

- transactions by any person other than EnerSys relating to shares of common stock or other securities acquired in open market transactions after the completion of the offering of the shares.

The 180-day restricted period described above is subject to extension such that, in the event that either (1) during the last 17 days of the 180-day restricted period, we issue an earnings release or material news or a material event relating to us occurs or (2) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period, the "lock-up" restrictions described above will, subject to limited exceptions, continue to apply until the expiration of the 18-day period beginning on the earnings release or the occurrence of the material news or material event.

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the over-allotment option. The underwriters may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. As an additional means of facilitating the offering, the underwriters may bid for, and purchase, shares of common stock in the open market to stabilize the price of the common stock. The underwriting syndicate may also reclaim selling concessions allowed to an underwriter or a dealer for distributing the common stock in the offering, if the syndicate repurchases previously distributed common stock to cover syndicate short positions or to stabilize the price of the common stock. These activities may raise or maintain the market price of the common stock above independent market levels or prevent or retard a decline in the market price of the common stock. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

Investment funds affiliated with Morgan Stanley & Co. Incorporated will continue to own a majority of the outstanding common stock of EnerSys after giving effect to this offering. The securityholder

agreement among EnerSys, the Morgan Stanley Funds, the J.P. Morgan Funds, the GM Shareholders and certain members of our senior management provides that the Morgan Stanley Funds are entitled to designate a majority of the nominees for election to our board of directors and to designate a majority of the members of our compensation committee and nominating and corporate governance committee. Eric T. Fry and Howard I. Hoffen, each of whom is an employee of Morgan Stanley & Co. Incorporated, currently serve as and were appointed directors by the Morgan Stanley Funds. See "Certain Relationships and Related Transactions."

The underwriters and their affiliates have from time to time provided, and expect to provide in the future, investment banking, commercial banking and other financial services to EnerSys for which they have received and may continue to receive customary fees and commissions. Morgan Stanley Senior Funding, Inc., an affiliate of Morgan Stanley & Co. Incorporated, was the sole lender, administrative agent, syndication agent and collateral agent under our former secured credit facility. Bank of America, N.A., an affiliate of Banc of America Securities LLC, is a lender and acts as administrative agent and collateral agent under our new $480.0 million senior secured facility and $120.0 million senior second lien term loan. In addition, Bank of America, N.A., is the counterparty to an interest rate swap agreement we entered into in accordance with the terms of our credit facilities. Morgan Stanley Senior Funding, Inc. is a lender and acts as syndication agent and Lehman Commercial Paper Inc., an affiliate of Lehman Brothers Inc., is a lender and acts as documentation agent under our new $480.0 million senior secured facility. In addition, Morgan Stanley Senior Funding, Inc. acts as syndication agent and Lehman Commercial Paper Inc. acts as documentation agent under our new $120.0 million senior second lien term loan.

EnerSys and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

Pricing of the Offering

Prior to this offering, there has been no public market for the shares of common stock. The initial public offering price will be determined by negotiations among EnerSys and the representatives of the underwriters. Among the factors to be considered in determining the initial public offering price will be the future prospects of EnerSys and its industry in general, sales, earnings and certain other financial operating information of EnerSys in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities and certain financial and operating information of companies engaged in activities similar to those of EnerSys. The estimated initial public offering price range set forth on the cover page of this preliminary prospectus is subject to change as a result of market conditions and other factors.

MATERIAL UNITED STATES INCOME AND ESTATE TAX CONSEQUENCES TO NON-UNITED STATES STOCKHOLDERS

The following is a general discussion of the material U.S. federal income and estate tax consequences to a non-U.S. holder of the ownership and disposition of our common stock. For the purpose of this discussion, a non-U.S. holder is any holder that for U.S. federal income tax purposes is not a U.S. person or a partnership. For purposes of this discussion, the term U.S. person means:

- an individual citizen or resident of the U.S.;
- a corporation or other entity taxable as a corporation created or organized in the U.S. or under the laws of the U.S., any state or the District of Columbia;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust (x) whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. persons that have the authority to control all substantial decisions of the trust or (y) which has made a valid election to be treated as a U.S. person.

If a partnership holds common stock, the tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships which hold our common stock and partners in such partnerships should consult their tax advisors.

This discussion assumes that non-U.S. holders will hold our common stock issued pursuant to the offering as a capital asset (generally, property held for investment). This discussion does not address all aspects of U.S. federal income and estate taxation that may be relevant in light of a non-U.S. holder's special tax status or special tax situation. U.S. expatriates or former long-term residents, life insurance companies, tax-exempt organizations, dealers in securities or currency, banks or other financial institutions, investors whose functional currency is other than the U.S. dollar, that have elected mark-to-market accounting, who acquired our common stock as compensation, or that hold our common stock as part of a hedge, straddle, constructive sale, conversion, or other risk reduction transaction, and special status corporations (such as "controlled foreign corporations," "foreign investment companies," "passive foreign investment companies," "foreign personal holding companies," and corporations that accumulate earnings to avoid U.S. income tax) are among those categories of potential investors that are subject to special rules not covered in this discussion. This discussion does not address any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction. Furthermore, the following discussion is based on current provisions of the Internal Revenue Code of 1986, as amended, and Treasury Regulations and administrative and judicial interpretations thereof, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. Accordingly, each non-U.S. holder should consult its tax advisor regarding the U.S. federal, state, local and non-U.S. income and other tax consequences of acquiring, holding and disposing of shares of our common stock.

Dividends

We do not anticipate paying any dividends on our common stock for the foreseeable future. However, if we do pay dividends on our common stock, those payments will constitute dividends for U.S. tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those dividends exceed our current and accumulated earnings and profits, the dividends will constitute a return of capital and will first reduce a holder's tax basis, but not below zero, and then will be treated as gain from the sale of stock.

Any dividend (out of earnings and profits) paid to a non-U.S. holder of common stock generally will be subject to U.S. withholding tax at a rate of 30% of the gross amount of the dividend or such lower rate as may be specified by an applicable tax treaty. In order to receive a reduced treaty rate, a non-U.S. holder must provide us with an Internal Revenue Service ("IRS") Form W-8BEN (or successor form) or an

appropriate substitute form certifying qualification for the reduced rate. The non-U.S. holder must periodically update the information on such forms. Such non-U.S. holder may also be required to obtain and provide a U.S. taxpayer identification number and/or demonstrate residence in the applicable foreign jurisdiction by providing documentation issued by the government of such jurisdiction. Furthermore, Treasury Regulations require special procedures for payments through qualified intermediaries. A non-U.S. holder of common stock that is eligible for a reduced rate of withholding tax pursuant to a tax treaty may obtain a refund of any excess amounts currently withheld by filing an appropriate claim for refund with the IRS.

Dividends received by a non-U.S. holder that are effectively connected with a U.S. trade or business conducted by the non-U.S. holder are exempt from the 30% withholding tax. In order to obtain this exemption, a non-U.S. holder must provide us with an IRS Form W-8ECI (or successor form) or an appropriate substitute form properly certifying such exemption. "Effectively connected" dividends, although not subject to withholding tax, are taxed at the same graduated rates applicable to U.S. persons, net of certain deductions and credits. If the non-U.S. holder is eligible for the benefits of a tax treaty between the United States and the holder's country of residence, any effectively connected dividends or gain would generally be subject to U.S. federal income tax only if such amount is also attributable to a permanent establishment or fixed base maintained by the holder in the United States.

In addition to the graduated tax described above, dividends received by a corporate non-U.S. holder that are effectively connected with a U.S. trade or business of the corporate non-U.S. holder may also, under certain circumstances, be subject to a branch profits tax at a rate of 30% or such lower rate as specified by an applicable tax treaty.

Gain on Disposition of Common Stock

A non-U.S. holder generally will not be subject to U.S. federal income tax on any gain recognized upon the sale or other disposition of our common stock unless:

- the gain is effectively connected with a U.S. trade or business of the non-U.S. holder (which gain, in the case of a corporate non-U.S. holder, must also be taken into account for branch profits tax purposes);

- the non-U.S. holder is an individual who is present in the U.S. for a period or periods aggregating 183 days or more during the calendar year in which the sale or disposition occurs and certain other conditions are satisfied; or

- our common stock constitutes a U.S. real property interest by reason of our status as a "U.S. real property holding corporation" for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding the disposition or the holder's holding period for our common stock, and the non-U.S. holder does not fall within a de minimis exception. We have determined that we are not, and we do not anticipate becoming, a U.S. real property holding corporation for U.S. federal income tax purposes. However, we can give no assurance that we will not become a U.S. real property holding corporation. Accordingly, non-U.S. holders are urged to consult their tax advisors to determine the application of these rules to their disposition of our common stock.

Federal Estate Taxes

Common stock owned or treated as owned by an individual who is a non-U.S. holder at the time of death will be included in the individual's gross estate for U.S. federal estate tax purposes and may be subject to U.S. federal estate tax, unless an applicable tax treaty provides otherwise. An individual may be subject to U.S. federal estate tax but not U.S. federal income tax as a resident or may be subject to U.S. federal income tax as a resident but not U.S. federal estate tax.

Information Reporting and Backup Withholding

Generally, we must report annually to the IRS the amount of dividends paid, the name and address of the recipient, and the amount, if any, of tax withheld in the case of each non-U.S. holder. A similar report is sent to the holder. Tax treaties or other agreements may require the IRS to make its reports available to tax authorities in the recipient's country of residence.

Payments of dividends or of proceeds on the disposition of stock made to a non-U.S. holder may be subject to backup withholding (currently at a rate of 28%) unless the non-U.S. holder establishes an exemption, for example by properly certifying its non-U.S. status on a Form W-8BEN (or successor form) or an appropriate substitute form. Notwithstanding the foregoing, backup withholding may apply if either we or our paying agent has actual knowledge, or reason to know, that the holder is a U.S. person or that any other condition of exemption is not satisfied.

The payment of the gross proceeds of the sale, exchange or other disposition of our common stock to or through the U.S. office of any broker, U.S. or foreign, will be subject to information reporting and possible backup withholding unless the non-U.S. holder, prior to payment, certifies as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption, and provided that the broker does not have actual knowledge, or reason to know, that the purported non-U.S. holder is actually a U.S. person or that the conditions of any other exemption are not in fact satisfied. The payment of the gross proceeds of the sale, exchange or other disposition of our common stock to or through a non-U.S. office of a non-U.S. broker will not be subject to information reporting or backup withholding unless the non-U.S. broker has certain types of relationships with the United States (a "U.S.-related person"). In the case of the payment of the gross proceeds of the sale, exchange or other disposition of our common stock to or through a non-U.S. office of a broker that is either a U.S. person or a U.S.-related person, Treasury Regulations do not require backup withholding but do require information reporting on the payment unless the broker, prior to payment, (a) has documentary evidence in its files that the owner is a non-U.S. holder, and (b) has no knowledge, or reason to know, to the contrary.

Backup withholding is not an additional tax. Rather, the U.S. income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained, provided that the required information is furnished to the IRS.

The preceding discussion of material U.S. federal income and estate tax consequences is general information only and is not tax advice. Accordingly, each investor should consult its own tax advisor as to the particular tax consequences of purchasing, holding and disposing of our common stock, including the applicability and effect of any state, local or non-U.S. tax laws and of any changes or proposed changes in applicable law.

VALIDITY OF COMMON STOCK

Gibson, Dunn & Crutcher LLP, New York, New York, will pass upon the validity of the shares of our common stock offered in the offering. Stevens & Lee, Reading, Pennsylvania also has acted as our counsel in connection with the offering. The underwriters will be represented by Davis Polk & Wardwell, New York, New York.

EXPERTS

The consolidated financial statements of EnerSys at March 31, 2004 and 2003, and for each of the three years in the period ended March 31, 2004, appearing in this prospectus and registration statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The combined financial statements of Energy Storage Group for the period from April 1, 2001 to March 22, 2002, appearing in this prospectus and registration statement have been audited by Ernst & Young, independent auditors, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1, including exhibits and schedules, under the Securities Act with respect to the common stock to be sold in the offering. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules that are part of the registration statement. Any statements made in this prospectus as to the contents of any contract, agreement or other document are not necessarily complete. With respect to each such contract, agreement or other document filed as an exhibit to the registration statement, we refer you to the exhibit for a more complete description of the matter involved, and each statement in this prospectus shall be deemed qualified in its entirety by this reference. You may read and copy all or any portion of the registration statement or any reports, statements or other information in the files at the following public reference facilities of the SEC:

Room 1024
450 Fifth Street, N.W.
Washington, DC 20549

Upon completion of this offering, we will be required to file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any documents filed by us at the address set forth above.

You can request copies of these documents upon payment of a duplicating fee by writing to the SEC. You may call the SEC at 1-800-SEC-0330 for further information on the operation of its public reference rooms. Our filings, including the registration statement, will also be available to you on the Internet web site maintained by the SEC at http://www.sec.gov.

FINANCIAL STATEMENTS

Contents

EnerSys
Consolidated financial statements for fiscal years ended March 31, 2002, 2003 and 2004

Energy Storage Group
Combined financial statements for the period from April 1, 2001 to March 22, 2002

Report of Independent Auditors

The Board of Directors
EnerSys

We have audited the accompanying consolidated balance sheets of EnerSys as of March 31, 2003 and 2004, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2004. Our audits also included the financial statement schedule listed in the index at Item 16(b). These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of EnerSys at March 31, 2003 and 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2004, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
May 14, 2004

EnerSys

Consolidated Balance Sheets

(In Thousands, Except Per Share Data)

	March 31	
	2003	2004
Assets		
Current assets:		
Cash and cash equivalents	$ 44,296	$ 17,207
Accounts receivable, net	189,014	227,752
Inventories, net	106,998	131,712
Deferred taxes	29,798	24,616
Prepaid expenses	9,107	17,873
Other current assets	3,940	4,543
Total current assets	383,153	423,703
Property, plant, and equipment, net	275,659	284,850
Goodwill	295,705	306,825
Other intangible assets, net	75,541	75,495
Deferred taxes	17,634	26,025
Other	28,116	34,170
Total assets	$ 1,075,808	$ 1,151,068
Liabilities and stockholders' equity		
Current liabilities:		
Short-term debt	$ 1,311	$ 2,712
Current portion of long-term debt	13,052	7,014
Current portion of capital lease obligations	2,208	2,150
Accounts payable	94,999	113,043
Accrued expenses	134,749	163,717
Deferred taxes	1,478	340
Total current liabilities	247,797	288,976
Long-term debt	231,844	496,200
Capital lease obligations	3,747	3,227
Deferred taxes	69,664	60,952
Other liabilities	57,009	62,411
Total liabilities	610,061	911,766
Stockholders' equity:		
Series A Convertible Preferred Stock, $0.01 par value, 2,500,000 shares authorized, 665,883 shares issued and outstanding	7	7
Class A Common Stock, $0.01 par value, 1,000,000 shares authorized, 386,471 shares issued and outstanding	4	4
Class B Common Stock, $0.01 par value, 1,000,000 shares authorized, no shares issued and outstanding	—	—
Paid-in capital	447,239	188,872
Retained earnings (deficit)	(8,675)	(8,839)
Accumulated other comprehensive income	27,172	59,258
Total stockholders' equity	465,747	239,302
Total liabilities and stockholders' equity	$ 1,075,808	$ 1,151,068

See accompanying notes.

EnerSys

Consolidated Statements of Operations

(In Thousands Except Share and Per Share Data)

	Fiscal year ended March 31		
	2002	2003	2004
Net sales	$ 339,340	$ 859,643	$ 969,079
Cost of goods sold	266,493	653,998	722,825
Gross profit	72,847	205,645	246,254
Operating expenses	53,463	150,618	170,412
Special charges	68,448	—	21,147
Amortization expense	51	51	51
Operating (loss) earnings	(49,115)	54,976	54,644
Interest expense	13,294	20,511	20,343
Special charges	—	—	30,974
Other expense (income), net	1,744	(742)	(4,466)
(Loss) earnings before income taxes	(64,153)	35,207	7,793
Income tax (benefit) expense	(22,171)	12,355	2,957
Net (loss) earnings	$ (41,982)	$ 22,852	$ 4,836
Series A convertible preferred stock dividends	(13)	(17,309)	(24,689)
Net (loss) earnings available to common shareholders	$ (41,995)	$ 5,543	$ (19,853)
Net (loss) earnings per common share:			
Basic	$ (108.66)	$ 14.34	$ (51.37)
Diluted	$ (108.66)	$ 14.19	$ (51.37)
Weighted-average shares of common stock outstanding:			
Basic	386,471	386,471	386,471
Diluted	386,471	390,534	386,471

See accompanying notes.

EnerSys

Consolidated Statements of Changes in Stockholders' Equity

(In Thousands)

	Series A Convertible Preferred Stock	Class A Common Stock	Class B Common Stock	Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at March 31, 2001	$ —	$ 4	$ —	$ 164,246	$ 10,455	$ (2,343)	$ 172,362
Issuance of Series A Convertible Preferred Stock	7	—	—	282,993	—	—	283,000
Net loss	—	—	—	—	(41,982)	—	(41,982)
Cumulative effect of accounting change on derivative instruments, net of tax $144	—	—	—	—	—	245	245
Other comprehensive income							
Minimum pension liability adjustment, net of tax of $400	—	—	—	—	—	(600)	(600)
Unrealized loss on derivative instruments, net of tax of $741	—	—	—	—	—	(1,111)	(1,111)
Foreign currency translation adjustment	—	—	—	—	—	2,933	2,933
Comprehensive loss							(40,515)
Balance at March 31, 2002	7	4	—	447,239	(31,527)	(876)	414,847
Net earnings	—	—	—	—	22,852	—	22,852
Other comprehensive income							
Minimum pension liability adjustment, net of tax of $1,030	—	—	—	—	—	(1,741)	(1,741)
Unrealized loss on derivative instruments, net of tax of $1,722	—	—	—	—	—	(2,583)	(2,583)
Foreign currency translation adjustment	—	—	—	—	—	32,372	32,372
Comprehensive income							50,900
Balance at March 31, 2003	7	4	—	447,239	(8,675)	27,172	465,747
Distribution to stockholders	—	—	—	(258,367)	—	—	(258,367)
Cancellation of warrants	—	—	—	—	(5,000)	—	(5,000)
Net earnings	—	—	—	—	4,836	—	4,836
Other comprehensive income							
Minimum pension liability adjustment, net of tax of $(667)	—	—	—	—	—	885	885
Unrealized income on derivative instruments, net of tax of $(581)	—	—	—	—	—	871	871
Foreign currency translation adjustment	—	—	—	—	—	30,330	30,330
Comprehensive income							36,922
Balance at March 31, 2004	$ 7	$ 4	$ —	$ 188,872	$ (8,839)	$ 59,258	$ 239,302

See accompanying notes.

EnerSys

Consolidated Statements of Cash Flows

(In Thousands)

	Fiscal year ended March 31		
	2002	**2003**	**2004**
Cash flows from operating activities			
Net (loss) earnings	$ (41,982)	$ 22,852	$ 4,836
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:			
Noncash special charges	—	—	6,569
Settlement agreement expense	—	—	24,405
Depreciation and amortization	12,393	38,002	39,047
Provision for doubtful accounts	1,804	1,860	849
Provision for deferred taxes, less amounts related to restructuring	783	8,379	(6,640)
Provision for restructuring, net of related accumulative foreign currency translation adjustments	62,361	—	—
Accretion of discount on notes payable	97	4,112	3,341
Issuance of subordinated notes	—	2,781	—
Option liability loss (gain)	184	(1,233)	(27)
Loss on disposal of fixed assets	1	97	45
Changes in assets and liabilities, net of effects of acquisition:			
Accounts receivable	6,248	1,464	(17,556)
Inventory	19,415	9,450	(13,927)
Prepaid expenses	(6,804)	(6,822)	(6,852)
Other assets	—	4,487	2,610
Accounts payable	(23,990)	2,697	9,533
Accrued expenses	(9,442)	(32,688)	(11,804)
Other liabilities	—	—	4,763
Net cash provided by operating activities	21,068	55,438	39,192
Cash flows from investing activities			
Capital expenditures	(12,944)	(23,623)	(28,580)
Purchase of businesses, net of cash acquired	(323,200)	10,707	1,181
Proceeds from disposal of property, plant, and equipment	193	(7)	418
Net cash used in investing activities	(335,951)	(12,923)	(26,981)

Cash flows from financing activities			
Net (decrease) increase in short-term debt	$ (250)	$ (877)	$ 1,401
Proceeds from the issuance of long-term debt	36,000	—	507,675
Deferred financing costs	—	—	(11,000)
Payments of long-term debt	(3,955)	(6,211)	(184,453)
Proceeds from the issuance of Series A Convertible Preferred Stock	283,000	—	—
Payments of capital lease obligations, net	—	(1,121)	(1,145)
Payment under settlement agreement	—	—	(94,100)
Distribution to stockholders	—	—	(258,367)
Net cash provided by (used in) financing activities	314,795	(8,209)	(39,989)
Effect of exchange rate changes on cash	28	915	689
Net (decrease) increase in cash	(60)	35,221	(27,089)
Cash and cash equivalents at beginning of year	9,135	9,075	44,296
Cash and cash equivalents at end of year	$ 9,075	$ 44,296	$ 17,207

See accompanying notes.

1. Summary of Significant Accounting Policies

Description of Business

EnerSys (the Company) is a leading worldwide manufacturer and supplier of lead-acid industrial batteries consisting of reserve power batteries serving the telecommunications, uninterruptible power systems (UPS), switchgear and electrical control systems and aerospace and defense markets, and motive power batteries primarily serving the electric industrial forklift truck market. The Company was formed on November 9, 2000 when EnerSys acquired the industrial battery business of Yuasa Inc. in North and South America from Yuasa Corporation (Japan).

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned and wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Foreign Currency Translation

Results of foreign operations are translated into United States dollars using average exchange rates during the period while assets and liabilities are translated into United States dollars using current rates as of the balance sheet date. The resulting translation adjustments are accumulated as a separate component of stockholders' equity.

Transaction gains and losses resulting from exchange rate changes on transactions denominated in currencies other than the functional currency of the applicable subsidiary are included in other expense (income), net in the year in which the change occurs.

Revenue Recognition

The Company recognizes revenue when the earnings process is complete. This occurs when products are shipped to the customer in accordance with terms of the agreement, transfer of title and risk of loss, collectibility is reasonably assured and pricing is fixed and determinable. Accruals are made at the time of sale for sales returns and other allowances based on the Company's experience.

Freight Expense

Amounts billed to customers for outbound freight costs are classified as sales in the consolidated income statement. Costs incurred by the Company for outbound freight costs to customers are classified in cost of sales.

Warranties

Substantially all of the Company's products are generally warranted for a period of one to five years. The Company provides for estimated product warranty expenses when the related products are sold.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less when purchased. United States short-term investments included in cash and cash equivalents at March 31, 2003 and 2004 were $31,663 and $8,058, respectively.

Accounts Receivable

Accounts receivable are reported net of an allowance for doubtful accounts of $8,492 and $6,722 at March 31, 2003 and 2004, respectively. The allowance is based on management's estimate of uncollectible accounts, analysis of historical data and trends, as well as review of all relevant factors concerning the financial capability of its customers. Accounts receivable are considered to be past due based on how payments are received compared to the customer's credit terms. Accounts are written off when management determines the account is worthless. Finance charges are generally not assessed or collected on past due accounts.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method. The cost of inventory consists principally of material, labor, and associated overhead.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost and include expenditures that substantially increase the useful lives of the assets. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows: 10 to 33 years for buildings and improvements and 3 to 15 years for machinery and equipment.

Depreciation expense for the fiscal years ended March 31, 2002, 2003 and 2004 totaled $10,679, $35,278 and $36,989, respectively. Maintenance and repairs are expensed as incurred. Interest on capital projects is capitalized during the construction period and amounted to $620, $179 and $194 for the fiscal years ended March 31, 2002, 2003 and 2004, respectively. Gains and losses from dispositions or retirements of property, plant, and equipment are recognized currently.

Intangible Assets

Effective April 1, 2001, the Company early adopted Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 142 eliminates the amortization of goodwill and indefinite-lived intangible assets and requires a review at least annually for impairment. The Company has determined that tradenames and goodwill are indefinite-lived assets, as defined by SFAS No. 142, and therefore not subject to amortization.

SFAS No. 142 prescribes a two-step method for determining goodwill impairment. In the first step, the fair value of the Company's reporting units was determined using a discounted cash flow analysis approach. Since the net book value of the reporting units did not exceed the fair value, the second step of the impairment test was not necessary. SFAS No. 142 requires the Company to perform impairment tests on an annual basis and whenever events or circumstances occur indicating that the tradenames or goodwill may be impaired.

Environmental Expenditures

Environmental expenditures that will benefit future operations are capitalized; all other environmental expenditures are expensed as incurred. Accruals are recorded when environmental expenditures for remedial efforts are probable and the amounts can be reasonably estimated.

Impairment of Long-Lived Assets

SFAS No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets*, requires that companies consider whether indicators of impairment of long-lived assets held for use are present. If such indicators are present, companies determine whether the sum of the estimated undiscounted future cash flows attributable to such assets is less than their carrying amount, and if so, companies recognize an impairment loss based on the excess of the carrying amount of the assets over their fair value. Accordingly, management will periodically evaluate the ongoing value of property and equipment.

Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, and debt. In addition, the Company uses interest rate swap and option agreements to manage risk on a portion of its floating-rate debt.

Because of short maturities, the carrying amount of cash and cash equivalents, accounts receivable, accounts payable, and short-term debt approximates fair market value. The fair value of the Company's long-term debt, described in Note 9, approximates its carrying value and the fair value of derivative instruments is described in Note 12.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. These temporary differences are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be realized.

Valuation allowances are recorded to reduce deferred tax assets when it is probable that a tax benefit will not be realized. The provision for income taxes represents income taxes paid or payable for the current year and the change in deferred taxes adjusted for purchase accounting adjustments during the year.

Deferred Financing Fees

In March 2004, the Company entered into two credit facilities with various portions that will expire in 2009, 2011 and 2012. Deferred financing fees associated with the new credit facilities of $11,000 were incurred and will be amortized over the life of the new credit facilities. $6,569 of deferred financing fees related to the previously existing credit facility were written off and charged to Special Charges in March 2004. Deferred financing fees, net of accumulated amortization totaled $8,634 and $10,935 as of March 31, 2003 and 2004, respectively. Amortization expense included in interest expense was $1,097, $2,069 and $2,012 for the fiscal years ended March 31, 2002, 2003 and 2004, respectively.

Derivative Financial Instruments

The Company has entered into interest rate swap agreements and option agreements to manage risk on a portion of its long-term floating-rate debt. The agreements are with major financial institutions, and the Company believes the risk of nonperformance by the counterparties is negligible. The counterparties to these agreements are lenders under the Credit Agreement and liabilities related to these agreements are covered under the security provisions of the Credit Agreement. The Company does not hold or issue

derivative financial instruments for trading or speculative purposes. SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments and hedging activities. The Company recognizes all derivatives as either assets or liabilities in the accompanying balance sheet and measures those instruments at fair value. Changes in the fair value of those instruments are reported in accumulated other comprehensive income (loss) if they qualify for hedge accounting, or in earnings if they do not qualify for hedge accounting. Derivatives qualify for hedge accounting if they are designated as hedge instruments and if the hedge is highly effective in achieving offsetting changes in the fair value of cash flow of the asset or liability hedged. Accordingly, gains and losses from changes in derivative fair value are deferred until the underlying transaction occurs. Interest expense on the debt is adjusted to include the payments made or received under such hedge agreements. Any deferred gains or losses associated with derivative instruments, which on infrequent occasions may be terminated prior to maturity are recognized in earnings in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, such instrument would be closed and the resulting gain or loss would be recognized in earnings.

Stock-Based Compensation Plans

In December 2002, FASB issued SFAS No. 148, Accounting for Stock-Based Compensation—Transition and Disclosure. SFAS No. 148 amends SFAS No. 132, Accounting for Stock-Based Compensation, to provide alternative methods for a voluntary transition to the fair-value method of accounting for stock-based employee compensation. SFAS No. 148 also amends the disclosure provisions of SFAS No. 123 to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income. The adoption of the standard was effective for fiscal years beginning after December 15, 2002. Rather than adopt the fair-value method of accounting for stock-based compensation, the Company chose to continue accounting for such items using the intrinsic value method. As required, the Company did adopt the disclosure provisions of this standard.

In 2001, the Company established a stock-based compensation plan, which is more fully described in Note 16. The Company uses the accounting method under Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees,* and related interpretations of this plan. Under APB Opinion No. 25, generally, when the exercise price of the Company stock options equals the fair market value of the underlying stock on the date of the grant, no compensation expense is recognized. The following table illustrates the effect of net income if the Company had applied the fair value recognition

provisions of SFAS No. 123 to its stock-related compensation. For purposes of pro forma disclosures, the estimated fair value of the stock options is amortized to expense over their vesting periods.

	Fiscal year ended March 31		
	2002	2003	2004
Net (loss) earnings available to common stockholders, as reported	$ (41,995)	$ 5,543	$ (19,853)
Stock-based employee compensation cost, net of tax, that would have been included in the determination of net income if the fair value based method had been applied to all awards	(1,588)	(3,585)	(3,646)
Net (loss) earnings available to common stockholders, pro forma	$ (43,583)	$ 1,958	$ (23,499)
Pro forma net (loss) earnings per common share:			
Basic	$ (112.77)	$ 5.07	$ (60.80)
Diluted	$ (112.77)	$ 5.01	$ (60.80)

Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive (loss) income, net of tax, are as follows:

	Beginning Balance	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount	Ending Balance
March 31, 2002					
Minimum pension liabilities	$ —	$ (1,000)	$ 400	$ (600)	$ (600)
Unrealized loss on derivative instruments	—	(1,463)	597	(866)	(866)
Foreign currency translation adjustment	(2,343)	2,933	—	2,933	590
Accumulated other comprehensive (loss) income, net of tax	$ (2,343)	$ 470	$ 997	$ 1,467	$ (876)
March 31, 2003					
Minimum pension liabilities	$ (600)	$ (2,771)	$ 1,030	$ (1,741)	$ (2,341)
Unrealized loss on derivative instruments	(866)	(4,305)	1,722	(2,583)	(3,449)
Foreign currency translation adjustment	590	32,372	—	32,372	32,962
Accumulated other comprehensive (loss) income, net of tax	$ (876)	$ 25,296	$ 2,752	$ 28,048	$ 27,172
March 31, 2004					
Minimum pension liabilities	$ (2,341)	$ 1,552	$ (667)	$ 885	$ (1,456)
Unrealized (loss) income on derivative instruments	(3,449)	1,452	(581)	871	(2,578)
Foreign currency translation adjustment	32,962	30,330	—	30,330	63,292
Accumulated other comprehensive (loss) income, net of tax	$ 27,172	$ 33,334	$ (1,248)	$ 32,086	$ 59,258

The foreign currency translation adjustment primarily resulted from the weakening of the United States dollar. The majority of the Company's European subsidiaries utilize the euro as their functional currency. The exchange rate of the euro to the United States dollar increased from $.87 as of March 31, 2002 to $1.09 as of March 31, 2003 to $1.23 as of March 31, 2004.

Earnings Per Share

Basic earnings per common share (EPS) are computed by dividing net earnings available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock.

New Accounting Pronouncements

In December 2003, the FASB issued SFAS No. 132 (revised 2003), *Employers' Disclosures about Pensions and Other Postretirement Benefits*. The revisions to SFAS No. 132 are intended to improve financial statement disclosures for defined benefit plans and was initiated in 2003 in response to concerns raised by investors and other users of financial statements, about the need for greater transparency of pension information. In particular, the standard requires that companies provide more details about their plan assets, benefit obligations, cash flows, benefit costs and other relevant quantitative and qualitative information. The guidance is effective for fiscal years ending after December 15, 2003. The Company has complied with these revised disclosure requirements (see Note 14).

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. This statement amends SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, to provide clarification on the financial accounting and reporting of derivative instruments and hedging activities and requires contracts with similar characteristics to be accounted for on a comparable basis. Our adoption of SFAS No. 149 during 2003 did not have a material effect on our financial condition or results of operations.

In January 2003, the FASB issued Financial Interpretation (FIN) 46, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51.* This Interpretation addresses consolidation by business enterprises of certain variable interest entities. This Interpretation applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies to the Company in the first fiscal year beginning after March 15, 2004, to variable interest entities in which the Company holds a variable interest that it acquired before February 1, 2003. This Interpretation may be adopted by recognizing a cumulative-effect adjustment as of the date on which it is first applied or by restating issued financial statements for one or more years with a cumulative-effect adjustment as of the beginning of the first year restated. The Company has not determined the impact of this pronouncement, but does not believe it will have a material effect on its financial position and results of operations.

Collective Bargaining

At March 31, 2004, the Company had approximately 6,500 employees. Of these employees, approximately 3,300, almost all of whom work in the Company's European facilities, were covered by collective bargaining agreements. The average term of these agreements is one to two years, and these agreements expire over the period through 2007.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year presentation.

2. Recapitalization

Cash Payment to Stockholders and Management. In March 2004, the Company paid a $270,000 cash payment to its existing stockholders and certain members of its management, of which $258,367 represents distributions to stockholders and $11,633 represents a bonus.

New Credit Facilities. Concurrently with the payment of the $270,000 cash payment, the Company entered into two new credit facilities. The senior secured credit facility consists of a $380,000 seven-year term loan B facility and a $100,000 five-year revolving credit facility. The senior second lien credit facility consists of $120,000 of eight-year notes. In March 2004, the Company borrowed $500,000 under the senior secured credit facility and the senior second lien credit facility. The Company used $219,000 of the proceeds from borrowings under the new credit facilities to repay all amounts then outstanding under the Company's previously existing senior credit facility and $11,000 to pay transaction costs associated with the new credit facilities. Obligations under the new credit facilities are secured by a first-priority security interest in substantially all of the United States existing and hereafter acquired assets, including substantially all of the capital stock of all of the Company's United States subsidiaries that are guarantors under the new credit facility, and 65% of the capital stock of certain of the Company's foreign subsidiaries that are owned by the United States companies. Obligations under the senior second lien facility are secured by a second-priority lien on the same collateral.

The following sets forth the sources and uses of funds in connection with the recapitalization:

Source of funds		
Borrowings under the new senior secured credit facility	$	380,000
Borrowings under the new senior second lien credit facility		120,000
Total	$	500,000
Use of funds		
Cash payment to stockholders and management	$	270,000
Repayments under previously existing senior credit facility		219,000
Transaction fees and expenses		11,000
Total	$	500,000

Our fiscal 2004 results reflect the impact of the recapitalization including a pretax charge to earnings of $6,569 for the write-off of the remaining deferred financing fees outstanding under the previously existing senior credit facility.

3. Acquisition

On March 22, 2002, EnerSys acquired the assets, stock and business of substantially all of the subsidiaries and affiliates comprising the Energy Storage Group (ESG) of Invensys PLC (Invensys). ESG is a manufacturer and supplier of lead-acid industrial batteries with facilities located primarily in Europe, North America, and Asia. The final acquisition price, after closing adjustments provided in the purchase agreement, was $374,904, including associated transaction costs, assumed debt, and warrants to purchase 409,248 shares of Class A Common Stock of the Company. The transaction was financed by the following: issuance of Series A Convertible Preferred Stock of $283,000 to Morgan Stanley Capital Partners, a seller note with a fair value of $58,321 ($100,000 face value), and additional borrowings. The acquisition was accounted for under the purchase method of accounting and the ESG operations have been included in the Company's statements of operations since March 22, 2002. ESG's net sales and operating earnings for the fiscal year ended March 31, 2002 were $11,460 and $237, respectively.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed related to ESG:

Net working capital	$	128,355
Fixed assets		174,896
Goodwill, net of deferred taxes of $15,285		171,585
Prepaids and other assets		42,678
Accrued liabilities		(142,610)
Net assets acquired	$	374,904

As of the acquisition date, the Company began to formulate an exit and restructuring plan for certain ESG facilities in North America and Europe, which was finalized during the fiscal year ended March 31, 2003. As such, the Company, in allocating the purchase price to the plant and equipment, has determined the fair value of these facilities to be $20,189 as of March 22, 2002. As of March 31, 2002, the Company recorded a liability of $23,737 related to involuntary termination of employees and $10,300 for the cancellation of certain contractual obligations. During the fiscal year ended March 31, 2003, the Company paid $9,687 for the termination of employees and $2,287 for the contractual obligations. During the fiscal year ended March 31, 2004, the Company paid $4,054 for the termination of employees and $1,294 for the contractual obligations. All cash payments were charged against the liability established in purchase accounting.

A rollforward of the above restructuring reserves is as follows:

Balance at March 31, 2002	$	18,173
Purchase accounting adjustment		26,660
Costs incurred		(11,974)
Foreign currency impact		6,520
Balance at March 31, 2003		39,379
Cost incurred		(5,348)
Foreign currency impact and other		4,313
Balance at March 31, 2004	$	38,344

The following unaudited pro forma financial information reflects the results of operations as if the acquisition of ESG had occurred as of the beginning of the fiscal year ended March 31, 2002. Pro forma adjustments include only the effects of events directly attributed to a transaction that are factually supportable and expected to have a continuing impact. The pro forma adjustments contained in the table below include adjustments for depreciation expense due to the adjustment of property, plant, and equipment to estimated market value, interest expense on the acquisition debt, restructuring charges for facility closures that will not continue, and the related income tax effects.

	Unaudited
Net sales	$ 897,540
Net loss	$ (36,433)
Net loss per share:	
Basic and Diluted	$ (94.27)

The unaudited pro forma financial information does not necessarily reflect the operating results that would have occurred had the acquisition been consummated as of the above date, nor is such information indicative of future operating results. Unaudited pro forma net earnings, exclusive of $60,594 of after-tax restructuring costs, was $24,161.

4. Inventories

Inventories consist of:

	2003	2004
Raw materials	$ 24,474	$ 32,003
Work-in-process	26,583	36,670
Finished goods	55,941	63,039
	$ 106,998	$ 131,712

Inventory reserves for obsolescence and other estimated losses were $7,955 and $10,895 at March 31, 2003 and 2004, respectively.

5. Property, Plant, and Equipment

Property, plant, and equipment consists of:

	2003	2004
Land, buildings, and improvements	$ 87,639	$ 99,239
Machinery and equipment	225,367	256,382
Construction in progress	8,884	13,776
	321,890	369,397
Less accumulated depreciation	(46,231)	(84,547)
Property, plant, and equipment	$ 275,659	$ 284,850

6. Goodwill and Other Intangible Assets

Information regarding the Company's goodwill and other intangible assets follows:

	2003			2004		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Unamortizable intangible assets:						
Goodwill	$ 297,117	$ (1,412)	$ 295,705	$ 308,237	$ (1,412)	$ 306,825
Trademarks	76,240	(953)	75,287	76,240	(953)	75,287
Amortizable intangible assets:						
Non-compete	131	(85)	46	131	(115)	16
Patents	250	(42)	208	250	(58)	192
Total	$ 373,738	$ (2,492)	$ 371,246	$ 384,858	$ (2,538)	$ 382,320

The changes in the carrying amount of goodwill by business segment are as follows:

	FY2003			FY2004		
	Reserve	Motive	Total	Reserve	Motive	Total
Balance at beginning of year	$ 108,901	$ 116,732	$ 225,633	$ 161,348	$ 134,357	$ 295,705
Goodwill adjustment for balances acquired in ESG acquisition	43,408	9,494	52,902	(3,491)	(2,901)	(6,392)
Goodwill adjusted for balances acquired in Yuasa Inc. acquisition	938	—	938	(849)	—	(849)
Foreign currency translation gain	8,101	8,131	16,232	9,183	9,178	18,361
Balance at end of year	$ 161,348	$ 134,357	$ 295,705	$ 166,191	$ 140,634	$ 306,825

The Company estimated tax-deductible goodwill to be approximately $28,000 and $25,000 as of March 31, 2003 and 2004, respectively.

7. Other Assets

Other current assets consist of the following:

	March 31	
	2003	2004
Nontrade receivables	$ 2,803	$ 2,523
Other	1,137	2,020
	$ 3,940	$ 4,543

Other assets consist of the following:

	March 31	
	2003	2004
Rental batteries	$ 7,322	$ 7,330
Leases receivable	4,313	3,689
Deferred financing fees	6,608	9,363
Pension	6,886	8,431
Nontrade receivables	1,249	—
Other	1,738	5,357
	$ 28,116	$ 34,170

8. Accrued Expenses

Accrued expenses consist of the following:

	2003	2004
Restructuring	$ 30,277	$ 33,517
Payroll and benefits	41,596	32,009
Warranty	24,198	23,249
Income taxes, currently payable	5,955	22,811
Accrued selling expenses	6,048	9,211
Pension and social security	11,897	6,814
Interest	1,615	599
Other	13,163	35,507
	$ 134,749	$ 163,717

9. Debt

In November 2000, the Company entered into a senior Credit Agreement with Morgan Stanley Senior Funding, Inc. and various lending institutions (Credit Agreement) containing a Tranche A Note for $40,000, a Tranche B Note for $110,000, and a Revolving Note for $50,000. In March 2002, an amendment to the Credit Agreement increased the amount available to $146,000 on the Tranche B Note and $57,000 on the Revolving Note. Quarterly principal payments on the Tranche A and B Notes began March 31, 2001 with final payments due on November 9, 2006 and November 9, 2008, respectively. The maturity date of the Revolving Note was November 9, 2006. Loans and other liabilities under the Credit Agreement were secured by substantially all United States assets of the Company. Borrowings under the Credit Agreement bore interest at a floating rate based, at the Company's option, upon (i) a LIBOR rate plus an applicable percentage or (ii) the greater of the federal funds rate plus 0.5% or the prime rate, plus an applicable percentage. The applicable percentages (the credit spreads) were subject to change based on the ratio of the Company's senior debt to EBITDA (all rates and terms are as defined in the Credit Agreement). In

conjunction with the recapitalization in March 2004, the obligations under this Credit Agreement were paid in full and the Credit Agreement was terminated in March 2004.

In connection with the acquisition of ESG, the Company entered into a seller note agreement with Invensys of $100,000 at a fixed rate of 3.0275%, due March 31, 2010. In accordance with the terms of the seller note agreement, the Company issued two new notes in fiscal 2003 in lieu of paying semi-annual cash interest to Invensys for $1,211 and $1,570, respectively. The two new notes carried the same terms, conditions, interest rate, and maturity date as the original note. The notes were subordinate to the above Credit Agreement. The face values of the notes were discounted by the difference of the estimated market rate of 10.0%, the assumed market rate on similar borrowing by the Company, and 3.0275%. The discount amount of $38,552 and $0 at March 31, 2003 and 2004, respectively, was being accreted to the principal amount with the accretion being charged to interest expense over the period to its maturity. In conjunction with the Settlement Agreement with Invensys, these notes were paid in full in December 2003.

In connection with the acquisition of ESG, the Company assumed a $5,000 note payable to the prior owner of an acquired manufacturing plant in Mexico. The note was due on February 2, 2004, plus accrued interest at a one-year LIBOR rate (1.47% at March 31, 2004). In February 2004, the Company paid $1,786 on the note and the balance is pending settlement of certain disputes.

In December 2003, the Company entered into an agreement with Invensys PLC (Settlement Agreement) under which the Company paid $94,100 for the repurchase of seller notes and warrants delivered to Invensys as part of the consideration for the acquisition of ESG and in settlement of other matters, primarily termination of a supply agreement. This transaction was funded by utilizing $43,100 of short-term investments, $19,000 from an accounts receivable financing facility (which was paid off and terminated on March 9, 2004), $7,000 additional Tranche B borrowing and $25,000 Revolver drawdown.

In March 2004, the Company paid a $270,000 cash payment to stockholders and certain members of management. In connection with the cash payment, on March 17, 2004, the Company terminated our previously existing senior credit facility and entered into a new $480,000 senior secured credit facility, which consists of a $380,000 term loan B and a $100,000 revolving credit line, and entered into a new $120,000 senior second lien term loan. The Company used the proceeds of the $500,000 in term loans to fund the cash payment in the amount of $270,000, repay all amounts then outstanding under the previously existing senior credit facility in the amount of $219,000, and pay transaction costs associated with the new credit facilities of $11,000. No amounts were borrowed under the revolving credit line in conjunction with the cash payments.

The $380,000 senior secured term loan B is subject to a 0.25% quarterly principal amortization and matures on March 17, 2011. The $120,000 senior second lien term loan mature as a single installment on March 17, 2012. The $100,000 revolving credit line matures on March 17, 2009. Obligations under the Credit Facilities are secured by substantially all of our United States existing and hereafter acquired assets, including substantially all of the capital stock of all of our United States subsidiaries that are guarantors under the new credit facility, and 65% of the capital stock of certain of our foreign subsidiaries that are owned by our United States companies. Borrowings under the credit agreements bear interest at a floating rate based, at our option, upon (i) a LIBOR rate plus an applicable percentage or (ii) the greater of the federal funds rate plus 0.5% or the prime rate, plus an applicable percentage. Under the terms of the

credit facilities, the Company is required to prepay certain principal amounts outstanding with proceeds of an initial public offering. There is also a provision that would require prepayment based upon certain excess cash flow amounts, as defined.

As of March 31, 2003 and 2004, the Company had available under all its lines of credit, including in 2003 its accounts receivable financing program, approximately $92,900 and $124,600, respectively. Included in the March 31, 2003 and 2004 amounts are $10,500 and $24,600, respectively, of uncommitted lines of credit.

The effective borrowing rates for 2003 and 2004 were 5.1% and 5.0% respectively.

The following summarizes the Company's long-term debt:

	March 31	
	2003	2004
Term Loan B: Payable in quarterly installments through March 17, 2011, bearing interest at 3.59% at March 31, 2004(1)	$ —	$ 380,000
Second Lien term notes: Payable in a single installment on March 17, 2012, bearing interest at 6.09% at March 31, 2004	—	120,000
Tranche A: Payable in quarterly installments through November 9, 2008, refinanced on March 17, 2004	32,500	—
Tranche B: Payable in quarterly installments through November 9, 2008, refinanced on March 17, 2004	143,075	—
Mortgage loan payable in monthly installments through August 1, 2003, bearing interest at 3.00% per annum. Loan was secured by a mortgage lien interest in the Company's corporate headquarters	92	—
Subordinated notes payable to Invensys of $102,781 and $0 at March 31, 2003 and 2004 face amounts, respectively, bearing interest at 3.0275% per annum, due in full March 31, 2010 (less unamortized discount of $38,552 and $0 as of March 31, 2003 and 2004, respectively, based on imputed interest rate of 10%).	64,229	—
Note payable, pending settlement of disputes, bearing interest at 1.47% at March 31, 2004	5,000	3,214
Total debt	244,896	503,214
Less current portion	13,052	7,014
Total long-term debt	$ 231,844	$ 496,200

(1) LIBOR component on $120,000 swapped into fixed rates as discussed in Notes 2 and 12.

The Company paid $13,100, $15,686 and $15,474, net of amounts capitalized, for interest during the fiscal years ended March 31, 2002, 2003 and 2004, respectively. Aggregate maturities of long-term debt in each of the five fiscal years after March 31, 2004 are as follows:

2005	$ 7,014
2006	3,800
2007	3,800
2008	3,800
2009	3,800
Thereafter	481,000
	$ 503,214

The Company's financing agreements contain various covenants which, absent prepayment in full of the indebtedness and other obligations, or the receipt of waivers, would limit the Company's ability to conduct certain specified business transactions including incurring debt, mergers, consolidations or similar transactions, buying or selling assets out of the ordinary course of business, engaging in sale and leaseback transactions, paying dividends and certain other actions. The Company is in full compliance with all such covenants. The Company had available under certain conditions a maximum of $35,000 in a receivable financing program at March 31, 2003. This program was terminated in March 2004.

As of March 31, 2003 and 2004, the Company had $190 and $325, respectively, of standby letters of credit outstanding that reduced the borrowings available under the Revolving Note.

10. Leases

The Company's future minimum lease payments under capital and operating leases that have noncancelable terms in excess of one year at March 31, 2004 are as follows:

	Capital Leases	Operating Leases
2005	$ 2,503	$ 10,221
2006	1,755	7,052
2007	934	4,236
2008	528	2,139
2009	250	1,095
Thereafter	218	221
Total minimum lease payments	6,188	$ 24,964
Amounts representing interest	(811)	
Net minimum lease payments, including current portion of $2,150	$ 5,377	

Rental expense was $6,797, $17,491 and $17,818 for the fiscal years ended March 31, 2002, 2003 and 2004, respectively. Amortization of capitalized leased assets is included in depreciation expense. Certain operating lease agreements contain renewal or purchase options and/or escalation clauses.

11. Other Liabilities

Other long-term liabilities consists of the following:

	March 31	
	2003	2004
Pension and profit sharing obligation	$ 16,802	$ 27,462
Restructuring reserves	20,824	16,890
Claims settlement accrual	4,500	4,500
Swap liability	5,549	4,097
Deferred income	2,514	3,450
Minority interest	2,590	2,807
Other	4,230	3,205
	$ 57,009	$ 62,411

12. Derivative Financial Instruments

In February 2001, the Company entered into interest rate swap agreements to fix the interest rate on $60,000 of its floating-rate obligations at a rate of 5.59% per annum through February 22, 2006. In April and May 2004, the Company amended these agreements to extend the maturity to February 22, 2008, and reduce the fixed rate to 5.16% per annum beginning May 24, 2004. In accordance with SFAS No. 133, the interest rate swaps are considered perfectly effective against changes in the fair value of the underlying debt and, as a result, there is no need to periodically reassess the effectiveness during the term of the hedge. Cash flows related to the interest rate swap agreements are included in interest expense over the terms of the agreements.

On April 1, 2001, upon adoption of SFAS No. 133, the Company recognized in accumulated other comprehensive income a cumulative effect of a change in accounting principle gain of $389 related to interest rate swap agreements. The Company recorded an unrealized (loss) income on these derivative instruments of $(1,463), $(4,305) and $1,452 for the fiscal years ended March 31, 2002, 2003 and 2004, respectively, that is included in other comprehensive loss. The estimated fair value of the Company's interest rate swap agreements was a liability of $1,463, $5,768 and $4,316 at March 31, 2002, 2003 and 2004, respectively, as estimated based on quotes from the market makers of these instruments.

In conjunction with the February 2001 swap agreements, the Company entered into option agreements that gave the counterparties the right, exercisable on February 22, 2004, to swap a floating interest rate payment by the Company on a notional amount of $60,000 for the receipt by the Company of a fixed interest rate payment of 5.59%, for the two-year period from February 22, 2004 to February 22, 2006. The option agreements expired on February 22, 2004 and were not exercised by the counterparties. The Company had not designated the option agreements as hedge instruments, thus changes in the fair value of the agreements were

recorded as adjustments to interest expense. The estimated fair value of the Company's option agreements was a liability of $45 and $0 at March 31, 2003 and 2004, respectively, as estimated based on quotes from the market makers of these instruments.

In April 2004, the Company entered into interest rate swap agreements to fix the interest rate on an additional $60,000 of its floating-rate obligations, beginning May 5, 2004, at a rate of 2.85% per annum in Year 1, 3.15% per annum in Year 2, 3.95% per annum in Year 3 and 4.75% per annum in Year 4. These agreements expire on May 5, 2008. In accordance with SFAS No. 133, these swaps are considered perfectly effective against changes in the fair value of the underlying debt and, as a result, there is no need to periodically reassess the effectiveness during the term of the hedge. Cash flows related to the interest rate swap agreements are included in interest expense over the terms of the agreements.

13. Income Taxes

Income tax (benefit) expense is composed of the following:

	Fiscal year ended March 31		
	2002	2003	2004
Current:			
Federal	$ (8,753)	$ (1,147)	$ —
State	(197)	—	—
Foreign	159	5,123	9,597
Total current	(8,791)	3,976	9,597
Deferred:			
Federal	(12,919)	2,473	(12,348)
State	(751)	120	77
Foreign	290	5,786	5,631
Total deferred	(13,380)	8,379	(6,640)
Income tax (benefit) expense	$ (22,171)	$ 12,355	$ 2,957

(Loss) earnings before income taxes consists of the following:

	Fiscal year ended March 31		
	2002	2003	2004
United States	$ (64,324)	$ 1,161	$ (44,778)
Foreign	171	34,046	52,571
(Loss) earnings before income taxes	$ (64,153)	$ 35,207	$ 7,793

Income taxes paid or (refunds received) by the Company for the fiscal years ended March 31, 2002, 2003 and 2004 were $1,336, $3,830 and $(3,083), respectively.

The following table sets forth the tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities:

	March 31	
	2003	2004
Deferred tax assets:		
Accounts receivable	$ 1,786	$ 1,547
Inventories	3,064	3,543
Intangible assets	7,321	2,197
Plant and equipment	6,549	5,823
Net operating loss carryforwards	70,670	81,023
Accrued liabilities and restructuring expenses	24,948	21,314
Other noncurrent items	—	9,303
Gross deferred tax assets	114,338	124,750
Less valuation allowance	(66,906)	(74,109)
Total deferred tax assets	47,432	50,641
Deferred tax liabilities:		
Inventories	1,478	167
Plant and equipment, principally due to differences in depreciation	27,183	30,197
Intangible assets	31,128	29,389
Other noncurrent items	11,353	1,539
Total deferred tax liabilities	71,142	61,292
Net deferred tax assets (liabilities)	$ (23,710)	$ (10,651)

The Company has approximately $34,032 in United States (federal) net operating losses that begin to expire in the year beginning 2023.

The Company has recorded a deferred tax asset of approximately $11,911 related to net operating losses in the United States. The Company expects to fully realize these United States net operating losses against reversing taxable temporary differences, implementing certain tax planning strategies, and projected future taxable income; therefore management has not recorded a valuation allowance against this amount.

The Company has certain temporary differences in the United States related to the ESG acquisition, the tax benefit of which is limited by Section 382 of the Internal Revenue Code. The Company has recorded a full valuation allowance against these deferred tax assets as it is more likely than not that these assets will not be realized in the future.

The net operating losses at March 31, 2004 related to its foreign subsidiaries are approximately $166,553, which expire at various times over the next 20 years. Part of these net operating losses have an unlimited life. In addition, the Company also had approximately $89,886 of net operating losses for state tax purposes that expire at various times over the next 20 years. The Company has recorded a valuation allowance for net deferred tax assets in certain foreign and state tax jurisdictions, primarily related to net operating loss carryforwards, due to the significant losses incurred in these tax jurisdictions.

A reconciliation of income taxes at the statutory rate to the income tax provision is as follows:

	Fiscal year ended March 31		
	2002	2003	2004
United States statutory income tax (benefit) expense (at 35%)	$ (22,517)	$ 12,322	$ 2,728
Increase (decrease) resulting from:			
State income taxes, net of federal effect	(1,730)	120	50
Nondeductible expenses	1,510	359	1,293
Effect of foreign operations	566	(446)	(1,114)
	$ (22,171)	$ 12,355	$ 2,957

At March 31, 2004, the Company has not recorded United States income or foreign withholding taxes on approximately $65,654 of undistributed earnings of foreign subsidiaries that could be subject to taxation if remitted to the United States because the Company currently plans to keep these amounts permanently invested overseas.

14. Pension Plans

The Company provides pension benefits to substantially all eligible salaried and hourly employees. The following table sets forth a reconciliation of the related benefit obligation, plan assets, and accrued benefit costs related to the pension benefits provided by the Company for these employees covered by defined benefit plans:

	United States Plans		International Plans	
	March 31		March 31	
	2003	2004	2003	2004
Change in benefit obligation				
Benefit obligation at the beginning of the year	$ 6,557	$ 7,993	$ 9,337	$ 14,203
Service cost	529	392	1,970	3,365
Interest cost	435	472	806	1,104
Benefits paid	(541)	(456)	(618)	(1,087)
Plan participants' contributions	—	—	641	922
Change in assumptions	1,226	—	—	—
Change due to plan amendment	—	36	—	—
Experience (gain) loss	(213)	(98)	(296)	(155)
Foreign currency translation adjustment	—	—	2,363	1,901
Benefit obligation at the end of the period	7,993	8,339	14,203	20,253

Change in plan assets				
Fair value of plan assets at the beginning of the period	5,856	4,865	—	2,375
Actual return (loss) on plan assets	(984)	1,330	(115)	315
Employer contributions	534	32	—	3,151
Plan participants' Contributions	—	—	2,498	922
Benefits paid, inclusive of plan expenses	(541)	(456)	(8)	(208)
Foreign currency translation adjustments	—	—	—	393
Fair value of plan assets at the end of the period	4,865	5,771	2,375	6,948
Funded status (deficit)	(3,128)	(2,568)	(11,828)	(13,305)
Unrecognized net loss (gain)	3,606	2,426	—	—
Prepaid (accrued) benefit cost	$ 478	$ (142)	$ (11,828)	$ (13,305)

Prepaid pension cost is included in other assets and accrued benefit liability is included in other liabilities.

Net periodic pension cost for 2003 and 2004 includes the following components:

	United States Plans		International Plans	
	March 31		March 31	
	2003	2004	2003	2004
Service cost	$ 529	$ 392	$ 1,970	$ 3,365
Interest cost	435	472	806	1,104
Actual (return) loss on plan assets	984	(1,330)	115	(315)
Amortization and deferral	(1,514)	947	—	(4)
Net periodic benefit cost	$ 434	$ 481	$ 2,891	$ 4,150

Significant assumptions used in accounting for the pension benefit plans are as follows:

	United States Plans		International Plans	
	March 31		March 31	
	2003	2004	2003	2004
Discount rate	6.0%	6.0%	7.0%	5.8-7.0%
Expected return on plan assets	9.0%	9.0%	9.0%	7.8-9.0%
Rate of compensation increase	N/A	N/A	3.5%	3.5-3.8%

The Company's investment policy emphasizes a balanced approach to investing in securities of high quality and ready marketability. Investment flexibility is encouraged so as not to exclude opportunities available through a diversified investment strategy.

Equity investments are maintained within a target range of 50%-70% of the total portfolio at market. Investments in debt securities include issues of various maturities, and the average quality rating of bonds should be investment grade with a minimum quality rating of "B" at the time of purchase.

The Company periodically reviews the asset allocation of its portfolio. The proportion committed to equities, debt securities and cash equivalents is a function of the values available in each category and risk considerations. The plan's overall return will be compared to and expected to meet or exceed established benchmark funds and returns over a three to five year period.

The objectives of the Company's investment strategies are: (a) the achievement of a reasonable long-term rate of total return consistent with an emphasis on preservation of capital and purchasing power, (b) stability of annual returns through a portfolio risk level which is appropriate to conservative accounts, and (c) reflective of our willingness to forgo significantly above-average rewards in order to minimize above-average risks. These objectives may not be met each year but should be attained over a reasonable period of time.

The Company expects to make cash contributions of approximately $1,650 to its United States pension plans in fiscal year 2005.

As a result of the ESG business combination, the Company has assumed a defined benefit plan in Germany. This plan has no assets and a benefit obligation of $11,976 and $13,660 as of March 31, 2003 and 2004, respectively. Other salary and hourly employees are provided defined contribution plans in accordance with governmental regulatory requirements.

The allocation of investments for the United States pension plans is as follows:

	March 31	
	2003	2004
Equity securities	54.4%	67.5%
Debt securities	41.4	31.5
Cash equivalents	4.2	1.0
Total	100.0%	100.0%

Substantially all salaried employees of the former EnerSys, prior to the acquisition of ESG, were eligible to participate in the Salaried Retirement and 401(k) Plan. Under this plan, the Company contributed annually 4% of eligible employees' salaries to a trust fund. In addition to the employer contribution, a salaried employee could make voluntary contributions to the plan of up to 75% of their salary (as of July 22, 2002). In addition to the automatic contribution, the Company was obligated to make additional contributions, to the extent of the employee's participation in the plan, of 25% of the first 4% of the employee's salary contributed by the employee. The 401(k) Plan also allows the Company to make discretionary matching contributions.

Effective calendar 2004, the Company has gone to a "Safe Harbor Plan" and will not make the automatic 4% contribution. In addition, the 2004 plan covers substantially all salary and hourly employees of EnerSys except those covered by a union plan. Under the 2004 plan, all employees are eligible to receive

a match on their contributions as follows: company matches 100% of the first 4% contributed and 50% of the next 2% contributed for a total match of up to 5% by the Company. Employer expenses for the 401(k) plan for the fiscal years ended March 31, 2002, 2003 and 2004 were $231, $302 and $640, respectively.

15. Preferred Stock

In connection with the acquisition of ESG, the Company issued 665,883 shares of Series A Convertible Preferred Stock (Preferred Stock), which were, at the date of issuance, convertible into an equal number of shares of Class A Common Stock. The Preferred Stock is convertible after that date, at the option of the holder, at an amount of shares equal to the amount at issuance plus a cumulative amount from the date of issuance to the date of conversion at a rate of 7.5% per annum, compounded quarterly. The fair value of additional shares issuable upon conversion of the Preferred Stock has been reflected as a Preferred Stock dividend. At March 31, 2004, the Preferred Stock was convertible into 774,001 shares of common stock and that number was reserved for conversion.

Holders of the Preferred Stock have voting rights equivalent to the amount of common shares they would hold as if they had converted into common stock.

In the event of a dividend or distribution to holders of common stock, the holders of Preferred Stock will receive a proportionate share based upon the amount of shares of common stock they would hold as if the holders had converted to common stock. No dividends or distributions may be made to holders of common stock unless all dividends to which holders of Preferred Stock are entitled have been paid in full.

Automatic conversion of the Preferred Stock, at the same rate as if the conversion were at the holder's option, will take place immediately prior to a public offering of the common stock of the Company if the net proceeds to the Company are anticipated to be at least $75,000.

Upon the dissolution or liquidation of the Company, the holders of the Preferred Stock are entitled to an amount per share at least equal to the original amount at issuance plus the cumulative amount accrued from the date of issuance at a rate of 7.5% per annum, compounded quarterly ($327,677 at March 31, 2004).

16. Stock Plans

Stock Incentive Plans

The Company maintains a management equity plan that reserves 259,599 shares of Class A Common Stock for the grant of restricted shares, and various classes of nonqualified stock options. Options have been granted to employees under various plans at prices not less than the fair market value of the shares on the dates the options were granted. Generally, options vest over a four year period and become exercisable in annual installments over the vesting period. Options generally expire in 10 years.

Pro forma information regarding net income required by SFAS No. 123 has been determined as if the Company had accounted for its employee stock options under the fair value method of SFAS No. 123. The

fair value of the options granted was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	2002	2003	2004
Risk-free interest rate	5%	5%	3%
Dividend yield	0%	0%	0%
Expected life	7 years	7 years	7 years

As permitted under the provisions of SFAS No. 123 and based on the historical lack of a public market for the Company's options, no factor for volatility has been reflected in the option-pricing calculation.

The following table summarizes the Company's stock option activity in the years indicated:

	2002		2003		2004	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year	95,298	$ 567.85	200,532	$ 554.95	199,304	$ 556.28
March 2004 adjustment to outstanding	—	N/A	—	N/A	29,995	N/A
Granted	106,592	541.46	818	425.00	19,012	562.54
Exercised	—	—	—	—	—	—
Forfeited	(1,358)	425.00	(2,046)	425.00	(3,277)	425.00
Outstanding at end of year	200,532	554.95	199,304	556.28	245,034	401.12
Exercisable at end of year	21,172	572.70	81,367	511.18	139,695	403.01
Reserved for future grant at year-end	948		10,901		4,565	

Options were granted with an exercise price that equals the estimated fair market value of a share of EnerSys common stock on the date of grant.

As of March 31, 2004 there are also 10,609 of preferred stock options outstanding, which are convertible into 12,309 shares of common stock. The approximate weighted average exercise price is $126. These options are fully vested and expire on October 30, 2008.

The Board of Directors approved certain adjustments to the outstanding options as well as the number of options avilable for grant under the stock incentive plans in response to the recapitalization transaction on March 17, 2004 (see Note 2). The adjustments included increasing the number of shares under option from 215,039 to 245,034, lowering the exercise prices of $425 to $308.50 and lowering the range of options with an exercise price of from $637.50–$800 to $462.75–$581.06. These adjustments consequently increased the aggregate number of shares or options to purchase shares that are authorized for issuance under the stock incentive plans from 219,603 to 249,599. All vesting and term provisions of each award remained unchanged. No compensation expense was recognized in connection with these

adjustments since (i) the adjustments were executed in response to an equity restructuring and (ii) the modifications to the awards did not increase the aggregate intrinsic value of each award and did not reduce the per share ratio of the exercise price to the market value.

The following table summarizes information regarding stock options outstanding and exercisable at March 31, 2004:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$308.50	140,248	7.77	308.50	79,237	308.50
$462.75	68,955	7.65	462.75	41,134	462.75
$544.75–$581.06	2,662	9.91	571.62	—	—
$624.32	27,278	7.89	624.32	14,906	624.32
$836.82	5,891	6.61	836.82	4,418	836.82
	245,034	7.75	401.12	139,695	403.00

17. Earnings Per Share

The following table sets forth the reconciliation from basic to diluted average common shares and the calculations of net earnings per common share (dollars in thousands, except per share data).

	March 31		
	2002	2003	2004
Net (loss) earnings	$ (41,982)	$ 22,852	$ 4,836
Series A convertible preferred stock dividends	(13)	(17,309)	(24,689)
Net (loss) earnings available to common stockholders	$ (41,995)	$ 5,543	$ (19,853)
Average common shares:			
Basic (weighted-average outstanding shares)	386,471	386,471	386,471
Dilutive potential common shares from common and preferred stock options	—	4,063	—
Diluted (weighted-average outstanding shares)	386,471	390,534	386,471
Basic (loss) earnings per common share	$ (108.66)	$ 14.34	$ (51.37)
Diluted (loss) earnings per common share	$ (108.66)	$ 14.19	$ (51.37)
Antidilutive options and convertible preferred stock not included in the dilutive (loss) earnings per common share calculation	878,255	917,877	1,019,035

18. Commitments and Contingencies

The Company is involved in litigation incidental to the conduct of its business, the results of which, in the opinion of management, are not likely to be material to the Company's financial condition, results of operations, or cash flows.

As a result of its operations, the Company is subject to various foreign, federal, state and local environmental laws and regulations and is exposed to the costs and risks of handling, processing, storing and disposing and releases of hazardous and toxic substances (primarily lead and acid). The Company's operations are also subject to foreign, federal, state and local occupational and health regulations, particularly relating to the control of blood lead levels in the workplace. The Company is involved in certain environmental matters pending before various foreign and United States jurisdictions and regulatory agencies. In the opinion of management based on current obligations, such matters known to the Company are not expected to have a material adverse effect on the Company's financial condition or results of operations.

In order to ensure a steady supply of lead and to hedge against large increases in cost, the Company has entered into contracts with suppliers for the purchase of lead. Each such contract is for a period not extending beyond one year. Under these contracts, the Company was committed at March 31, 2003 to purchase approximately 63 million pounds of lead for a total purchase price of $16,000. At March 31, 2004, the Company was committed to purchase approximately 39 million pounds of lead for a total purchase price of $11,900.

19. Concentration of Credit Risk

Financial instruments that subject the Company to potential concentration of credit risk consist principally of trade accounts receivable and temporary cash investments. The Company places its temporary cash investments with various financial institutions and, generally, limits the amount of credit exposure to any one financial institution. Concentration of credit risk with respect to trade receivables is limited by a large, diversified customer base and its geographic dispersion. The Company performs ongoing credit evaluations of its customers' financial condition and requires collateral, such as letters of credit, in certain circumstances.

20. Quarterly Financial Data (Unaudited)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Fiscal Year
Fiscal year ended March 31, 2003					
Net sales	$ 208,400	$ 207,632	$ 212,878	$ 230,733	$ 859,643
Gross profit	45,555	50,040	52,662	57,388	205,645
Operating earnings	9,310	12,940	15,445	17,281	54,976
Net earnings	2,982	5,176	6,574	8,120	22,852
Series A convertible preferred stock dividends	(1,036)	(5,326)	(5,426)	(5,521)	(17,309)
Net earnings (loss) available to common stockholders	1,946	(150)	1,148	2,599	5,543
Net earnings per common share—basic	$ 5.04	$ (0.39)	$ 2.97	$ 6.72	$ 14.34
Net earnings per common share—diluted	$ 4.98	$ (0.39)	$ 2.94	$ 6.66	$ 14.19
Fiscal year ended March 31, 2004					
Net sales	$ 218,265	$ 222,139	$ 253,296	$ 275,379	$ 969,079
Gross profit	52,556	57,276	64,036	72,386	246,254
Operating earnings	12,489	17,419	11,953	12,783	54,644
Net earnings (loss)	5,800	8,672	(10,399)	763	4,836
Series A convertible preferred stock dividends	(5,643)	(5,731)	(5,844)	(7,471)	(24,689)
Net earnings (loss) available to common stockholders	157	2,941	(16,243)	(6,708)	(19,853)
Net earnings (loss) per common share—basic	$ 0.41	$ 7.61	$ (42.03)	$ (17.36)	$ (51.37)
Net earnings (loss) per common share—diluted	$ 0.41	$ 7.53	$ (42.03)	$ (17.36)	$ (51.37)

During the third quarter of fiscal year 2004 the Company recorded special charges of $33,500 related to the settlement agreement with Invensys, costs associated with abandoned acquisitions and provisions for restructuring. During the fourth quarter of fiscal 2004 the Company recorded special charges of $18,621 related to the recapitalization transaction (see Note 23).

21. Operations by Industry Segment and Geographic Area

The Company has the following two reportable business segments:

The Reserve Power segment manufactures batteries used to provide backup power for the continuous operation of critical systems during power disruptions. They include telecommunications and computer systems, such as process control and database systems.

The Motive Power segment manufactures batteries used to power mobile manufacturing, warehousing and other ground handling equipment, primarily industrial forklifts.

	Reserve Power	Motive Power	Other	Consolidated
Fiscal year ended March 31, 2002				
Net sales	$ 162,567	$ 176,773	$ —	$ 339,340
Operating earnings (loss)	$ 7,676	$ 11,657	$ (68,448)	$ (49,115)
Fiscal year ended March 31, 2003				
Net sales	$ 426,900	$ 432,743	$ —	$ 859,643
Operating earnings	$ 31,146	$ 23,830	$ —	$ 54,976
Fiscal year ended March 31, 2004				
Net sales	$ 480,006	$ 489,073	$ —	$ 969,079
Operating earnings (loss)	$ 38,723	$ 37,068	$ (21,147)	$ 54,644

Other represents restructuring expense and other special charges (see Note 23).

Many of the Company's facilities manufacture products for both of the Company's segments. Therefore, it is not practicable to disclose asset information on a segment basis.

Summarized financial information related to geographic areas in which the Company operated at March 31, 2002, 2003 and 2004 and for each of the years then ended is show below.

	2002	2003	2004
Net sales			
Europe	8,843	434,493	511,026
Americas	$ 330,158	$ 392,003	$ 408,836
Asia	339	33,147	49,217
Total	$ 339,340	$ 859,643	$ 969,079
Operating (loss) earnings			
Europe	$ 91	$ 26,709	$ 37,045
Americas	19,175	24,720	34,413
Asia	67	5,712	4,333
Eliminations, special charges and other	(68,448)	(2,164)	(21,147)
Total	$ (49,115)	$ 54,977	$ 54,644
Fixed assets			
Europe	91,128	141,555	156,470
Americas	173,610	126,075	120,474
Asia	8,954	8,029	7,906
Total	$ 273,692	$ 275,659	$ 284,850

22. Warranty

The Company provides for estimated product warranty expenses when the related products are sold and are primarily included within accrued expenses. Because warranty estimates are forecasts that are based on the best available information, primarily historical claims experience, claims costs may differ from amounts provided. An analysis of changes in the liability for product warranties is as follows:

Balance at April 1, 2002	$ 18,317
Current year provisions	14,049
Costs incurred	(8,168)
Balance at April 1, 2003	24,198
Current year provisions	16,176
Costs incurred	(17,125)
Balance at March 31, 2004	$ 23,249

23. Special Charges

The Company has chosen to separately disclose special charges because the items are non-recurring in nature and the results excluding special charges are an appropriate measurement of the Company's ongoing operating results. The following is a summary of these special charges:

	March 31		
	2002	2003	2004
Unsuccessful acquisition attempts	$ —	$ —	$ 6,800
Restructuring	68,448	—	2,295
Bonus and related payroll costs associated with recapitalization	—	—	12,052
Special charges—operating	68,448	—	21,147
Invensys settlement agreement	—	—	24,405
Write-off of deferred financing costs	—	—	6,569
Special charges—nonoperating	—	—	30,974
Total special charges	$ 68,448	$ —	$ 52,121

Special charges-operating for the fiscal year ended March 31, 2004 of $21,147 includes charges for unsuccessful acquisitions (primarily legal and professional fees), plant closing costs related to the final settlement of labor matters relating to a North American plant closed in fiscal 2002 and a special bonus paid, including related payroll costs, in connection with the March 17, 2004 recapitalization transaction (see Note 2).

Special charges-nonoperating for the fiscal year ended March 31, 2004 were $30,974, including $24,405 associated with the Settlement Agreement (see Note 9) that among other items, repaid seller notes and canceled stock warrants, all of which were attributable to the ESG acquisition; and deferred financing costs written off related to debt refinanced in the March 2004 recapitalization.

Special charges from operations for the fiscal year ended March 31, 2002 include $68,448 expenses associated with the Company's decision to close and downsize certain existing manufacturing locations, reduce product offerings, reduce distribution facilities, and implement other consolidation initiatives during the fiscal year ended March 31, 2002. The Company has closed a facility in North America, two facilities in South America, reduced operations in a European location, and provided appropriate reserves for anticipated costs associated with staffing reductions and early termination of contractual agreements. The Company had identified 366 employees to be terminated of which no amounts had been paid as of March 31, 2002. The Company recorded a provision in the fiscal year ended March 31, 2002 statement of operations of $68,448, of which $24,772 primarily related to fixed asset impairment for the North American facility, $27,323 related to the closure of the South American operations (including $6,087 related to cumulative translation losses and $2,200 of fixed asset impairment), $5,103 related to inventory valuation, and $11,250 primarily related to legal costs, ongoing operating costs of closed facilities until disposition, and severance costs. For the fiscal year ended March 31, 2003, the Company paid $8,800, of which all amounts were charged against the liability established as of March 31, 2002. As of March 31, 2003, all identified employees had been terminated and $11,722 of accrued liabilities remained, which primarily represented legal, severance, and environmental costs to close the South American operations and the North America facility. During the fiscal year ended March 31, 2004, the Company paid $2,315 of legal costs, ongoing operating costs and severance costs. In addition, the Company recorded net adjustments to the reserve of $2,656, which primarily consisted of a union settlement and legal costs associated with the closing of the North American facility offset by unused reserves related to the reduction of product offerings. The Company plans to sell all of these locations and has estimated the sales value, net of costs to sell, at $1,000. As of March 31, 2004 these facilities have not been sold and are included within other assets. A rollforward of this restructuring reserve is as follows:

Balance at March 31, 2002	$	68,448
Costs incurred		(56,726)
Balance at March 31, 2003		11,722
Current year provisions, net		2,656
Costs incurred		(2,315)
Balance at March 31, 2004	$	12,063

24. Other (Income) Expense

	March 31		
	2002	2003	2004
Foreign exchange translation loss (gain)	$ 2,002	$ (1,174)	$ (3,965)
Loss on sale of fixed assets	—	22	831
Other (income) expense	(222)	809	(1,549)
Minority interest	(36)	(399)	217
Total	$ 1,744	$ (742)	$ (4,466)

Report of Independent Auditors

The Board of Directors
Energy Storage Group

We have audited the accompanying combined statements of operations, invested capital and cash flows of Energy Storage Group for the period from April 1, 2001 to March 22, 2002. These financial statements are the responsibility of Energy Storage Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined results of operations of Energy Storage Group and its combined cash flows for the period from April 1, 2001 to March 22, 2002, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young

Bristol, England
May 10, 2004

Energy Storage Group
Combined Statement of Operations
(In millions)

	Period from April 1, 2001 to March 22, 2002
Net sales:	
To third parties	$ 535.5
To affiliates	25.2
Total sales	560.7
Cost of sales	385.4
Gross profit	175.3
Selling, general and administrative expenses	126.1
Restructuring and other similar costs	25.3
Writedown of assets to net realizable value	263.4
Amortization of intangible assets	11.5
Operating loss	(251.0)
Nonoperating expense:	
Interest expense:	
Third parties	(1.1)
Affiliates	(5.2)
Loss before income taxes and minority interest	(257.3)
Provision for income taxes	5.4
Loss before minority interest	(262.7)
Minority interest	(0.3)
Net loss	$ (263.0)

See accompanying notes.

Energy Storage Group
Combined Statement of Invested Capital
(In millions)

	Invested Capital
Balance at April 1, 2001	$ 736.9
Comprehensive loss:	
Net loss	(263.0)
Foreign currency translation adjustments	(1.0)
Total comprehensive loss	(264.0)
Other activity with affiliates	(109.9)
Balance at March 22, 2002	$ 363.0

See accompanying notes.

Energy Storage Group
Combined Statement of Cash Flows
(In millions)

	Period from April 1, 2001 to March 22, 2002
Operating activities	
Net loss	$ (263.0)
Adjustments to reconcile decrease in net assets:	
Writedown of assets to net realizable value	263.4
Depreciation	28.4
Amortization of intangible assets	11.5
Allowance for doubtful accounts	0.5
Deferred income taxes	(17.4)
Non cash restructuring charges	8.6
Changes in operating assets and liabilities (net of effects from acquisitions):	
Accounts receivable	14.5
Inventories	6.5
Accounts payable and other current liabilities	(48.0)
Other current assets	(10.7)
Other long-term assets	6.7
Other long-term liabilities	(1.1)
Pensions	0.4
Net cash provided by operating activities	0.3
Investing activities	
Expenditures for property, plant and equipment	(24.7)
Proceeds from disposition of property, plant and equipment	0.6
Net cash used in investing activities	(24.1)
Financing activities	
Decrease in short-term borrowings	(7.6)
Decrease in long-term borrowings	(3.7)
Decrease in capitalized lease obligations	(0.8)
Other activity with affiliates	(53.6)
Other, net	4.0
Net cash used in financing activities	(61.7)
Effect of exchange rate changes	0.4
Decrease in cash and cash equivalents	(85.1)
Cash and cash equivalents at beginning of period	93.0
Cash and cash equivalents at end of period	$ 7.9
Supplemental disclosure of cash flow information	
Income taxes paid	$ 22.7
Interest paid, net	$ 6.1

See accompanying notes.

1. Description of Business and Summary of Significant Accounting Policies

Basis of Preparation and Description of Business

Energy Storage Group ("ESG"), which comprises the entities listed in Note 2 to the combined financial statements, manufactures, markets, services and installs fully integrated direct current ("DC") power systems for the telecommunications, uninterruptible power systems, electric material handling equipment, military and aerospace markets. ESG operates worldwide with facilities located primarily in Europe, North America and Asia.

At March 22, 2002, the entities comprising ESG were 100% owned by Invensys plc, except where indicated.

Following an agreement with Invensys plc to sell ESG on March 22, 2002, the related property, plant and equipment and intangible assets were written down by $263.4 million to their net realizable value.

All inter-company accounts and transactions, including profits as a result of those transactions, within ESG are eliminated on combination.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

Highly liquid investments with original maturity dates of three months or less are classified as cash equivalents. Cash equivalents are stated at cost, which approximates fair value.

Third-Party Receivables

ESG factored certain third-party trade receivables to unrelated financial institutions on a nonrecourse basis pursuant to certain agreements. ESG accounted for the transfer of receivables pursuant to these agreements as a sale of financial assets. The agreements, which were negotiated and administered by Invensys plc or its affiliates, required ESG to collect funds with respect to the factored receivables and remit the funds to the financial institutions.

ESG also factored certain third-party trade receivables to unrelated financial institutions which did not qualify as sales of financial assets.

For the period ended March 22, 2002, costs incurred relating to factoring agreements amounted to $0.3 million.

ESG provided an allowance for doubtful accounts equal to estimated collection losses that will be incurred in the collection of receivables. Estimated losses are based on historical collection experience, as well as a review by management of the current status of all receivables.

Inventories

Inventories are stated at the lower of cost or market using the first-in, first-out ("FIFO") method. Cost is determined based on standard cost with appropriate adjustments to approximate FIFO cost. Market is determined on the basis of estimated realizable values.

Property, Plant and Equipment

Property, plant, and equipment is stated at cost, net of accumulated depreciation. Depreciation of property, plant, and equipment is provided using the straight-line method over the estimated useful life of the asset, as follows:

Land	None
Buildings and improvements	40 to 50 years
Machinery and equipment	3 to 14 years
Computer equipment and software	4 to 10 years

Improvements and replacements are capitalized to the extent that they increase the useful economic life or increase the expected economic benefit of the underlying asset. Repairs and maintenance expenditures are charged to expense as incurred.

Intangible Assets

Intangible assets consist of goodwill, trademarks and patents. Goodwill represents the excess of the purchase price paid by Invensys plc for ESG businesses over the fair value of the net assets acquired, less provision for impairment. Patents and trademarks are stated at fair value on the date of acquisition of ESG by Invensys plc.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment when events or circumstances indicate that the carrying amount of a long-lived asset may not be recoverable and for all assets to be disposed of. Long-lived assets held for use are reviewed for impairment by comparing the carrying amount of an asset to the undiscounted future cash flows expected to be generated by the asset over its remaining useful life. If an asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value, and is charged to results of operations at that time. Assets to be disposed of are reported at the lower of the carrying amounts or fair value less cost to sell. Management determines fair value using discounted future cash flow analysis or other accepted valuation techniques.

For the period from April 1, 2001 to March 22, 2002, ESG identified certain assets that were considered impaired following changes in business activity. Impairment charges for the period ended March 22, 2002 were $8.5 million, as discussed in Note 3.

Income Taxes

The ESG entities domiciled in the United States are deemed to be included in a consolidated federal income tax return in the United States. Non-U.S. entities are deemed to be included in consolidated returns in countries where such filings are permitted. ESG's tax provisions and related liabilities are reflected in the combined financial statements as if they were on a separate-return basis.

Deferred Taxes

ESG recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement basis and the tax basis of ESG's assets and liabilities using enacted statutory tax rates applicable to future periods when the temporary differences are expected to reverse.

Foreign Currency Translation

Assets and liabilities of subsidiaries operating outside of the United States with a functional currency other than the U.S. dollar are translated into U.S. dollars using exchange rates at the end of the respective period. Revenues and expenses are translated at average exchange rates effective during the respective period.

Foreign currency translation adjustments are included in accumulated other comprehensive loss as a separate component of invested capital. Currency transaction gains (losses) are included in the results of operations in the period incurred and were not material for the period from April 1, 2001 to March 22, 2002.

Revenue Recognition

Sales and related cost of sales are recorded upon transfer of the title of the product, which generally occurs upon shipment to the customer. ESG has certain sales rebate programs with some customers which periodically require rebate payments. ESG estimates amounts due under these sales rebate programs at the time of shipment. Net sales relating to any particular shipment are based upon the amount invoiced for the shipped goods less estimated future rebate payments and sales returns. These estimates are based upon ESG's historical experience. Revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

Advertising Costs

Advertising costs are charged to selling, general, and administrative expenses as incurred and amounted to $3.0 million for the period from April 1, 2001 to March 22, 2002.

Research and Development Costs

Research and development costs are charged to selling, general, and administrative expenses as incurred and amounted to $6.7 million for the period from April 1, 2001 to March 22, 2002.

Concentration of Credit Risk

ESG had no concentration of credit risk at March 22, 2002.

Shipping and Handling Costs

Costs associated with shipping and handling activities are classified within cost of sales in the combined statements of operations. Shipping and handling costs were $8.5 million in the period from April 1, 2001 to March 22, 2002.

Derivative Financial Instruments

Effective April 1, 2001, ESG adopted Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("FAS 133"). FAS 133 requires ESG to record all derivatives on the balance sheet at fair value regardless of the purpose or intent for holding them. Derivatives that are not hedges are adjusted to fair value through earnings. For derivatives that are hedges, depending on the nature of the hedge, changes in fair value are either offset by changes in the fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. The adoption of FAS 133 had no impact on ESG's net earnings or financial position.

2. Entities Included Within Combined Financial Statements

The financial statements of the following entities, all of which are 100% owned unless stated, are reflected in the combined financial statements:

AFA Industriebatterie GmbH	Hawker SA (Formerly Oldham France SA)
Alupower-Chloride Limited	Hawker SpA
BTR Industrial Holdings Limited	Hawker s.r.o.
Chloride Batteries Industrielles SA	Hawker OY
Carlton Plant Limited	Hawker Vertriebs GmbH
Chloride Industrial Batteries Limited	Huada (Jiangsu) Power Supply Co. Ltd (84%)
Crompton Batteries Limited	Huada Mechanical and Electrical Co Ltd (80%)
Haddon Oldham Limited	Huada Shenzen Power Supply Systems Co Ltd
Hawker AS (Denmark)	Irving, Firth & Co Ltd
Hawker AB (Sweden)	KW Battery Company
Hawker Batteri A/S (Norway)	New Pacifico Realty Inc.
Hawker Batterien GmbH	Oldham Batterien GmbH
Hawker Batteries Limited	Oldham Batteries Canada (25%)
Hawker Belgium SA	Oldham Batteries Limited
Hawker BV	Oldham Crompton Batteries Limited
Hawker Energy Limited (Hong Kong)	Oldham International Limited
Hawker Energy Products Inc	Oldham Italia SRL
Hawker Energy Products Limited	Power Sonic SA de CV
Hawker FA SA (Poland) (99.96%)	Powersafe Standby Batteries Inc
Hawker GmbH	Usimetal (37.75%)
Hawker Limited	VHB Industrial Batteries Limited
Hawker Oldham SA (Spain)	VHB Industrial Batteries Ltd (Canada)
Hawker Power Systems Inc	VHB Industrie Batterien GmbH (Austria)
Hawker Powersource Inc.	VHB Ipari Akkumulatorok KFT (Hungary)

3. Restructuring and Other Similar Costs

Following the merger in February 1999 between BTR plc and Siebe plc to create Invensys plc, ESG commenced a series of restructuring programs consistent with the objectives of the Invensys merger and integration program, namely, improving returns in core businesses by consolidating excess manufacturing capacity, rationalizing certain product lines, outsourcing of non-core production activity and streamlining of sales and administrative overhead. These programs extended through the period presented in these combined financial statements.

Restructuring and other similar costs consist of the following (in millions):

	Period from April 1, 2001 to March 22, 2002
Severance and other related costs:	
Related to headcount reduction initiatives	$ 7.6
Related to plant closures and consolidations	7.3
	14.9
Asset impairments	
Related to plant closures and consolidations	8.5
Other	
Excess scrap and production inefficiencies	1.3
Abandoned lease commitments	0.6
	1.9
Restructuring and other similar costs charged to operations	$ 25.3

Severance and Other Related Costs

As a result of the restructuring programs mentioned above, 414 employees were terminated in the period ended March 22, 2002, with the main headcount reductions occurring in Europe.

Asset Impairments

In connection with the closure and consolidation of certain manufacturing and administrative functions, ESG identified certain assets that were impaired. The net book value of these assets less any proceeds from disposition has been charged to "Restructuring and other similar costs" and totaled $8.5 million for the period ended March 22, 2002.

Other

For the period ended March 22, 2002, ESG also incurred $1.9 million of "Other" restructuring costs which consisted of excess scrap and production inefficiencies ($1.3 million) and the present value of remaining lease payments relating to an abandoned leased property ($0.6 million).

4. Operating Leases

Rent expense for operating leases was $1.3 million for the period ended March 22, 2002.

5. Retirement Benefits

Invensys plc sponsored defined-benefit pension plans which covered most of ESG's employees in the United States, Germany and the United Kingdom and provided for monthly pension payments to eligible employees upon retirement. ESG's eligible employees were covered by Invensys plc's various pension plans, which were different for the U.S., German and U.K. employees.

Pension benefits for salaried employees generally were based on periods of credited service and average earnings. Pension benefits for hourly employees generally were based on specified benefit amounts and periods of service. ESG's policy was to fund its pension obligations in conformity with the funding requirements of laws and governmental regulations applicable in the respective country.

Pension costs of $4.3 million for the period ended March 22, 2002 with respect to eligible employees in the United States, Germany and the United Kingdom have been reflected in the income statement of ESG. As these amounts have been allocated based on service cost, they may not be representative of ongoing costs.

The components of net periodic benefit cost for participants in ESG's pension plans reflected in the statement of operations of ESG are as follows (in millions):

	Period from April 1, 2001 to March 22, 2002
Service cost	$ 5.7
Interest cost	6.2
Expected return on plan assets	(7.6)
Net periodic benefit cost	$ 4.3

ESG used an actuarial measurement date of March 22, 2002 to measure its benefit obligations. Significant assumptions used in determining these benefit obligations and net periodic benefit cost for participants are summarized as follows (in weighted averages):

	Period from April 1, 2001 to March 22, 2002
Discount rate	6.0%
Compensation increase rate	4.2%
Rate of increase to pensions in payment	3.2%

The discount rate and compensation increase rate assumptions were determined as of the measurement date.

Defined-Contribution Savings Plans

ESG sponsored certain defined-contribution savings plans for eligible employees. Expense related to these plans was $0.3 million for the period ended March 22, 2002.

6. Income Taxes

	Period from April 1, 2001 to March 22, 2002
Current:	
United States	$ 11.0
Non-United States	3.8
State and local	0.9
Total current	15.7
Deferred:	
United States	(9.1)
Non-United States	(0.5)
State and local	(0.7)
Total deferred	(10.3)
Income tax provision	$ 5.4

The provision for income taxes was calculated based upon the following components of loss before income taxes (in millions):

	Period from April 1, 2001 to March 22, 2002
United States	$ 5.0
Non-United States	(262.3)
Loss before income taxes	$ (257.3)

The relationship of non-U.S. income tax expense to non-U.S. income before taxes is attributed to operating losses being incurred in Germany and Mexico on which income tax carryforward benefits have been fully reserved.

These combined financial statements have been prepared on the basis that ESG files a consolidated U.S. federal income tax return composed of its U.S. domiciled entities.

ESG's U.S. entities have historically been included in a larger U.S. consolidated return that has reflected a net operating loss ("U.S. NOL") for the period covered by these statements. As certain of the ESG entities included in the consolidated return had separate company U.S. NOLs for this period, a purchaser of ESG may be allocated a portion of the consolidated U.S. NOLs at the time of sale.

These statements have been prepared on the basis that ESG's non-U.S. entities file consolidated returns in taxing jurisdictions where permitted. For the period ended March 22, 2002, this results in non-U.S. net operating losses (Non-U.S. NOLs) in Germany and the United Kingdom. A deferred tax asset has been established for the value of these losses. However, as the ability to utilize these losses is uncertain, a valuation allowance has been established to fully offset the deferred tax asset. These losses have no expiration date.

The provision for income taxes differs from the U.S. federal tax due to the following items:

	Period from April 1, 2001 to March 22, 2002
U.S. federal tax rate (35.0%)	$ (90.1)
State and local income taxes, net of federal benefit	0.2
Lower taxes in respect of foreign locations	(2.0)
Non-U.S. net operating losses for which the benefit was not provided	4.0
Nondeductible asset writedown to net realizable value	92.2
Other	1.1
Effective income tax rate (-2.1%)	$ 5.4

No provision has been made for U.S. or foreign income taxes related to undistributed earnings of Non-U.S.entities at March 22, 2002, which are considered to be permanently reinvested. It is not considered practical to determine the income tax liability, if any, which would be payable if such earnings were not permanently reinvested.

Payments for U.S. federal income tax made by ESG to non-ESG affiliates of Invensys plc have historically been reflected as intercompany payments. These payments have been reflected herein as to an external party in order to reflect ESG's satisfaction of these income tax liabilities.

Cash paid for income taxes to governmental tax authorities and non-ESG affiliates of Invensys plc in the period ended March 22, 2002 was $22.7 million.

7. Related Party Transactions

Management Charges

Included within selling, general, and administrative expenses are charges for administrative expenses incurred by Invensys plc on behalf of ESG. These charges are primarily for accounting, legal, and treasury services. These charges totaled $1.7 million for the period ended March 22, 2002.

The financial information included herein may not reflect the combined financial position, operating results, and cash flows of ESG in the future or what they would have been had ESG been a separate, independent entity during the periods presented.

Trading Activity

ESG sells to non-ESG affiliates of Invensys plc various products in the normal course of business. Pricing is generally negotiated based on standard pricing schedules.

Funding Activity

ESG participated in Invensys plc's treasury function whereby funds were loaned to and borrowed from other Invensys plc affiliates in the normal course of business.

Interest expense and income has been calculated on all intercompany funding payables and receivables based on prevailing market interest rates.

EnerSys

Valuation and Qualifying Accounts

(In Thousands)

	Balance at Beginning of Period	Additions Charged to Expense	Charge-Offs	Other(1)	Balance at End of Period
Allowance for doubtful accounts:					
Fiscal year ended March 31, 2002	$ 2,705	$ 1,804	$ (1,236)	$ 2,281	$ 5,554
Fiscal year ended March 31, 2003	$ 5,554	$ 1,860	$ (2,675)	$ 3,753	$ 8,492
Fiscal year ended March 31, 2004	$ 8,492	$ 849	$ (1,825)	$ (794)	$ 6,722

(1) Primarily the impact of currency changes as well as acquisitions of certain businesses.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The estimated expenses in connection with the offering (all of which will be borne by EnerSys), are as follows:

Expenses		Amount
Securities and Exchange Commission registration fee	$	29,141
NASD filing fee		23,500
NYSE listing fees		
Printing expenses		
Accounting fees and expenses		
Legal fees and expenses		
Blue Sky fees and expenses		
Transfer agent's fees and expenses		
Miscellaneous		
Total	$	

Item 14. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law (DGCL) generally provides that all directors and officers (as well as other employees and individuals) may be indemnified against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with certain specified actions, suits or proceedings, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation—a "derivative action"), if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful. A similar standard of care is applicable in the case of derivative actions, except that indemnification extends only to expenses (including attorneys' fees) actually and reasonably incurred in connection with defense or settlement of an action and the DGCL requires court approval before there can be any indemnification where the person seeking indemnification has been found liable to the corporation. Section 145 of the DGCL also provides that the rights conferred thereby are not exclusive of any other right which any person may be entitled to under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, and permits a corporation to advance expenses to or on behalf of a person to be indemnified upon receipt of an undertaking to repay the amounts advanced if it is determined that the person is not entitled to be indemnified.

We have included in our certificate of incorporation and bylaws provisions to (a) eliminate the personal liability of our directors for monetary damages resulting from breaches of their fiduciary duty (provided that such provision does not eliminate liability for breaches of the duty of loyalty, acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, violations under Section 174 of the Delaware General Corporation Law or for any transaction from which the director derived an improper personal benefit) and (b) indemnify our directors and officers to the fullest extent permitted by Section 145 of the Delaware General Corporation Law, including circumstances in which indemnification is otherwise discretionary.

Acting pursuant to the provisions of our certificate of incorporation and bylaws and the provisions of Section 145 of the Delaware General Corporation Law, we have entered into agreements with each of our officers and directors to indemnify them to the fullest extent permitted by such provisions and such law. We are also expressly authorized to carry directors' and officers' insurance providing indemnification for

our directors, officers and certain employees for some liabilities. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors and executive officers.

Item 15. Recent Sales of Unregistered Securities

The following is a summary of our sales of our securities during the past three years that were not registered under the Securities Act of 1933, as amended:

In March 2002, we entered into an agreement with Morgan Stanley Dean Witter Capital Partners IV, L.P., Morgan Stanley Dean Witter Capital Investors IV, L.P., MSDW IV 892 Investors, L.P., Morgan Stanley Global Emerging Markets Private Investment Fund, L.P., and Morgan Stanley Global Emerging Markets Private Investors, L.P., to sell, in a private placement, an aggregate of 665,883 shares of our Series A Convertible Preferred Stock. The total aggregate offering price for this sale was $283,000,275.

From May 2001 through May 2004, we issued stock options to purchase an aggregate of shares of our common stock. The exercise prices for these options ranged from $ per share to $ per share.

All of the above-described issuances were exempt from registration pursuant to (i) Section 4(2) of the Securities Act or (ii) Rule 701 promulgated under the Securities Act. With respect to each transaction listed above, no general solicitation was made by either the company or any person acting on its behalf; the securities sold are subject to transfer restrictions, and the certificates for the shares contained an appropriate legend stating such securities have not been registered under the Securities Act and may not be offered or sold absent registration or pursuant to an exemption therefrom. No underwriters were involved in connection with the sales of securities referred to in this Item 15.

Item 16. Exhibits and Financial Statement Schedules

(a) Exhibits

Exhibit Number	Description of Exhibit
1.1	Underwriting Agreement *
3.1	Amended and Restated Certificate of Incorporation *
3.2	By-laws *
4.1	Form of Common Stock Certificate *
4.2	Amended and Restated Securityholder Agreement *
4.3	Stock Subscription Agreement, dated March 22, 2002, among EnerSys Holdings Inc., Morgan Stanley Dean Witter Capital Partners IV, L.P., Morgan Stanley Dean Witter Capital Investors IV, L.P., MSDW IV 892 Investors, L.P., Morgan Stanley Global Emerging Markets Private Investment Fund, L.P. and Morgan Stanley Global Emerging Markets Private Investors, L.P. *
5.1	Opinion of Gibson, Dunn & Crutcher LLP *
10.1	Amended and Restated Management Equity Plan *
10.2	Employment Agreement, dated November 9, 2000, between Yuasa, Inc. and John D. Craig and letter of amendment thereto
10.3	Employment Agreement, dated November 9, 2000, between Yuasa, Inc. and Michael T. Philion and letter of amendment thereto

10.4	Employment Agreement, dated November 9, 2000, between Yuasa, Inc. and Charles K. McManus and letter of amendment thereto
10.5	Employment Agreement, dated November 9, 2000, between Yuasa, Inc. and John A. Shea and letter of amendment thereto
10.6	Employment Agreement, dated November 9, 2000, between Yuasa, Inc. and Richard W. Zuidema and letter of amendment thereto
10.7	Directorship Agreement, dated January 8, 2002, between EnerSys, Inc. and Ray Kubis
10.8	Managing Directorship Agreement, dated January 8, 2002, between Hawker Belgium S.A. and Ray Kubis
10.9	Credit Agreement, dated March 17, 2004, among EnerSys, EnerSys Capital Inc., various lending institutions party thereto, Bank of America, N.A., as Administrative Agent, Morgan Stanley Senior Funding, Inc., as Syndication Agent, and Lehman Commercial Paper Inc., as Documentation Agent
10.10	Pledge Agreement, dated March 17, 2004, among EnerSys, various subsidiaries of EnerSys and Bank of America, N.A., as Collateral Agent
10.11	Security Agreement, dated March 17, 2004, among EnerSys, various subsidiaries of EnerSys and Bank of America, N.A., as Collateral Agent
10.12	Subsidiaries Guaranty, dated March 17, 2004, among various subsidiaries of EnerSys, in favor of Bank of America, N.A., as Administrative Agent
10.13	Second-Lien Credit Agreement, dated March 17, 2004, among EnerSys, EnerSys Capital Inc., various lending institutions party thereto, Bank of America, N.A., as Administrative Agent, Morgan Stanley Senior Funding, Inc., as Syndication Agent, and Lehman Commercial Paper Inc., as Documentation Agent
10.14	Second-Lien Pledge Agreement, dated March 17, 2004, among EnerSys, various subsidiaries of EnerSys and Bank of America, N.A., as Second-Lien Collateral Agent
10.15	Second-Lien Security Agreement, dated March 17, 2004, among EnerSys, various subsidiaries of EnerSys and Bank of America, N.A., as Second-Lien Collateral Agent
10.16	Second-Lien Subsidiaries Guaranty, dated March 17, 2004, among various subsidiaries of EnerSys, in favor of Bank of America, N.A., as Administrative Agent
10.17	Intercreditor Agreement, dated March 17, 2004, by and among EnerSys, EnerSys Capital Inc. and Bank of America, N.A., in its capacity as Collateral Agent for the First-Lien Obligations and in its Capacity as Collateral Agent for the Second-Lien Obligations.
10.18	Form of Indemnification Agreement*
21.1	Subsidiaries of the Registrant

23.1	Consent of Gibson, Dunn & Crutcher LLP (included in Exhibit 5.1)
23.2	Consent of Ernst & Young LLP
23.3	Consent of Ernst & Young
24.1	Power of Attorney (included in signature page)

* To be filed by amendment

(b) Financial Statement Schedules

The financial statement schedules for which provision is made in the applicable accounting regulations of the Commission are either not required under the related instructions or are inapplicable, and therefore have been omitted, except for Schedule II—Valuation and Qualifying Accounts which is provided on page S-1.

Item 17. Undertakings

(a) The undersigned registrant hereby undertakes to provide to the underwriters, at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES AND POWER OF ATTORNEY

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed on behalf of the undersigned, thereunto duly authorized in the city of Reading, state of Pennsylvania, on May 14, 2004.

ENERSYS

By: /s/ JOHN D. CRAIG

Name: John D. Craig
Title: Chairman, President and Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Michael T. Philion and Richard W. Zuidema his true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to the registration statement (including post-effective amendments or any abbreviated registration statement and any amendments thereto filed pursuant to Rule 462(b) increasing the number of securities for which registration is sought), and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated on May 14, 2004.

Signature	Title
/s/ JOHN D. CRAIG John D. Craig	Chairman, President and Chief Executive Officer (Principal Executive Officer)
/s/ MICHAEL T. PHILION Michael T. Philion	Executive Vice President—Finance Chief Financial Officer and Director (Principal Financial Officer)
/s/ JEFFREY J. PETRICK Jeffrey J. Petrick	Vice President and Corporate Controller (Principal Accounting Officer)
/s/ CHARLES K. MCMANUS Charles K. McManus	Executive Vice President—North America Reserve Power and Worldwide Marketing and Director
/s/ RICHARD W. ZUIDEMA Richard W. Zuidema	Executive Vice President—Administration and Director
/s/ ERIC T. FRY Eric T. Fry	Director
/s/ HOWARD I. HOFFEN Howard I. Hoffen	Director

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
10.2	Employment Agreement, dated November 9, 2000, between Yuasa, Inc. and John D. Craig and letter of amendment thereto
10.3	Employment Agreement, dated November 9, 2000, between Yuasa, Inc. and Michael T. Philion and letter of amendment thereto
10.4	Employment Agreement, dated November 9, 2000, between Yuasa, Inc. and Charles K. McManus and letter of amendment thereto
10.5	Employment Agreement, dated November 9, 2000, between Yuasa, Inc. and John A. Shea and letter of amendment thereto
10.6	Employment Agreement, dated November 9, 2000, between Yuasa, Inc. and Richard W. Zuidema and letter of amendment thereto
10.7	Directorship Agreement, dated January 8, 2002, between EnerSys, Inc. and Ray Kubis
10.8	Managing Directorship Agreement, dated January 8, 2002, between Hawker Belgium S.A. and Ray Kubis
10.9	Credit Agreement, dated March 17, 2004, among EnerSys, EnerSys Capital Inc., various lending institutions party thereto, Bank of America, N.A., as Administrative Agent, Morgan Stanley Senior Funding, Inc., as Syndication Agent, and Lehman Commercial Paper Inc., as Documentation Agent
10.10	Pledge Agreement, dated March 17, 2004, among EnerSys, various subsidiaries of EnerSys and Bank of America, N.A., as Collateral Agent
10.11	Security Agreement, dated March 17, 2004, among EnerSys, various subsidiaries of EnerSys and Bank of America, N.A., as Collateral Agent
10.12	Subsidiaries Guaranty, dated March 17, 2004, among various subsidiaries of EnerSys, in favor of Bank of America, N.A., as Administrative Agent
10.13	Second-Lien Credit Agreement, dated March 17, 2004, among EnerSys, EnerSys Capital Inc., various lending institutions party thereto, Bank of America, N.A., as Administrative Agent, Morgan Stanley Senior Funding, Inc., as Syndication Agent, and Lehman Commercial Paper Inc., as Documentation Agent
10.14	Second-Lien Pledge Agreement, dated March 17, 2004, among EnerSys, various subsidiaries of EnerSys and Bank of America, N.A., as Second-Lien Collateral Agent
10.15	Second-Lien Security Agreement, dated March 17, 2004, among EnerSys, various subsidiaries of EnerSys and Bank of America, N.A., as Second-Lien Collateral Agent
10.16	Second-Lien Subsidiaries Guaranty, dated March 17, 2004, among various subsidiaries of EnerSys, in favor of Bank of America, N.A., as Administrative Agent
10.17	Intercreditor Agreement, dated March 17, 2004, by and among EnerSys, EnerSys Capital Inc. and Bank of America, N.A., in its capacity as Collateral Agent for the First-Lien Obligations and in its capacity as Collateral Agent for the Second-Lien Obligations
21.1	Subsidiaries of the Registrant
23.1	Consent of Ernst & Young LLP
23.2	Consent of Ernst & Young
24.1	Power of Attorney (included in signature page)

QuickLinks

Exhibit 10.2

EMPLOYMENT AGREEMENT dated as of November 9, 2000, between YUASA, INC., a Pennsylvania corporation (the "Company"), and JOHN D. CRAIG (the "Executive").

WHEREAS, the Company desires to employ the Executive and to assure itself of the continued services of the Executive for the term of employment provided for in this Agreement, and the Executive desires to be employed by the Company for such period;

WHEREAS, both parties desire that the terms and conditions of the Executive's employment with the Company be governed by this Agreement;

NOW, THEREFORE, in consideration of the covenants and agreements hereinafter set forth, the parties hereto agree as follows:

1. EFFECTIVENESS OF AGREEMENT

1.1. General. This Agreement shall become effective as of November 9, 2000 (the "Effective Time").

2. EMPLOYMENT AND DUTIES

2.1. General. The Company hereby employs the Executive, and the Executive agrees to serve, as the Chairman, President and Chief Executive Officer of the Company, upon the terms and conditions herein contained. So long as the Executive is employed by the Company hereunder, (i) prior to an initial public offering of the Company's equity securities (an "IPO"), the Executive shall serve as Chairman of the Board of Directors of the Company (the "Board") and (ii), following an IPO, the Company shall nominate and use its best efforts to cause the Executive to be elected as a member and Chairman of the Board. The Executive shall perform such other duties and services for the Company and its subsidiaries, commensurate with the Executive's position, as may be designated from time to time by the Board. The Executive agrees to serve the Company faithfully and to the best of his ability under the direction of the Board.

2.2. Exclusive Services. Except as may otherwise be approved in advance by the Board, and except during vacation periods and reasonable periods of absence due to sickness, personal injury or other disability, the Executive shall devote his full working time throughout the Employment Term (as defined below) to the services required of him hereunder, provided, however, that this Section 2.2 shall not preclude the Executive from devoting time to civic and community activities or the management of personal investments so long as such activities do not interfere with the performance of his duties hereunder. The Executive shall render his services exclusively to the Company during the Employment Term, and shall use his best efforts,

---

judgment and energy to improve and advance the business and interests of the Company in a manner consistent with the duties of his position.

2.3. Term of Employment. The term of the Executive's employment under this Agreement (the "Employment Term") shall commence at the Effective Time and initially shall continue until the third anniversary of the Effective Time. Starting with the day following the Effective Time, the Employment Term shall be extended on a daily basis to continue until the third anniversary of the date of such extension, provided, however, that (i) the Company or the Executive may give the other notice that it does not wish to extend the Term beyond three years from the date of such notice, and (ii) unless the Company shall specify in writing to the contrary, the Term shall not extend past the Executive's sixty-fifth birthday, and provided, further, that nothing in this Section 2.3 shall limit the right of the Company to terminate the Executive's employment hereunder on the terms and conditions set forth in Section 5.

2.4. Reimbursement of Expenses. The Company shall reimburse the Executive for reasonable travel and other business expenses incurred by him in the fulfillment of his duties hereunder upon presentation by the Executive of an itemized account of such expenditures, in accordance with customary practice.

3. SALARY AND BONUS; BENEFITS.

3.1. Base Salary. From the Effective Time, the Executive shall be entitled to receive a base salary ("Base Salary") at a rate of $450,000 per annum, payable in arrears in equal installments in accordance with the Company's payroll practices.

3.2. Salary Adjustments. The Executive's Base Salary shall be annually reviewed by the Board for upward adjustment based on, among other factors, the performance of the Company and the Executive. Any adjustments in Base Salary effected as a result of such review shall be made by the Board in its sole discretion.

3.3. Bonus. After the Effective Time, the Board shall adopt an annual bonus plan ("Bonus Plan") upon which the annual bonus of the Executive shall be determined. Under the Bonus Plan, the Executive shall be eligible to receive an annual bonus ("Annual Bonus") of up to 100% of the Base Salary, based on the satisfaction of financial and other performance targets to be established by the Board and the Compensation Committee of the Board prior to the commencement of each fiscal year with reference to the financial projections used to solicit the investment of Morgan Stanley Dean Witter Capital Partners IV, L.P (the "Investor") in the Company. The first Annual Bonus shall be paid in respect of the fiscal year of the Company ending March 31, 2001 ("Fiscal 2001") and shall consist of two components: (i) a component based on performance through the Effective Time (based on an aggregate accrual for all executives of the Company for performance through the Effective Time currently estimated to be $1.5 million, but the definitive amount of which will be determined by the Board following the Effective Time); and (ii) a component based on performance from the Effective Time through the end of Fiscal 2001.

---

4. BENEFITS

4.1. Employee Benefits. The Executive shall, during his employment under this Agreement, be included to the extent eligible thereunder in all employee benefit plans, programs or arrangements (including, without limitation, any plans, programs or arrangements providing for retirement benefits, profit sharing, disability benefits, health and life insurance, or paid holidays) that shall be established by the Company for, or made available to, its senior executives generally. Such benefits shall be comparable in the aggregate to benefits provided to executive employees of Yuasa, Inc. immediately prior to the Effective Time.

4.2. Vacation. The Executive shall be entitled to four weeks of vacation per year in accordance with the Company's vacation policies.

4.3 Certain Individual Benefits. The Company shall continue to maintain for the Executive that certain individual disability insurance policy and that certain split dollar life insurance policy heretofore maintained by Yuasa, Inc. for his benefit. Such continued maintenance shall be on the same terms and conditions as have heretofore applied. As soon as practicable following the Executive's termination of employment, for any reason other than termination for Cause (as defined below), without Good Reason (as defined below) or by reason of death, the Company shall assign (to the extent assignable) to the Executive, without cost to him, all of its right, title and interest in and under such policies. In the case of the Executive's termination for Cause or without Good Reason, at the Executive's written election made within 30 days following such termination, the Company shall assign to him all of its right, title and interest in and under such policies, or either one of them, provided the Executive pays to the Company the then cash surrender value, if any, of the policy or policies to be assigned. In the case of the Executive's death, his rights with respect to the policies shall be determined under the terms thereof and any documents between the Company and the Executive pertaining to such rights.

5. TERMINATION OF EMPLOYMENT

5.1. Termination Without Cause; Resignation for Good Reason.

5.1.1. General. Subject to the provisions of Sections 5.1.2 and 5.1.3, if, prior to the expiration of the Employment Term, the Executive's employment is terminated by the Company without Cause (as defined below), or if the Executive terminates his employment hereunder for Good Reason (as defined below), the Company shall, subject to the Executive's execution of a general release of claims against the Company and its affiliates substantially in the form annexed hereto as Appendix A:

(a) For a period (the "Severance Period") equal to three years from the date of termination (provided, however, that (i) if the Executive has previously given the Company notice pursuant to Section 2.3 of his intention not to renew the Employment Term, or (ii) less than three years remain until the Executive's 65th birthday, the Severance Period shall be the period from the date of termination until the end of the Employment Term as in effect

immediately prior to the Executive's termination or the date of the Executive's 65th birthday, as the case may be), the Company shall continue to pay the Executive the Base Salary (at the rate in effect on the date of such termination), at such intervals as the same would have been paid had the Executive remained in the active service of the Company;

(b) For the fiscal year in which such termination occurs (the Termination Year") and for each whole fiscal year following the Termination Year included in the Severance Period, the Company shall pay the Executive an amount equal to the average of the Annual Bonus paid to the Executive for the two fiscal years preceding the Termination Year (including, if applicable, annual bonus earned prior to the Effective Time), which amount shall be payable at the time annual bonuses are paid to the Company's executives generally;

(c) For the partial fiscal year, if any, immediately preceding the end of the Severance Period, the Company shall pay the Executive a Pro Rata Portion (as defined in Section 5.6), through and including the last day of the Severance Period, of the amount provided for in paragraph (b) above for whole fiscal years included in the Severance Period. Such Pro Rata Portion shall be payable at the time annual bonuses are paid to the Company's executives generally but in any event no later than 75 days following the end of the fiscal year in which the Severance Period ends;

(d) During the Severance Period, the Executive and his beneficiaries shall remain eligible to participate, on the same terms and conditions as apply from time to time to the Company's senior executives generally, in all employee welfare benefit plans or programs (including health, disability and life insurance programs, but excluding any vacation and severance programs), provided, however, that such eligibility shall cease at such time as the Executive becomes eligible to participate in comparable programs of a subsequent employer, and provided, further, that the Company shall have no obligation to continue to maintain during the Severance Period any plan or program, solely as a result of the provisions of this Agreement. If the Executive is precluded from participating in any such plan or program by its terms or applicable law, the Company shall provide the Executive with benefits that are reasonably equivalent to those that the Executive would have received under such plan or program had he been eligible to participate therein.

The Executive shall have no further right to receive any other compensation or benefits after his termination or resignation of employment, except as determined in accordance with the terms of the employee benefit plans or programs of the Company, including without limitation the Yuasa Holdings Inc. Management Equity Plan (the "MEP").

5.1.2. Conditions Applicable to the Severance Period. If, during the Severance Period, the Executive breaches any of his obligations under Section 7, the Company may, upon

written notice to the Executive, terminate the Severance Period and cease to make any further payments described in Section 5.1.1.

5.1.3. Death During Severance Period. In the event of the Executive's death during the Severance Period, payments of Base Salary under Section 5.1.1 shall continue to be made during the remainder of the Severance Period, and any amounts under clauses (b) and (c) of Section 5.1.1 shall be paid on the terms set forth therein, to the beneficiary designated in writing for this purpose by the Executive or, if no such beneficiary is specifically designated, to the Executive's estate.

5.1.4. Date of Termination. The date of termination of employment without Cause shall be the date specified in a written notice of termination to the Executive. The date of resignation for Good Reason shall be the date specified in the written notice of resignation from the Executive to the Company; provided, however, that no such written notice shall be effective unless and until the cure period specified in Section 5.4 has expired without the Company having corrected, in all material respects, the event or events subject to cure. If no date of resignation is specified in the written notice from the Executive to the Company, the date of termination shall be the first day following the expiration of such cure period.

5.2. Termination for Cause; Resignation Without Good Reason.

5.2.1. General. If, prior to the expiration of the Employment Term, the Executive's employment is terminated by the Company for Cause, or the Executive resigns from his employment hereunder other than for Good Reason, the Executive shall be entitled only to payment of his Base Salary as then in effect through and including the date of termination or resignation. The Executive shall have no further right to receive any other compensation or benefits after such termination or resignation of employment except as determined in accordance with the terms of the employee benefit plans or programs of the Company, including without limitation the MEP. In particular, and without limiting the generality of the preceding sentence, the Executive shall not have any right to any portion of an Annual Bonus for the Termination Year.

5.2.2. Date of Termination. Subject to the proviso to Section 5.3, the date of termination for Cause shall be the date specified in a written notice of termination to the Executive. The date of the Executive's resignation without Good Reason shall be the date specified in the written notice of resignation from the Executive to the Company, or if no date is specified therein, ten business days after receipt by the Company of written notice of resignation from the Executive.

5.3. Cause. Termination for "Cause" shall mean termination of the Executive's employment because of any of the following:

(a) commission of any felony or other crime involving moral turpitude;

(b) knowing and intentional fraud;

(c) any act or omission that is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or any of its subsidiaries or affiliates, unless the Executive believed in good faith that he was acting in the best interests of the Company and its subsidiaries and affiliates; or

(d) willful and continued failure or refusal of the Executive to substantially perform the duties required of him as an employee of the Company, or the Executive's failure to follow the lawful written instructions of the Board, in any case other than by reason of physical or mental incapacity;

provided, however, that if any such Cause relates to the Executive's obligations under this Agreement, the Company may not terminate the Executive's employment hereunder unless the Company first gives the Executive notice of its intention to terminate and of the grounds for such termination within 90 days of such event, and the Executive has not, within 20 days following receipt of such notice, cured such Cause to the reasonable satisfaction of the Company.

5.4. Good Reason. For purposes of this Agreement, "Good Reason" shall mean any of the following (without the Executive's prior written consent):

(a) any decrease by the Board in the Executive's rate of Base Salary;

(b) a material diminution of the authority, responsibilities or positions of the Executive from those set forth in Section 2.1 (including the failure of the Executive to be elected a director or Chairman of the Board);

(c) the Company's requiring the Executive to be based at any office or location more than 50 miles from the Reading, Pennsylvania area; or

(d) the Company's giving notice to the Executive pursuant to Section 2.3 of its intention to discontinue the automatic extension of the Employment Term;

provided, however, that none of the foregoing events or conditions shall constitute Good Reason unless (i) the Executive gives the Company written notice of his objection to such event or condition within 90 days of the occurrence of such event or condition, (ii) the Company does not correct or cure such event or condition within 20 days of its receipt of such notice, and (iii) the Executive resigns his employment with the Company not more than 30 days following the expiration of the 20-day period described in the foregoing clause (ii).

5.5. Mitigation and Offset. The Executive shall not be required to mitigate the amount of any payment provided for in Section 5.1 by seeking other employment. The payments provided for in Section 5.1.1 (a) through 5.1.1(c) shall not be subject to offset for any compensation earned by the Executive as a result of providing services for pay to any party.

5.6 Pro Rata Amounts. Whenever this Agreement calls for payment of a "Pro Rata Portion" of a referenced amount, such pro rata amount shall be calculated on the basis of

(I) the number of days in the partial fiscal year up to and including the day as of which the amount is to be calculated, divided by (II) 365.

5.7 Stock Options. For purposes of this Section 5.7, capitalized terms used without definition shall have the meanings provided therefore in the MEP. Notwithstanding any provision to the contrary in the MEP, the references in Section 8(a)(iv)(A) and Section 8(a)(iv)(B) of the MEP to the 60th day following the date of the Executive's termination of employment, and to the 60th day following the date on which Yuasa Holdings Inc. notifies the Executive that certain conditions to the exercise of Vested Options have been satisfied, are in each case amended and shall be understood as references to the first anniversary of the Executive's termination of employment and first anniversary of the date such notification is given to the Executive, respectively.

6. DEATH OR DISABILITY

6.1. Death. In the event of termination of employment by reason of death, the Executive (or his estate, as applicable) shall be entitled (i) to Base Salary through the date of termination and for one year thereafter and (ii) a Pro Rata Portion (through and including the date of death) of the Annual Bonus to which the Executive would have been entitled for the Termination Year pursuant to Section 3.3 had the Executive remained employed for the entire year, which bonus shall be payable at the time annual bonuses are paid to the Company's executives generally. Other benefits shall be determined in accordance with the terms of the benefit plans maintained by the Company, and the Company shall have no further obligation hereunder.

6.2. Disability. In the event of termination of employment by reason of Disability, the Executive shall be entitled (i) to Base Salary through the date as of which the Executive starts to receive benefits under the long-term disability program of the Company or its subsidiaries and affiliates applicable to him (but in no event beyond the end of the Employment Term as in effect immediately prior to termination of the Executive's employment) and (ii) a Pro Rata Portion (through and including the date of Disability) of the Annual Bonus to which the Executive would have been entitled for the Termination Year pursuant to Section 3.3 had the Executive remained employed for the entire year, which bonus shall be payable at the time annual bonuses are paid to the Company's executives generally. Other benefits shall be determined in accordance with the terms of the benefit plans maintained by the Company, and the Company shall have no further obligation hereunder.

6.3. For purposes of this Agreement, "Disability" means a physical or mental disability or infirmity of the Executive, as determined by a physician of recognized standing selected by the Company, that prevents (or, in the opinion of such physician, is reasonably expected to prevent) the normal performance of his duties as an employee of the Company for any continuous period of 180 days, or for 180 days during any one 12-month period.

7. PROTECTION OF THE COMPANY'S INTERESTS

7.1. Confidentiality. The Executive agrees with the Company that he will not at any time, except in performance of his obligations to the Company hereunder or with the prior written consent of the Company, directly or indirectly, reveal to any person, entity or other organization (other than the Company, or its employees, officers, directors, shareholders or agents) or use for his own benefit any information deemed to be confidential by the Company or any of its subsidiaries or affiliates (such subsidiaries and affiliates, collectively "Affiliates") ("Confidential Information") relating to the assets, liabilities, employees, goodwill, business or affairs of the Company or any of its Affiliates, including, without limitation, any information concerning past, present or prospective customers, manufacturing processes, marketing, operating or financial data, or other confidential information used by, or useful to, the Company or any of its Affiliates and known (whether or not known with the knowledge and permission of the Company or any of its Affiliates and whether or not at any time prior to the Effective Time developed, devised, or otherwise created in whole or in part by the efforts of the Executive) to the Executive by reason of his employment by, shareholdings in or other association with the Company or any of its Affiliates. The Executive further agrees that he will retain all copies and extracts of any written Confidential Information acquired or developed by him during any such employment, shareholding or association in trust for the sole benefit of the Company, its Affiliates and their successors and assigns. The Executive further agrees that he will not, without the prior written consent of the Company, remove or take from the Company's or any of its Affiliate's premises (or if previously removed or taken, he will promptly return) any written Confidential Information or any copies or extracts thereof. Upon the request and at the expense of the Company, the Executive shall promptly make all disclosures, execute all instruments and papers and perform all acts reasonably necessary to vest and confirm in the Company and its Affiliates, fully and completely, all rights created or contemplated by this Section 7.1. The term "Confidential Information" shall not include information that is or becomes generally available to the public other than as a result of a disclosure by, or at the direction of, the Executive. The Executive's agreements set forth in this Section 7.1 regarding Confidential Information are independent of, and in addition to, his agreements set forth in the rest of the Section 7 and shall not be construed either to enlarge or to contract the scope of such other agreements.

7.2. Covenant Not to Compete; Nonsolicitation.

The covenants of this Section 7.2 shall apply for so long as the Executive is employed by the Company or any of its Subsidiaries and continuing for a period (the "Restricted Period") equal to three years following the termination of such employment for any reason, provided, however, that the Restricted Period shall be extended by a period of time equal to any period during which the Executive shall be in breach of any of such covenants; and provided, further, that in the event the Executive's employment with the Company is terminated by the Company under circumstances in which the Executive is not entitled to any severance benefits, the Board may in its discretion elect to waive the covenants of this Section 7.2 in whole or in part, but only if such waiver is authorized by a written resolution approved by the Board and supported by at least one of the Investor's representatives on the Board.

7.2.1. Competing Business. The Executive agrees with the Company that, for so long as the Executive is employed by the Company or any of its Subsidiaries and continuing for

the Restricted Period, he will not, without the prior written consent of the Company, directly or indirectly, and whether as principal or investor or as an employee, officer, director, manager, partner, consultant, agent or otherwise, alone or in association with any other person, firm, corporation or other business organization, become involved in a Competing Business (as hereinafter defined) in any geographic area in which the Company or any of its Affiliates has engaged during such period in a Competing Business, or in which the Executive has knowledge of the Company's plans to engage in a Competing Business (including, without limitation, any area in which any customer of the Company or any of its Affiliates may be located). This Section 7.2.1 shall not be

violated, however, by the Executive's investment of up to $100,000 in the aggregate in one or several publicly-traded companies that engage in a Competing Business.

7.2.2. Solicitations. As a separate and independent covenant, the Executive agrees with the Company that, for so long as the Executive is employed by the Company or any of its Subsidiaries and continuing for the Restricted Period, he will not in any way, directly or indirectly (except in the course of his employment with the Company and its Subsidiaries), for the purpose of conducting or engaging in any Competing Business, call upon, solicit, advise or otherwise do, or attempt to do, business with any person who is, or was, during the then most recent 12-month period, a customer of the Company or any of its Affiliates, or take away or interfere or attempt to take away or interfere with any custom, trade, business, patronage or affairs of the Company or any of its Affiliates, or hire or attempt to hire any person who is, or was during the then most recent 12-month period, an employee, officer, representative or agent of the Company or any of its Affiliates, or solicit, induce, or attempt to solicit or induce any person who is an employee, officer, representative or agent of the Company or any of its Affiliates to leave the employ of the Company or any of its Affiliates, or violate the terms of their contracts, or any employment arrangements, with it.

7.2.3. Competing Business. For purposes of this Section 7.2, a "Competing Business" means a business or enterprise (other than the Company and its direct or indirect subsidiaries) that is engaged in any or all of the manufacture, importing, development, distribution, marketing or sale of:

(a) motive power batteries and chargers (including without limitation batteries and chargers for industrial forklift trucks and other materials handling equipment); and/or

(b) stationary batteries and chargers (including without limitation standby batteries and power supply equipment for wireless and wireline telecommunications applications, such as central telephone exchanges, microwave relay stations, and switchgear and other instrumentation control systems); and/or

(c) any other product the Company now makes or is presently researching or developing, such as lithium batteries.

"Competing Business" also includes the design, engineering, installation or service of stationary and DC power systems, and any consulting and/or turnkey services relating thereto.

7.3. Exclusive Property. The Executive confirms that all confidential information is and shall remain the exclusive property of the Company and its Affiliates. All business records, papers and documents kept or made by the Executive relating to the business of the Company shall be and remain the property of the Company and its Affiliates.

7.4. Certain Remedies. Without intending to limit the remedies available to the Company and its Affiliates, the Executive agrees that a breach of any of the covenants contained in this Section 7 may result in material and irreparable injury to the Company or its Affiliates for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such a breach or threat thereof, the Company and its Affiliates shall be entitled to seek a temporary restraining order or a preliminary or permanent injunction, or both, without bond or other security, restraining the Executive from engaging in activities prohibited by this Section 7 or such other relief as may be required specifically to enforce any of the covenants in this Section 7. Such injunctive relief in any court shall be available to the Company and its Affiliates in lieu of, or prior to or pending determination in, any arbitration proceeding.

8. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

8.1. Gross-Up Payment. In the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 8) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (such excise tax being referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

8.2. Gross-Up Payment Calculation. Subject to the provisions of Section 8.3, all determinations required to be made under this Section 8, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's independent certified public accountants (the "Accounting Firm"). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 8, shall be paid by the Company to Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 8.3 and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine

the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of Executive.

8.3. Claim by the IRS. The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprize the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which he gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 8.3, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and provided, further, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited

solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

8.4. Entitlement to Refund. If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 8.3, the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 8.3, a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

9. ARBITRATION

Subject to Section 7.4, any dispute or controversy arising under or in connection with this Agreement that cannot be mutually resolved by the parties hereto shall be settled exclusively by arbitration in New York City before one arbitrator of exemplary qualifications and stature, who shall be selected jointly by the Company and the Executive, or, if the Company and the Executive cannot agree on the selection of the arbitrator, shall be selected by the American Arbitration Association. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The parties hereby agree that the arbitrator shall be empowered to enter an equitable decree mandating specific enforcement of the terms of this Agreement. Each party shall bear its own costs, including legal fees and out-of-pocket expenses, incurred in connection with any arbitration, and the party that prevails shall bear all expenses of the arbitrator.

10. MISCELLANEOUS

10.1. Communications. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered or on the fifth business day after mailed if delivered personally or mailed by registered or certified mail (postage prepaid, return receipt requested) to the party at the following addresses (or at such other address for a party as shall be specified by like notice, except that notices of changes of address shall be effective upon receipt):

(a) if to the Company:

Yuasa, Inc.
P.O. Box 14145
2366 Bernville Road
Reading, PA 19612-4145

Attention: Chief Financial Officer

with copies to:

Morgan Stanley Dean Witter Capital Partners
1221 Avenue of the Americas
New York, NY 10020
Attention: Howard I. Hoffen and Eric T. Fry

Shearman & Sterling
599 Lexington Avenue
New York, NY 10022
Attention: George Spera, Esq.

(b) if to the Executive: at the address for the Executive indicated on the signature page hereof.

10.2. Waiver of Breach; Severability. (a) The waiver by the Executive or the Company of a breach of any provision of this Agreement by the other party hereto shall not operate or be construed as a waiver of any subsequent breach by either party.

(b) The parties hereto recognize that the laws and public policies of various jurisdictions may differ as to the validity and enforceability of covenants similar to those set forth herein. It is the intention of the parties that the provisions hereof be enforced to the fullest extent permissible under the laws and policies of each jurisdiction in which enforcement may be sought, and that the unenforceability (or the modification to conform to such laws or policies) of any provisions hereof shall not render unenforceable, or impair, the remainder of the provisions hereof. Accordingly, if at the time of enforcement of any provision hereof, a court of competent jurisdiction holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope, or geographic area reasonable under such circumstances will be substituted for the stated period, scope or geographical area and that such court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and geographical area permitted by law.

10.3. Assignment; Successors. No right, benefit or interest hereunder shall be assigned, encumbered, charged, pledged, hypothecated or be subject to any setoff or recoupment by the Executive. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Company.

10.4. Entire Agreement. This Agreement represents the entire agreement of the parties and shall supersede any and all previous contracts, arrangements or understandings between the Company and the Executive relating to the Executive's employment or the consequences of a termination of such employment, including without limitation the Employment Agreement dated as of January 2, 2000 between the Company and the Executive. This Agreement may be amended at any time by mutual written agreement of the parties hereto.

10.5. Other Severance Benefits. The Executive hereby agrees that in consideration for the payments to be received under this Agreement, the Executive waives any and all rights to any payments or benefits under any severance plans, programs, contracts or arrangements of the Company or any of its Affiliates.

10.6. Withholding. The payment of any amount pursuant to this Agreement shall be subject to applicable withholding and payroll taxes, and such other deductions as may be required under the Company's employee benefit plans, if any.

10.7. Governing Law. This Agreement shall be governed by, and construed with, the law of the State of New York.

10.8. Headings. The headings in this Agreement are for convenience only and shall not be used to interpret or construe any of its provisions.

10.9. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed and the Executive has hereunto set his hand, as of the day and year first above written.

YUASA, INC.

By: /s/ Michael T. Philion
Name: MICHAEL T. PHILION
Title: EVP

/S/ JOHN D. CRAIG
JOHN D. CRAIG
Address: 6 Rick Rd
Shillington, PA 19607

YUASA HOLDINGS INC. (as to Section 5.7)

By: /s/ Michael T. Philion
Name: MICHAEL T. PHILION
Title: EVP

APPENDIX A

Form of General Release

APPENDIX A

FORM OF GENERAL RELEASE

Reference is made to the Employment Agreement dated as of November 9, 2000 (the "Employment Agreement"), between YUASA, INC., a Pennsylvania corporation (the "Company") and [ ] (the "Executive"). Capitalized terms used herein without definition shall have the meanings assigned to them in the Employment Agreement, a copy of which is attached hereto.

SECTION 1. Mutual Release.

(a) General Waiver and Release. In consideration of their respective obligations under the Employment Agreement in connection with and following the Executive's termination of employment with the Company and its affiliates, and subject to the limitations set forth in Section 2 hereof, the Company, on the one hand, does hereby release and forever discharge the Executive, and the Executive, on the other hand, does hereby release and forever discharge the Company, its present, former and future shareholders, affiliates, direct and indirect parents, subsidiaries, successors, directors, officers, employees, agents, attorneys, heirs and assigns (the "Company Parties" and, together with the Executive, the "Released Parties"), from any and all claims, actions, causes of action, suits, costs, controversies, judgments, decrees, verdicts, damages, liabilities, attorneys' fees, covenants, contracts, and agreements that the Executive may have against the Company Parties or the Company Parties may have against the Executive, or in the future may possess based on events occurring during the term of the Executive's employment with the Company arising out of (i) the Executive's employment relationship with or service as an employee or officer of the Company and its affiliates or the termination of such relationship or service or (ii) any event, condition, circumstance or obligation that occurred, existed or arose on or prior to the date the Executive signs this Release, with respect to each other, including, but not limited to, any claims arising under Title VII of the Civil Rights Act of 1964, the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, the Civil Rights Act of 1866, the Civil Rights Act of 1991, the Employee Retirement Income Security Act of 1974, the Family Medical Leave Act of 1993, or any other federal or state or local law or any foreign jurisdiction, whether such claim arises under statute, common law or in equity, and whether or not any of the Released Parties are presently aware of the existence of such claim, damage, action or cause of action, suit or demand (collectively, including claims, actions and causes of action set forth in Section l(b) below, the "Claims"). The Executive and the Company Parties also do forever release, discharge and waive any right the Executive or the Company Parties may have to recover in any proceeding brought by any federal, state or local agency against the Company Parties and the Executive, respectively, to enforce any laws. Each of the parties hereto agrees that the value received or to be received in the future as described in the Employment Agreement shall be in full satisfaction of any and all claims, actions or causes of action for payment or other benefits of any kind that the Executive may have against the Company Parties and that the Company Parties may have against the Executive.

(b) ADEA Release. In further recognition of the above, the Executive hereby releases and forever discharges each of the Company Parties from any and all claims, actions and causes of action that he may have as of the date he signs and delivers to the Company this Release arising under the federal Age Discrimination in Employment Act of 1967, as amended, and the applicable rules and regulations promulgated thereunder ("ADEA").

SECTION 2. Limitations.

(a) No Impact on Obligations Under The Employment Agreement or the Shareholder Agreement. The releases contained herein do not, are not intended to and shall not be interpreted to serve as a release or waiver by the Executive or the Company Parties with respect to their respective rights and obligations set forth in the Employment Agreement or the Shareholder Agreement. In particular, and without limiting the generality of the preceding sentence, the Executive does not waive or release any claim he might now or in the future have to be paid or receive the payments and benefits provided for in Section 5.1 or Section 8 of the Employment Agreement, and the Company Parties do not waive or release any claim they might now or in the future have under Section 5.5 or Section 7 of the Employment Agreement or under the Shareholder Agreement.

(b) No Impact on Indemnification Rights. The releases contained herein do not, are not intended to and shall not be interpreted to serve as a release or waiver by the Executive with respect to any indemnification rights he may have and such indemnification rights shall not be effected, modified or extinguished by the Executive's execution of this Release.

SECTION 3. No Pending Litigation.

The Executive represents and agrees that he has not filed, and will not file, any action, complaint, charge, grievance or arbitration against any Company Party, except that such agreement shall not apply to any claim based on any matter which, pursuant to Section 2, is excluded from the scope of this Release. The Company hereby represents and agrees that no Company Party has filed, and no Company Party will file, any action, complaint, charge, grievance or arbitration against the Executive except that such agreement shall not apply to any claim based on any matter which, pursuant to Section 2, is excluded from the scope of this Release.

SECTION 4. Acknowledgment.

The Executive acknowledges and confirms that (i) he has been advised in writing by the Company in connection with his resignation to consult with an attorney of his choice prior to signing this Release and to have such attorney explain to him the terms of the Release, including, without limitation, the terms relating to his release of Claims arising under ADEA; (ii) he has read this Release carefully and completely and understands each of the terms hereof; and (iii) he was given not less than twenty-one (21) days to consider the terms of the Release and to consult with an attorney of his choosing with respect thereto, and that for a period of seven (7) days following his signing of this Agreement, he shall have the option to revoke this Agreement in accordance with the terms set forth in Section 6 below.

SECTION 5. Successors.

The rights and obligations under this Agreement shall inure to any and all successors of the Company.

SECTION 6 Revocation.

The Executive have the right to revoke this Release during the seven-day period commencing immediately following the date he signs and delivers this Agreement to the Company (the "Revocation Period"). The period shall expire at 5:00 p.m., Eastern [Standard] Time, on the last day of the seven-day period; provided, however, that if such seventh day is not a business day, the period shall extend to 5:00 p.m. on the next succeeding business day. In the event of any such revocation by the Executive, the obligations of the Company under this Release shall terminate and be of no further force and effect as of the date of such revocation. No such revocation by the Executive shall be effective unless it is in writing and signed by the Executive and received by a representative of the Company prior to the expiration of the Revocation Period.

SECTION 7. Counterparts.

This Release may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

YUASA, INC.

By: _____
Name:
Title:

ACCEPTED AND AGREED:

_____
[EXECUTIVE]
Address:

Dated:

EnerSys Inc.
PO Box 14145 2366 Bernville Rd
Reading, PA 19605
610-208-1991
email: www.enersysinc.com

www.enersysinc.com

June 27, 2002

John D. Craig
6 Rick Road
Shillington PA 19607

Dear John:

With reference to your employment agreement (the ***"Employment Agreement"***) with EnerSys, Inc. (the ***"Company"***), dated November 9, 2000, pursuant to which you are currently employed as Chairman, President & Chief Executive Officer of the Company, we confirm that effective as of March 22, 2002, your salary provided for in Section 3 of the Employment Agreement has been increased to $700,000.

In addition, the second sentence of Section 2.1 of the Employment Agreement is amended to remove the word "and" before clause (ii) thereof and to add new clauses (iii) and (iv) to the end thereof as follows:

> "(iii) the Executive shall serve as Chief Executive Officer of EnerSys Holdings Inc., a Delaware Corporation (**"Holdings"**), and of each direct or indirect subsidiary of Holdings, whether currently owned or subsequently acquired and (iv) the Executive will be elected as a member and chairman of the board of directors of Holdings and each such subsidiary."

Except as expressly set forth in the letter, the Employment Agreement shall remain in full force and effect.

ENERSYS HOLDINGS INC.

By: /s/ Richard W. Zuidema
Richard W. Zuidema
Executive Vice President

Accepted and Agreed:

/s/ John D. Craig
John D. Craig

Date: 7/15/02

Exhibit 10.3

EMPLOYMENT AGREEMENT dated as of November 9, 2000, between YUASA, INC., a Pennsylvania corporation (the "Company"), and MICHAEL T. PHILION (the "Executive").

WHEREAS, the Company desires to employ the Executive and to assure itself of the continued services of the Executive for the term of employment provided for in this Agreement, and the Executive desires to be employed by the Company for such period;

WHEREAS, both parties desire that the terms and conditions of the Executive's employment with the Company be governed by this Agreement;

NOW, THEREFORE, in consideration of the covenants and agreements hereinafter set forth, the parties hereto agree as follows:

1. EFFECTIVENESS OF AGREEMENT

1.1. General. This Agreement shall become effective as of November 9, 2000 (the "Effective Time").

2. EMPLOYMENT AND DUTIES

2.1. General. The Company hereby employs the Executive, and the Executive agrees to serve, as its Executive Vice President and Chief Financial Officer, upon the terms and conditions herein contained. The Executive shall perform such other duties and services for the Company and its subsidiaries, commensurate with the Executive's position, as may be designated from time to time by the Board. The Executive agrees to serve the Company faithfully and to the best of his ability under the direction of the Board and the Company's Chief Executive Officer.

2.2. Exclusive Services. Except as may otherwise be approved in advance by the Board, and except during vacation periods and reasonable periods of absence due to sickness, personal injury or other disability, the Executive shall devote his full working time throughout the Employment Term (as defined below) to the services required of him hereunder, provided, however, that this Section 2.2 shall not preclude the Executive from devoting time to civic and community activities or the management of personal investments so long as such activities do not interfere with the performance of his duties hereunder. The Executive shall render his services exclusively to the Company during the Employment Term, and shall use his best efforts, judgment and energy to improve and advance the business and interests of the Company in a manner consistent with the duties of his position.

2.3. Term of Employment. The term of the Executive's employment under this Agreement (the "Employment Term") shall commence at the Effective Time and initially shall

---

continue until the second anniversary of the Effective Time. Starting with the day following the Effective Time, the Employment Term shall be extended on a daily basis to continue until the second anniversary of the date of such extension, provided, however, that (i) the Company or the Executive may give the other notice that it does not wish to extend the Term beyond two years from the date of such notice, and (ii) unless the Company shall specify in writing to the contrary, the Term shall not extend past the Executive's sixty-fifth birthday, and provided, further, that nothing in this Section 2.3 shall limit the right of the Company to terminate the Executive's employment hereunder on the terms and conditions set forth in Section 5.

2.4. Reimbursement of Expenses. The Company shall reimburse the Executive for reasonable travel and other business expenses incurred by him in the fulfillment of his duties hereunder upon presentation by the Executive of an itemized account of such expenditures, in accordance with customary practice.

3. SALARY AND BONUS; BENEFITS.

3.1. Base Salary. From the Effective Time, the Executive shall be entitled to receive a base salary ("Base Salary") at a rate of $225,000 per annum, payable in arrears in equal installments in accordance with the Company's payroll practices.

3.2. Salary Adjustments. The Executive's Base Salary shall be annually reviewed by the Compensation Committee of the Company's Board of Directors (the "Committee") for upward adjustment based on, among other factors, the performance of the Company and the Executive. Any adjustments in Base Salary effected as a result of such review shall be made by the Committee in its sole discretion.

3.3. Bonus. After the Effective Time, the Board shall adopt an annual bonus plan ("Bonus Plan") upon which the annual bonus of the Executive shall be determined. Under the Bonus Plan, the Executive shall be eligible to receive an annual bonus ("Annual Bonus") of up to 60% of the Base Salary, based on the satisfaction of financial and other performance targets to be established by the Board and the Committee, prior to the commencement of each fiscal year with reference to the financial projections used to solicit the investment of Morgan Stanley Dean Witter Capital Partners IV, L.P (the "Investor") in the Company. The first Annual Bonus shall be paid in respect of the fiscal year of the Company ending March 31, 2001 ("Fiscal 2001") and shall consist of two components: (i) a component based on performance through the Effective Time (based on an aggregate accrual for all executives of the Company for performance through the Effective Time currently estimated to be $1.5 million, but the definitive amount of which will be determined by the Board following the Effective Time); and (ii) a component based on performance from the Effective Time through the end of Fiscal 2001.

---

4. BENEFITS

4.1. Employee Benefits. The Executive shall, during his employment under this Agreement, be included to the extent eligible thereunder in all employee benefit plans, programs or arrangements (including, without limitation, any plans, programs or arrangements providing for retirement benefits, profit sharing, disability benefits, health and life insurance, or paid holidays) that shall be established by the Company for, or made

available to, its senior executives generally. Such benefits shall be comparable in the aggregate to benefits provided to executive employees of Yuasa, Inc. immediately prior to the Effective Time.

4.2. Vacation. The Executive shall be entitled to four weeks of vacation per year in accordance with the Company's vacation policies.

5. TERMINATION OF EMPLOYMENT

5.1. Termination Without Cause; Resignation for Good Reason.

5.1.1. General. Subject to the provisions of Sections 5.1.2 and 5.1.3, if, prior to the expiration of the Employment Term, the Executive's employment is terminated by the Company without Cause (as defined below), or if the Executive terminates his employment hereunder for Good Reason (as defined below), the Company shall, subject to the Executive's execution of a general release of claims against the Company and its affiliates substantially in the form annexed hereto as Appendix A:

(a) For a period (the "Severance Period") equal to two years from the date of termination (provided, however, that (i) if the Executive has previously given the Company notice pursuant to Section 2.3 of his intention not to renew the Employment Term, or (ii) less than two years remain until the Executive's 65th birthday, the Severance Period shall be the period from the date of termination until the end of the Employment Term as in effect immediately prior to the Executive's termination or the date of the Executive's 65th birthday, as the case may be), the Company shall continue to pay the Executive the Base Salary (at the rate in effect on the date of such termination), at such intervals as the same would have been paid had the Executive remained in the active service of the Company;

(b) For the fiscal year in which such termination occurs (the "Termination Year") and for each whole fiscal year following the Termination Year included in the Severance Period, the Company shall pay the Executive an amount equal to the average of the Annual Bonus paid to the Executive for the two fiscal years preceding the Termination Year (including, if applicable, annual bonus earned prior to the Effective Time), which amount shall be payable at the time annual bonuses are paid to the Company's executives generally;

(c) For the partial fiscal year, if any, immediately preceding the end of the Severance Period, the Company shall pay the Executive a Pro Rata Portion (as defined in Section 5.6), through and including the last day of the Severance Period, of the amount provided for in paragraph (b) above for whole fiscal years included in the Severance Period. Such Pro Rata Portion shall be payable at the time annual bonuses are paid to the Company's executives generally but in any event no later than 75 days following the end of the fiscal year in which the Severance Period ends;

(d) During the Severance Period, the Executive and his beneficiaries shall remain eligible to participate, on the same terms and conditions as apply from time to time to the Company's senior executives generally, in all employee welfare benefit plans or programs (including health, disability and life insurance programs, but excluding any vacation and severance programs), provided, however, that such eligibility shall cease at such time as the Executive becomes eligible to participate in comparable programs of a subsequent employer, and provided, further, that the Company shall have no obligation to continue to maintain during the Severance Period any plan or program, solely as a result of the provisions of this Agreement. If the Executive is precluded from participating in any such plan or program by its terms or applicable law, the Company shall provide the Executive with benefits that are reasonably equivalent to those that the Executive would have received under such plan or program had he been eligible to participate therein.

The Executive shall have no further right to receive any other compensation or benefits after his termination or resignation of employment, except as determined in accordance with the terms of the employee benefit plans or programs of the Company, including without limitation the Yuasa Holdings Inc. Management Equity Plan (the "MEP").

5.1.2. Conditions Applicable to the Severance Period. If, during the Severance Period, the Executive breaches any of his obligations under Section 7, the Company may, upon written notice to the Executive, terminate the Severance Period and cease to make any further payments described in Section 5.1.1.

5.1.3. Death During Severance Period. In the event of the Executive's death during the Severance Period, payments of Base Salary under Section 5.1.1 shall continue to be made during the remainder of the Severance Period, and any amounts under clauses (b) and (c) of Section 5.1.1 shall be paid on the terms set forth therein, to the beneficiary designated in writing for this purpose by the Executive or, if no such beneficiary is specifically designated, to the Executive's estate.

5.1.4. Date of Termination. The date of termination of employment without Cause shall be the date specified in a written notice of termination to the Executive. The date of resignation for Good Reason shall be the date specified in the written notice of resignation from the Executive to the Company; provided, however, that no such written notice shall be effective unless and until the cure period specified in Section 5.4 has expired without the Company having

corrected, in all material respects, the event or events subject to cure. If no date of resignation is specified in the written notice from the Executive to the Company, the date of termination shall be the first day following the expiration of such cure period.

5.2. Termination for Cause; Resignation Without Good Reason.

5.2.1. General. If, prior to the expiration of the Employment Term, the Executive's employment is terminated by the Company for Cause, or the Executive resigns from his employment hereunder other than for Good Reason, the Executive shall be entitled only to payment of his Base Salary as then in effect through and including the date of termination or resignation. The Executive shall have no further right to receive any other compensation or benefits after such termination or resignation of employment except as determined in accordance with the terms of the employee benefit plans or programs of the Company, including without limitation the MEP. In particular, and without limiting the generality of the preceding sentence, the Executive shall not have any right to any portion of an Annual Bonus for the Termination Year.

5.2.2. Date of Termination. Subject to the proviso to Section 5.3, the date of termination for Cause shall be the date specified in a written notice of termination to the Executive. The date of the Executive's resignation without Good Reason shall be the date specified in the written notice of resignation from the Executive to the Company, or if no date is specified therein, ten business days after receipt by the Company of written notice of resignation from the Executive.

5.3. Cause. Termination for "Cause" shall mean termination of the Executive's employment because of any of the following:

(a) commission of any felony or other crime involving moral turpitude;

(b) knowing and intentional fraud;

(c) any act or omission that is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or any of its subsidiaries or affiliates, unless the Executive believed in good faith that he was acting in the best interests of the Company and its subsidiaries and affiliates; or

(d) willful and continued failure or refusal of the Executive to substantially perform the duties required of him as an employee of the Company, or the Executive's failure to follow the lawful written instructions of the Board or the Company's Chief Executive Officer, in any case other than by reason of physical or mental incapacity;

provided, however, that if any such Cause relates to the Executive's obligations under this Agreement, the Company may not terminate the Executive's employment hereunder unless the Company first gives the Executive notice of its intention to terminate and of the grounds for such

termination within 90 days of such event, and the Executive has not, within 20 days following receipt of such notice, cured such Cause to the reasonable satisfaction of the Company.

5.4. Good Reason. For purposes of this Agreement, "Good Reason" shall mean any of the following (without the Executive's prior written consent):

(a) any decrease by the Board in the Executive's rate of Base Salary;

(b) a material diminution of the authority, responsibilities or positions of the Executive from those set forth in Section 2.1;

(c) the Company's requiring the Executive to be based at any office or location more than 50 miles from the Reading, Pennsylvania area; or

(d) the Company's giving notice to the Executive pursuant to Section 2.3 of its intention to discontinue the automatic extension of the Employment Term;

provided, however, that none of the foregoing events or conditions shall constitute Good Reason unless (i) the Executive gives the Company written notice of his objection to such event or condition within 90 days of the occurrence of such event or condition, (ii) the Company does not correct or cure such event or condition within 20 days of its receipt of such notice, and (iii) the Executive resigns his employment with the Company not more than 30 days following the expiration of the 20-day period described in the foregoing clause (ii).

5.5. Mitigation and Offset. The Executive shall not be required to mitigate the amount of any payment provided for in Section 5.1 by seeking other employment, but the amount of any payment provided for in Section 5.1 (other than any amount that had accrued through the Executive's date of termination) shall be reduced (but not below zero) by (i) any compensation earned (including any amounts deferred) and (ii) any appreciation realized or accrued on equity or equity-linked securities by the Executive, in both such cases as a result of providing services (whether as an employee, consultant, advisor, independent contractor, founder, partner, shareholder, option holder, warrant holder, or board member or in any other capacity) to any party or entity during the Severance Period. The Executive shall promptly notify the Company in writing of any such arrangement during the Severance Period and will cooperate fully with the Company in determining the amount of any reduction to amounts otherwise payable under Section 5.1.

5.6 Pro Rata Amounts. Whenever this Agreement calls for payment of a "Pro Rata Portion" of a referenced amount, such pro rata amount shall be calculated on the basis of (I) the number of days in the partial fiscal year up to and including the day as of which the amount is to be calculated, divided by (II) 365.

5.7 Stock Options. For purposes of this Section 5.7, capitalized terms used without definition shall have the meanings provided therefore in the MEP. Notwithstanding any provision to the contrary in the MEP, the references in Section 8(a)(iv)(A) and Section 8(a)(iv)(B) of the MEP to the 60th day following the date of the Executive's termination of

employment, and to the 60th day following the date on which Yuasa Holdings Inc. notifies the Executive that certain conditions to the exercise of Vested Options have been satisfied, are in each case amended and shall be understood as references to the first anniversary of the Executive's termination of

employment and first anniversary of the date such notification is given to the Executive, respectively.

6. DEATH OR DISABILITY

6.1. Death. In the event of termination of employment by reason of death, the Executive (or his estate, as applicable) shall be entitled (i) to Base Salary through the date of termination and for one year thereafter and (ii) a Pro Rata Portion (through and including the date of death) of the Annual Bonus to which the Executive would have been entitled for the Termination Year pursuant to Section 3.3 had the Executive remained employed for the entire year, which bonus shall be payable at the time annual bonuses are paid to the Company's executives generally. Other benefits shall be determined in accordance with the terms of the benefit plans maintained by the Company, and the Company shall have no further obligation hereunder.

6.2. Disability. In the event of termination of employment by reason of Disability, the Executive shall be entitled (i) to Base Salary through the date as of which the Executive starts to receive benefits under the long-term disability program of the Company or its subsidiaries and affiliates applicable to him (but in no event beyond the end of the Employment Term as in effect immediately prior to termination of the Executive's employment) and (ii) a Pro Rata Portion (through and including the date of Disability) of the Annual Bonus to which the Executive would have been entitled for the Termination Year pursuant to Section 3.3 had the Executive remained employed for the entire year, which bonus shall be payable at the time annual bonuses are paid to the Company's executives generally. Other benefits shall be determined in accordance with the terms of the benefit plans maintained by the Company, and the Company shall have no further obligation hereunder.

6.3. For purposes of this Agreement, "Disability" means a physical or mental disability or infirmity of the Executive, as determined by a physician of recognized standing selected by the Company, that prevents (or, in the opinion of such physician, is reasonably expected to prevent) the normal performance of his duties as an employee of the Company for any continuous period of 180 days, or for 180 days during any one 12-month period.

7. PROTECTION OF THE COMPANY'S INTERESTS

7.1. Confidentiality. The Executive agrees with the Company that he will not at any time, except in performance of his obligations to the Company hereunder or with the prior written consent of the Company, directly or indirectly, reveal to any person, entity or other organization (other than the Company, or its employees, officers, directors, shareholders or agents) or use for his own benefit any information deemed to be confidential by the Company or any of its subsidiaries or affiliates (such subsidiaries and affiliates, collectively "Affiliates") ("Confidential Information") relating to the assets, liabilities, employees, goodwill, business or

affairs of the Company or any of its Affiliates, including, without limitation, any information concerning past, present or prospective customers, manufacturing processes, marketing, operating or financial data, or other confidential information used by, or useful to, the Company or any of its Affiliates and known (whether or not known with the knowledge and permission of the Company or any of its Affiliates and whether or not at any time prior to the Effective Time developed, devised, or otherwise created in whole or in part by the efforts of the Executive) to the Executive by reason of his employment by, shareholdings in or other association with the Company or any of its Affiliates. The Executive further agrees that he will retain all copies and extracts of any written Confidential Information acquired or developed by him during any such employment, shareholding or association in trust for the sole benefit of the Company, its Affiliates and their successors and assigns. The Executive further agrees that he will not, without the prior written consent of the Company, remove or take from the Company's or any of its Affiliate's premises (or if previously removed or taken, he will promptly return) any written Confidential Information or any copies or extracts thereof. Upon the request and at the expense of the Company, the Executive shall promptly make all disclosures, execute all instruments and papers and perform all acts reasonably necessary to vest and confirm in the Company and its Affiliates, fully and completely, all rights created or contemplated by this Section 7.1. The term "Confidential Information" shall not include information that is or becomes generally available to the public other than as a result of a disclosure by, or at the direction of, the Executive. The Executive's agreements set forth in this Section 7.1 regarding Confidential Information are independent of, and in addition to, his agreements set forth in the rest of the Section 7 and shall not be construed either to enlarge or to contract the scope of such other agreements.

7.2. Covenant Not to Compete; Nonsolicitation.

The covenants of this Section 7.2 shall apply for so long as the Executive is employed by the Company or any of its Subsidiaries and continuing for a period (the "Restricted Period") equal to two years following the termination of such employment for any reason, provided, however, that the Restricted Period shall be extended by a period of time equal to any period during which the Executive shall be in breach of any of such covenants, and provided, further, that in the event the Executive's employment with the Company is terminated by the Company under circumstances in which the Executive is not entitled to any severance benefits, the Board may in its discretion elect to waive the covenants of this Section 7.2 in whole or in part, but only if such waiver is authorized by a written resolution approved by the Board and supported by at least one of the Investor's representatives on the Board.

7.2.1. Competing Business. The Executive agrees with the Company that, for so long as the Executive is employed by the Company or any of its Subsidiaries and continuing for the Restricted Period, he will not, without the prior written consent of the Company, directly or indirectly, and whether as principal or investor or as an employee, officer, director, manager, partner, consultant, agent or otherwise, alone or in association with any other person, firm, corporation or other business organization, become involved in a Competing Business (as hereinafter defined) in any geographic area in which the Company or any of its Affiliates has engaged during such period in a Competing Business, or in which the Executive has knowledge of the Company's plans to engage in a Competing Business (including, without limitation, any area in which any customer of the Company or any of its Affiliates may be located). This

Section 7.2.1 shall not be violated, however, by the Executive's investment of up to $100,000 in the aggregate in one or several publicly-traded companies that engage in a Competing Business.

7.2.2. Solicitations. As a separate and independent covenant, the Executive agrees with the Company that, for so long as the Executive is employed by the Company or any of its Subsidiaries and continuing for the Restricted Period, he will not in any way, directly or indirectly (except in the course of his employment with the Company and its Subsidiaries), for the purpose of conducting or engaging in any Competing Business, call upon, solicit,

advise or otherwise do, or attempt to do, business with any person who is, or was, during the then most recent 12-month period, a customer of the Company or any of its Affiliates, or take away or interfere or attempt to take away or interfere with any custom, trade, business, patronage or affairs of the Company or any of its Affiliates, or hire or attempt to hire any person who is, or was during the then most recent 12-month period, an employee, officer, representative or agent of the Company or any of its Affiliates, or solicit, induce, or attempt to solicit or induce any person who is an employee, officer, representative or agent of the Company or any of its Affiliates to leave the employ of the Company or any of its Affiliates, or violate the terms of their contracts, or any employment arrangements, with it.

7.2.3. Competing Business. For purposes of this Section 7.2, a "Competing Business" means a business or enterprise (other than the Company and its direct or indirect subsidiaries) that is engaged in any or all of the manufacture, importing, development, distribution, marketing or sale of:

(a) motive power batteries and chargers (including without limitation batteries and chargers for industrial forklift trucks and other materials handling equipment); and/or

(b) stationary batteries and chargers (including without limitation standby batteries and power supply equipment for wireless and wireline telecommunications applications, such as central telephone exchanges, microwave relay stations, and switchgear and other instrumentation control systems); and/or

(c) any other product the Company now makes or is presently researching or developing, such as lithium batteries.

"Competing Business" also includes the design, engineering, installation or service of stationary and DC power systems, and any consulting and/or turnkey services relating thereto.

7.3. Exclusive Property. The Executive confirms that all confidential information is and shall remain the exclusive property of the Company and its Affiliates. All business records, papers and documents kept or made by the Executive relating to the business of the Company shall be and remain the property of the Company and its Affiliates.

7.4. Certain Remedies. Without intending to limit the remedies available to the Company and its Affiliates, the Executive agrees that a breach of any of the covenants contained in this Section 7 may result in material and irreparable injury to the Company or its Affiliates for which there is no adequate remedy at law, that it will not be possible to measure

damages for such injuries precisely and that, in the event of such a breach or threat thereof, the Company and its Affiliates shall be entitled to seek a temporary restraining order or a preliminary or permanent injunction, or both, without bond or other security, restraining the Executive from engaging in activities prohibited by this Section 7 or such other relief as may be required specifically to enforce any of the covenants in this Section 7. Such injunctive relief in any court shall be available to the Company and its Affiliates in lieu of, or prior to or pending determination in, any arbitration proceeding.

8. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

8.1. Gross-Up Payment. In the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 8) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (such excise tax being referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

8.2. Gross-Up Payment Calculation. Subject to the provisions of Section 8.3, all determinations required to be made under this Section 8, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's independent certified public accountants (the "Accounting Firm"). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 8, shall be paid by the Company to Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 8.3 and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of Executive.

8.3. Claim by the IRS. The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprize the Company of the nature of such claim and the date on which such claim is requested

to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which he gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 8.3, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and provided, further, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

8.4. Entitlement to Refund. If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 8.3, the Executive becomes entitled to receive any

refund with respect to such claim, the Executive shall promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 8.3, a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

9. ARBITRATION

Subject to Section 7.4, any dispute or controversy arising under or in connection with this Agreement that cannot be mutually resolved by the parties hereto shall be settled exclusively by arbitration in New York City before one arbitrator of exemplary qualifications and stature, who shall be selected jointly by the Company and the Executive, or, if the Company and the Executive cannot agree on the selection of the arbitrator, shall be selected by the American Arbitration Association. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The parties hereby agree that the arbitrator shall be empowered to enter an equitable decree mandating specific enforcement of the terms of this Agreement. Each party shall bear its own costs, including legal fees and out-of-pocket expenses, incurred in connection with any arbitration, and the party that prevails shall bear all expenses of the arbitrator.

10. MISCELLANEOUS

10.1. Communications. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered or on the fifth business day after mailed if delivered personally or mailed by registered or certified mail (postage prepaid, return receipt requested) to the party at the following addresses (or at such other address for a party as shall be specified by like notice, except that notices of changes of address shall be effective upon receipt):

(a) if to the Company:

Yuasa, Inc.
P.O. Box 14145
2366 Bernville Road
Reading, PA 19612-4145
Attention: Chief Executive Officer

with copies to:

Morgan Stanley Dean Witter Capital Partners
1221 Avenue of the Americas
New York, NY 10020
Attention: Howard I. Hoffen and Eric T. Fry

Shearman & Sterling
599 Lexington Avenue
New York, NY 10022
Attention: George Spera, Esq.

(b) if to the Executive: at the address for the Executive indicated on the signature page hereof.

10.2. Waiver of Breach; Severability. (a) The waiver by the Executive or the Company of a breach of any provision of this Agreement by the other party hereto shall not operate or be construed as a waiver of any subsequent breach by either party.

(b) The parties hereto recognize that the laws and public policies of various jurisdictions may differ as to the validity and enforceability of covenants similar to those set forth herein. It is the intention of the parties that the provisions hereof be enforced to the fullest extent permissible under the laws and policies of each jurisdiction in which enforcement may be sought, and that the unenforceability (or the modification to conform to such laws or policies) of any provisions hereof shall not render unenforceable, or impair, the remainder of the provisions hereof. Accordingly, if at the time of enforcement of any provision hereof, a court of competent jurisdiction holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope, or geographic area reasonable under such circumstances will be substituted for the stated period, scope or geographical area and that such court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and geographical area permitted by law.

10.3. Assignment; Successors. No right, benefit or interest hereunder shall be assigned, encumbered, charged, pledged, hypothecated or be subject to any setoff or recoupment by the Executive. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Company.

10.4. Entire Agreement. This Agreement represents the entire agreement of the parties and shall supersede any and all previous contracts, arrangements or understandings between the Company and the Executive relating to the Executive's employment or the consequences of a termination of such employment. This Agreement may be amended at any time by mutual written agreement of the parties hereto.

10.5. Other Severance Benefits. The Executive hereby agrees that in consideration for the payments to be received under this Agreement, the Executive waives any and all rights to any payments or benefits under any severance plans, programs, contracts or arrangements of the Company or any of its Affiliates.

10.6. Withholding. The payment of any amount pursuant to this Agreement shall be subject to applicable withholding and payroll taxes, and such other deductions as may be required under the Company's employee benefit plans, if any.

10.7. Governing Law. This Agreement shall be governed by, and construed with, the law of the State of New York.

10.8. Headings. The headings in this Agreement are for convenience only and shall not be used to interpret or construe any of its provisions.

10.9. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed and the Executive has hereunto set his hand, as of the day and year first above written.

YUASA, INC.

By: /s/ John D. Craig
Name:
Title: C.E.O

/s/ Michael T. Philion
MICHAEL T. PHILION
Address: 529 BRIARWOOD DR.
ELVERSON PA 19520

YUASA HOLDINGS INC. (as to Section 5.7)

By: /s/ John D. Craig
Name:
Title: C.E.O

APPENDIX A

Form of General Release

APPENDIX A

FORM OF GENERAL RELEASE

Reference is made to the Employment Agreement dated as of November 9, 2000 (the "Employment Agreement"), between YUASA, INC., a Pennsylvania corporation (the "Company") and [ ] (the "Executive"). Capitalized terms used herein without definition shall have the meanings assigned to them in the Employment Agreement, a copy of which is attached hereto.

SECTION 1. Mutual Release.

(a) General Waiver and Release. In consideration of their respective obligations under the Employment Agreement in connection with and following the Executive's termination of employment with the Company and its affiliates, and subject to the limitations set forth in Section 2 hereof, the Company, on the one hand, does hereby release and forever discharge the Executive, and the Executive, on the other hand, does hereby release and forever discharge the Company, its present, former and future shareholders, affiliates, direct and indirect parents, subsidiaries, successors, directors, officers, employees, agents, attorneys, heirs and assigns (the "Company Parties" and, together with the Executive, the "Released Parties"), from any and all claims, actions, causes of action, suits, costs, controversies, judgments, decrees, verdicts, damages, liabilities, attorneys' fees, covenants, contracts, and agreements that the Executive may have against the Company Parties or the Company Parties may have against the Executive, or in the future may possess based on events occurring during the term of the Executive's employment with the Company arising out of (i) the Executive's employment relationship with or service as an employee or officer of the Company and its affiliates or the termination of such relationship or service or (ii) any event, condition, circumstance or obligation that occurred, existed or arose on or prior to the date the Executive signs this Release, with respect to each other, including, but not limited to, any claims arising under Title VII of the Civil Rights Act of 1964, the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, the Civil Rights Act of 1866, the Civil Rights Act of 1991, the Employee Retirement Income Security Act of 1974, the Family Medical Leave Act of 1993, or any other federal or state or local law or any foreign jurisdiction, whether such claim arises under statute, common law or in equity, and whether or not any of the Released Parties are presently aware of the existence of such claim, damage, action or cause of action, suit or demand (collectively, including claims, actions and causes of action set forth in Section l(b) below, the "Claims"). The Executive and the Company Parties also do forever release, discharge and waive any right the Executive or the Company Parties may have to recover in any proceeding brought by any federal, state or local agency against the Company Parties and the Executive, respectively, to enforce any laws. Each of the parties hereto agrees that the value received or to be received in the future as described in the Employment Agreement shall be in full satisfaction of any and all claims, actions or causes of action for payment or other benefits of any kind that the Executive may have against the Company Parties and that the Company Parties may have against the Executive.

(b) ADEA Release. In further recognition of the above, the Executive hereby releases and forever discharges each of the Company Parties from any and all claims, actions and causes of action that he may have as of the date he signs and delivers to the Company this Release arising under the federal Age Discrimination in Employment Act of 1967, as amended, and the applicable rules and regulations promulgated thereunder ("ADEA").

SECTION 2. Limitations.

(a) No Impact on Obligations Under The Employment Agreement or the Shareholder Agreement. The releases contained herein do not, are not intended to and shall not be interpreted to serve as a release or waiver by the Executive or the Company Parties with respect to their respective rights and obligations set forth in the Employment Agreement or the Shareholder Agreement. In particular, and without limiting the generality of the preceding sentence, the Executive does not waive or release any claim he might now or in the future have to be paid or receive the payments and benefits provided for in Section 5.1 or Section 8 of the Employment Agreement, and the Company Parties do not waive or release any claim they might now or in the future have under Section 5.5 or Section 7 of the Employment Agreement or under the Shareholder Agreement.

(b) No Impact on Indemnification Rights. The releases contained herein do not, are not intended to and shall not be interpreted to serve as a release or waiver by the Executive with respect to any indemnification rights he may have and such indemnification rights shall not be effected, modified or extinguished by the Executive's execution of this Release.

SECTION 3. No Pending Litigation.

The Executive represents and agrees that he has not filed, and will not file, any action, complaint, charge, grievance or arbitration against any Company Party, except that such agreement shall not apply to any claim based on any matter which, pursuant to Section 2, is excluded from the scope of this Release. The Company hereby represents and agrees that no Company Party has filed, and no Company Party will file, any action, complaint, charge, grievance or arbitration against the Executive except that such agreement shall not apply to any claim based on any matter which, pursuant to Section 2, is excluded from the scope of this Release.

SECTION 4. Acknowledgment.

The Executive acknowledges and confirms that (i) he has been advised in writing by the Company in connection with his resignation to consult with an attorney of his choice prior to signing this Release and to have such attorney explain to him the terms of the Release, including, without limitation, the terms relating to his release of Claims arising under ADEA; (ii) he has read this Release carefully and completely and understands each of the terms hereof; and (iii) he was given not less than twenty-one (21) days to consider the terms of the Release and to consult with an attorney of his choosing with respect thereto, and that for a period of seven (7) days following his signing of this Agreement, he shall have the option to revoke this Agreement in accordance with the terms set forth in Section 6 below.

SECTION 5. Successors.

The rights and obligations under this Agreement shall inure to any and all successors of the Company.

SECTION 6 Revocation.

The Executive have the right to revoke this Release during the seven-day period commencing immediately following the date he signs and delivers this Agreement to the Company (the "Revocation Period"). The period shall expire at 5:00 p.m., Eastern [Standard] Time, on the last day of the seven-day period; provided, however, that if such seventh day is not a business day, the period shall extend to 5:00 p.m. on the next succeeding business day. In the event of any such revocation by the Executive, the obligations of the Company under this Release shall terminate and be of no further force and effect as of the date of such revocation. No such revocation by the Executive shall be effective unless it is in writing and signed by the Executive and received by a representative of the Company prior to the expiration of the Revocation Period.

SECTION 7. Counterparts.

This Release may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

YUASA, INC.

By: _____
Name:
Title:

ACCEPTED AND AGREED:

_____
[EXECUTIVE]
Address:

Dated:

EnerSys Inc.
PO Box 14145 2366 Bernville Rd
Reading, PA 19605
610-208-1991
email: www.enersysinc.com

www.enersysinc.com

June 27, 2002

Michael T. Philion
529 Briarwood Drive
Elverson PA 19607

Dear Mike:

With reference to your employment agreement (the ***"Employment Agreement")*** with EnerSys, Inc. (the ***"Company"),*** dated November 9, 2000, pursuant to which you are currently employed as Executive Vice President Finance and Chief Financial Officer of the Company, we confirm that effective as of March 22, 2002, your salary provided for in Section 3 of the Employment Agreement has been increased to $325,000.

Except as expressly set forth in the letter, the Employment Agreement shall remain in full force and effect.

ENERSYS INC.

By: /s/ John D. Craig
John D. Craig
Chairman, President & Chief Executive Officer

Accepted and Agreed:

/s/ Michael T. Philion
Michael T. Philion

Date:

Exhibit 10.4

EMPLOYMENT AGREEMENT dated as of November 9, 2000, between YUASA, INC., a Pennsylvania corporation (the "Company"), and CHARLES K. McMANUS (the "Executive").

WHEREAS, the Company desires to employ the Executive and to assure itself of the continued services of the Executive for the term of employment provided for in this Agreement, and the Executive desires to be employed by the Company for such period;

WHEREAS, both parties desire that the terms and conditions of the Executive's employment with the Company be governed by this Agreement;

NOW, THEREFORE, in consideration of the covenants and agreements hereinafter set forth, the parties hereto agree as follows:

1. EFFECTIVENESS OF AGREEMENT

1.1. General. This Agreement shall become effective as of November 9, 2000 (the "Effective Time").

2. EMPLOYMENT AND DUTIES

2.1. General. The Company hereby employs the Executive, and the Executive agrees to serve, as Executive Vice President (Stationary), upon the terms and conditions herein contained. The Executive shall perform such other duties and services for the Company and its subsidiaries, commensurate with the Executive's position, as may be designated from time to time by the Board. The Executive agrees to serve the Company faithfully and to the best of his ability under the direction of the Board and the Company's Chief Executive Officer.

2.2. Exclusive Services. Except as may otherwise be approved in advance by the Board, and except during vacation periods and reasonable periods of absence due to sickness, personal injury or other disability, the Executive shall devote his full working time throughout the Employment Term (as defined below) to the services required of him hereunder, provided, however, that this Section 2.2 shall not preclude the Executive from devoting time to civic and community activities or the management of personal investments so long as such activities do not interfere with the performance of his duties hereunder. The Executive shall render his services exclusively to the Company during the Employment Term, and shall use his best efforts, judgment and energy to improve and advance the business and interests of the Company in a manner consistent with the duties of his position.

2.3. Term of Employment. The term of the Executive's employment under this Agreement (the "Employment Term") shall commence at the Effective Time and initially shall

---

continue until the second anniversary of the Effective Time. Starting with the day following the Effective Time, the Employment Term shall be extended on a daily basis to continue until the second anniversary of the date of such extension, provided, however, that (i) the Company or the Executive may give the other notice that it does not wish to extend the Term beyond two years from the date of such notice, and (ii) unless the Company shall specify in writing to the contrary, the Term shall not extend past the Executive's sixty-fifth birthday, and provided, further, that nothing in this Section 2.3 shall limit the right of the Company to terminate the Executive's employment hereunder on the terms and conditions set forth in Section 5.

2.4. Reimbursement of Expenses. The Company shall reimburse the Executive for reasonable travel and other business expenses incurred by him in the fulfillment of his duties hereunder upon presentation by the Executive of an itemized account of such expenditures, in accordance with customary practice.

3. SALARY AND BONUS; BENEFITS.

3.1. Base Salary. From the Effective Time, the Executive shall be entitled to receive a base salary ("Base Salary") at a rate of $225,000 per annum, payable in arrears in equal installments in accordance with the Company's payroll practices.

3.2. Salary Adjustments. The Executive's Base Salary shall be annually reviewed by the Compensation Committee of the Company's Board of Directors (the "Committee") for upward adjustment based on, among other factors, the performance of the Company and the Executive. Any adjustments in Base Salary effected as a result of such review shall be made by the Committee in its sole discretion.

3.3. Bonus. After the Effective Time, the Board shall adopt an annual bonus plan ("Bonus Plan") upon which the annual bonus of the Executive shall be determined. Under the Bonus Plan, the Executive shall be eligible to receive an annual bonus ("Annual Bonus") of up to 60% of the Base Salary, based on the satisfaction of financial and other performance targets to be established by the Board and the Committee, prior to the commencement of each fiscal year with reference to the financial projections used to solicit the investment of Morgan Stanley Dean Witter Capital Partners IV, L.P (the "Investor") in the Company. The first Annual Bonus shall be paid in respect of the fiscal year of the Company ending March 31, 2001 ("Fiscal 2001") and shall consist of two components: (i) a component based on performance through the Effective Time (based on an aggregate accrual for all executives of the Company for performance through the Effective Time currently estimated to be $1.5 million, but the definitive amount of which will be determined by the Board following the Effective Time); and (ii) a component based on performance from the Effective Time through the end of Fiscal 2001.

---

4. BENEFITS

4.1. Employee Benefits. The Executive shall, during his employment under this Agreement, be included to the extent eligible thereunder in all employee benefit plans, programs or arrangements (including, without limitation, any plans, programs or arrangements providing for retirement benefits, profit sharing, disability benefits, health and life insurance, or paid holidays) that shall be established by the Company for, or made

available to, its senior executives generally. Such benefits shall be comparable in the aggregate to benefits provided to executive employees of Yuasa, Inc. immediately prior to the Effective Time.

4.2. Vacation. The Executive shall be entitled to four weeks of vacation per year in accordance with the Company's vacation policies.

5. TERMINATION OF EMPLOYMENT

5.1. Termination Without Cause; Resignation for Good Reason.

5.1.1. General. Subject to the provisions of Sections 5.1.2 and 5.1.3, if, prior to the expiration of the Employment Term, the Executive's employment is terminated by the Company without Cause (as defined below), or if the Executive terminates his employment hereunder for Good Reason (as defined below), the Company shall, subject to the Executive's execution of a general release of claims against the Company and its affiliates substantially in the form annexed hereto as Appendix A:

(a) For a period (the "Severance Period") equal to two years from the date of termination (provided, however, that (i) if the Executive has previously given the Company notice pursuant to Section 2.3 of his intention not to renew the Employment Term, or (ii) less than two years remain until the Executive's 65th birthday, the Severance Period shall be the period from the date of termination until the end of the Employment Term as in effect immediately prior to the Executive's termination or the date of the Executive's 65th birthday, as the case may be), the Company shall continue to pay the Executive the Base Salary (at the rate in effect on the date of such termination), at such intervals as the same would have been paid had the Executive remained in the active service of the Company;

(b) For the fiscal year in which such termination occurs (the "Termination Year") and for each whole fiscal year following the Termination Year included in the Severance Period, the Company shall pay the Executive an amount equal to the average of the Annual Bonus paid to the Executive for the two fiscal years preceding the Termination Year (including, if applicable, annual bonus earned prior to the Effective Time), which amount shall be payable at the time annual bonuses are paid to the Company's executives generally;

(c) For the partial fiscal year, if any, immediately preceding the end of the Severance Period, the Company shall pay the Executive a Pro Rata Portion (as defined in Section 5.6), through and including the last day of the Severance Period, of the amount provided for in paragraph (b) above for whole fiscal years included in the Severance Period. Such Pro Rata Portion shall be payable at the time annual bonuses are paid to the Company's executives generally but in any event no later than 75 days following the end of the fiscal year in which the Severance Period ends;

(d) During the Severance Period, the Executive and his beneficiaries shall remain eligible to participate, on the same terms and conditions as apply from time to time to the Company's senior executives generally, in all employee welfare benefit plans or programs (including health, disability and life insurance programs, but excluding any vacation and severance programs), provided, however, that such eligibility shall cease at such time as the Executive becomes eligible to participate in comparable programs of a subsequent employer, and provided, further, that the Company shall have no obligation to continue to maintain during the Severance Period any plan or program, solely as a result of the provisions of this Agreement. If the Executive is precluded from participating in any such plan or program by its terms or applicable law, the Company shall provide the Executive with benefits that are reasonably equivalent to those that the Executive would have received under such plan or program had he been eligible to participate therein.

The Executive shall have no further right to receive any other compensation or benefits after his termination or resignation of employment, except as determined in accordance with the terms of the employee benefit plans or programs of the Company, including without limitation the Yuasa Holdings Inc. Management Equity Plan (the "MEP").

5.1.2. Conditions Applicable to the Severance Period. If, during the Severance Period, the Executive breaches any of his obligations under Section 7, the Company may, upon written notice to the Executive, terminate the Severance Period and cease to make any further payments described in Section 5.1.1.

5.1.3. Death During Severance Period. In the event of the Executive's death during the Severance Period, payments of Base Salary under Section 5.1.1 shall continue to be made during the remainder of the Severance Period, and any amounts under clauses (b) and (c) of Section 5.1.1 shall be paid on the terms set forth therein, to the beneficiary designated in writing for this purpose by the Executive or, if no such beneficiary is specifically designated, to the Executive's estate.

5.1.4. Date of Termination. The date of termination of employment without Cause shall be the date specified in a written notice of termination to the Executive. The date of resignation for Good Reason shall be the date specified in the written notice of resignation from the Executive to the Company; provided, however, that no such written notice shall be effective unless and until the cure period specified in Section 5.4 has expired without the Company having

corrected, in all material respects, the event or events subject to cure. If no date of resignation is specified in the written notice from the Executive to the Company, the date of termination shall be the first day following the expiration of such cure period.

5.2. Termination for Cause; Resignation Without Good Reason.

5.2.1. General. If, prior to the expiration of the Employment Term, the Executive's employment is terminated by the Company for Cause, or the Executive resigns from his employment hereunder other than for Good Reason, the Executive shall be entitled only to payment of his Base Salary as then in effect through and including the date of termination or resignation. The Executive shall have no further right to receive any other compensation or benefits after such termination or resignation of employment except as determined in accordance with the terms of the employee benefit plans or programs of the Company, including without limitation the MEP. In particular, and without limiting the generality of the preceding sentence, the Executive shall not have any right to any portion of an Annual Bonus for the Termination Year.

5.2.2. Date of Termination. Subject to the proviso to Section 5.3, the date of termination for Cause shall be the date specified in a written notice of termination to the Executive. The date of the Executive's resignation without Good Reason shall be the date specified in the written notice of resignation from the Executive to the Company, or if no date is specified therein, ten business days after receipt by the Company of written notice of resignation from the Executive.

5.3. Cause. Termination for "Cause" shall mean termination of the Executive's employment because of any of the following:

(a) commission of any felony or other crime involving moral turpitude;

(b) knowing and intentional fraud;

(c) any act or omission that is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or any of its subsidiaries or affiliates, unless the Executive believed in good faith that he was acting in the best interests of the Company and its subsidiaries and affiliates; or

(d) willful and continued failure or refusal of the Executive to substantially perform the duties required of him as an employee of the Company, or the Executive's failure to follow the lawful written instructions of the Board or the Company's Chief Executive Officer, in any case other than by reason of physical or mental incapacity;

provided, however, that if any such Cause relates to the Executive's obligations under this Agreement, the Company may not terminate the Executive's employment hereunder unless the Company first gives the Executive notice of its intention to terminate and of the grounds for such

termination within 90 days of such event, and the Executive has not, within 20 days following receipt of such notice, cured such Cause to the reasonable satisfaction of the Company.

5.4. Good Reason. For purposes of this Agreement, "Good Reason" shall mean any of the following (without the Executive's prior written consent):

(a) any decrease by the Board in the Executive's rate of Base Salary;

(b) a material diminution of the authority, responsibilities or positions of the Executive from those set forth in Section 2.1;

(c) the Company's requiring the Executive to be based at any office or location more than 50 miles from the Reading, Pennsylvania area; or

(d) the Company's giving notice to the Executive pursuant to Section 2.3 of its intention to discontinue the automatic extension of the Employment Term;

provided, however, that none of the foregoing events or conditions shall constitute Good Reason unless (i) the Executive gives the Company written notice of his objection to such event or condition within 90 days of the occurrence of such event or condition, (ii) the Company does not correct or cure such event or condition within 20 days of its receipt of such notice, and (iii) the Executive resigns his employment with the Company not more than 30 days following the expiration of the 20-day period described in the foregoing clause (ii).

5.5. Mitigation and Offset. The Executive shall not be required to mitigate the amount of any payment provided for in Section 5.1 by seeking other employment, but the amount of any payment provided for in Section 5.1 (other than any amount that had accrued through the Executive's date of termination) shall be reduced (but not below zero) by (i) any compensation earned (including any amounts deferred) and (ii) any appreciation realized or accrued on equity or equity-linked securities by the Executive, in both such cases as a result of providing services (whether as an employee, consultant, advisor, independent contractor, founder, partner, shareholder, option holder, warrant holder, or board member or in any other capacity) to any party or entity during the Severance Period. The Executive shall promptly notify the Company in writing of any such arrangement during the Severance Period and will cooperate fully with the Company in determining the amount of any reduction to amounts otherwise payable under Section 5.1.

5.6 Pro Rata Amounts. Whenever this Agreement calls for payment of a "Pro Rata Portion" of a referenced amount, such pro rata amount shall be calculated on the basis of (I) the number of days in the partial fiscal year up to and including the day as of which the amount is to be calculated, divided by (II) 365.

5.7 Stock Options. For purposes of this Section 5.7, capitalized terms used without definition shall have the meanings provided therefore in the MEP. Notwithstanding any provision to the contrary in the MEP, the references in Section 8(a)(iv)(A) and Section 8(a)(iv)(B) of the MEP to the 60th day following the date of the Executive's termination of

employment, and to the 60th day following the date on which Yuasa Holdings Inc. notifies the Executive that certain conditions to the exercise of Vested Options have been satisfied, are in each case amended and shall be understood as references to the first anniversary of the Executive's termination of

employment and first anniversary of the date such notification is given to the Executive, respectively.

6. DEATH OR DISABILITY

6.1. Death. In the event of termination of employment by reason of death, the Executive (or his estate, as applicable) shall be entitled (i) to Base Salary through the date of termination and for one year thereafter and (ii) a Pro Rata Portion (through and including the date of death) of the Annual Bonus to which the Executive would have been entitled for the Termination Year pursuant to Section 3.3 had the Executive remained employed for the entire year, which bonus shall be payable at the time annual bonuses are paid to the Company's executives generally. Other benefits shall be determined in accordance with the terms of the benefit plans maintained by the Company, and the Company shall have no further obligation hereunder.

6.2. Disability. In the event of termination of employment by reason of Disability, the Executive shall be entitled (i) to Base Salary through the date as of which the Executive starts to receive benefits under the long-term disability program of the Company or its subsidiaries and affiliates applicable to him (but in no event beyond the end of the Employment Term as in effect immediately prior to termination of the Executive's employment) and (ii) a Pro Rata Portion (through and including the date of Disability) of the Annual Bonus to which the Executive would have been entitled for the Termination Year pursuant to Section 3.3 had the Executive remained employed for the entire year, which bonus shall be payable at the time annual bonuses are paid to the Company's executives generally. Other benefits shall be determined in accordance with the terms of the benefit plans maintained by the Company, and the Company shall have no further obligation hereunder.

6.3. For purposes of this Agreement, "Disability" means a physical or mental disability or infirmity of the Executive, as determined by a physician of recognized standing selected by the Company, that prevents (or, in the opinion of such physician, is reasonably expected to prevent) the normal performance of his duties as an employee of the Company for any continuous period of 180 days, or for 180 days during any one 12-month period.

7. PROTECTION OF THE COMPANY'S INTERESTS

7.1. Confidentiality. The Executive agrees with the Company that he will not at any time, except in performance of his obligations to the Company hereunder or with the prior written consent of the Company, directly or indirectly, reveal to any person, entity or other organization (other than the Company, or its employees, officers, directors, shareholders or agents) or use for his own benefit any information deemed to be confidential by the Company or any of its subsidiaries or affiliates (such subsidiaries and affiliates, collectively "Affiliates") ("Confidential Information") relating to the assets, liabilities, employees, goodwill, business or

affairs of the Company or any of its Affiliates, including, without limitation, any information concerning past, present or prospective customers, manufacturing processes, marketing, operating or financial data, or other confidential information used by, or useful to, the Company or any of its Affiliates and known (whether or not known with the knowledge and permission of the Company or any of its Affiliates and whether or not at any time prior to the Effective Time developed, devised, or otherwise created in whole or in part by the efforts of the Executive) to the Executive by reason of his employment by, shareholdings in or other association with the Company or any of its Affiliates. The Executive further agrees that he will retain all copies and extracts of any written Confidential Information acquired or developed by him during any such employment, shareholding or association in trust for the sole benefit of the Company, its Affiliates and their successors and assigns. The Executive further agrees that he will not, without the prior written consent of the Company, remove or take from the Company's or any of its Affiliate's premises (or if previously removed or taken, he will promptly return) any written Confidential Information or any copies or extracts thereof. Upon the request and at the expense of the Company, the Executive shall promptly make all disclosures, execute all instruments and papers and perform all acts reasonably necessary to vest and confirm in the Company and its Affiliates, fully and completely, all rights created or contemplated by this Section 7.1. The term "Confidential Information" shall not include information that is or becomes generally available to the public other than as a result of a disclosure by, or at the direction of, the Executive. The Executive's agreements set forth in this Section 7.1 regarding Confidential Information are independent of, and in addition to, his agreements set forth in the rest of the Section 7 and shall not be construed either to enlarge or to contract the scope of such other agreements.

7.2. Covenant Not to Compete; Nonsolicitation.

The covenants of this Section 7.2 shall apply for so long as the Executive is employed by the Company or any of its Subsidiaries and continuing for a period (the "Restricted Period") equal to two years following the termination of such employment for any reason, provided, however, that the Restricted Period shall be extended by a period of time equal to any period during which the Executive shall be in breach of any of such covenants, and provided, further, that in the event the Executive's employment with the Company is terminated by the Company under circumstances in which the Executive is not entitled to any severance benefits, the Board may in its discretion elect to waive the covenants of this Section 7.2 in whole or in part, but only if such waiver is authorized by a written resolution approved by the Board and supported by at least one of the Investor's representatives on the Board.

7.2.1. Competing Business. The Executive agrees with the Company that, for so long as the Executive is employed by the Company or any of its Subsidiaries and continuing for the Restricted Period, he will not, without the prior written consent of the Company, directly or indirectly, and whether as principal or investor or as an employee, officer, director, manager, partner, consultant, agent or otherwise, alone or in association with any other person, firm, corporation or other business organization, become involved in a Competing Business (as hereinafter defined) in any geographic area in which the Company or any of its Affiliates has engaged during such period in a Competing Business, or in which the Executive has knowledge of the Company's plans to engage in a Competing Business (including, without limitation, any area in which any customer of the Company or any of its Affiliates may be located). This

Section 7.2.1 shall not be violated, however, by the Executive's investment of up to $100,000 in the aggregate in one or several publicly-traded companies that engage in a Competing Business.

7.2.2. Solicitations. As a separate and independent covenant, the Executive agrees with the Company that, for so long as the Executive is employed by the Company or any of its Subsidiaries and continuing for the Restricted Period, he will not in any way, directly or indirectly (except in the course of his employment with the Company and its Subsidiaries), for the purpose of conducting or engaging in any Competing Business, call upon, solicit,

advise or otherwise do, or attempt to do, business with any person who is, or was, during the then most recent 12-month period, a customer of the Company or any of its Affiliates, or take away or interfere or attempt to take away or interfere with any custom, trade, business, patronage or affairs of the Company or any of its Affiliates, or hire or attempt to hire any person who is, or was during the then most recent 12-month period, an employee, officer, representative or agent of the Company or any of its Affiliates, or solicit, induce, or attempt to solicit or induce any person who is an employee, officer, representative or agent of the Company or any of its Affiliates to leave the employ of the Company or any of its Affiliates, or violate the terms of their contracts, or any employment arrangements, with it.

7.2.3. Competing Business. For purposes of this Section 7.2, a "Competing Business" means a business or enterprise (other than the Company and its direct or indirect subsidiaries) that is engaged in any or all of the manufacture, importing, development, distribution, marketing or sale of:

(a) motive power batteries and chargers (including without limitation batteries and chargers for industrial forklift trucks and other materials handling equipment); and/or

(b) stationary batteries and chargers (including without limitation standby batteries and power supply equipment for wireless and wireline telecommunications applications, such as central telephone exchanges, microwave relay stations, and switchgear and other instrumentation control systems); and/or

(c) any other product the Company now makes or is presently researching or developing, such as lithium batteries.

"Competing Business" also includes the design, engineering, installation or service of stationary and DC power systems, and any consulting and/or turnkey services relating thereto.

7.3. Exclusive Property. The Executive confirms that all confidential information is and shall remain the exclusive property of the Company and its Affiliates. All business records, papers and documents kept or made by the Executive relating to the business of the Company shall be and remain the property of the Company and its Affiliates.

7.4. Certain Remedies. Without intending to limit the remedies available to the Company and its Affiliates, the Executive agrees that a breach of any of the covenants contained in this Section 7 may result in material and irreparable injury to the Company or its Affiliates for which there is no adequate remedy at law, that it will not be possible to measure

damages for such injuries precisely and that, in the event of such a breach or threat thereof, the Company and its Affiliates shall be entitled to seek a temporary restraining order or a preliminary or permanent injunction, or both, without bond or other security, restraining the Executive from engaging in activities prohibited by this Section 7 or such other relief as may be required specifically to enforce any of the covenants in this Section 7. Such injunctive relief in any court shall be available to the Company and its Affiliates in lieu of, or prior to or pending determination in, any arbitration proceeding.

8. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

8.1. Gross-Up Payment. In the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 8) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (such excise tax being referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

8.2. Gross-Up Payment Calculation. Subject to the provisions of Section 8.3, all determinations required to be made under this Section 8, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's independent certified public accountants (the "Accounting Firm"). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 8, shall be paid by the Company to Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 8.3 and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of Executive.

8.3. Claim by the IRS. The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprize the Company of the nature of such claim and the date on which such claim is requested

to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which he gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 8.3, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and provided, further, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

8.4. Entitlement to Refund. If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 8.3, the Executive becomes entitled to receive any

refund with respect to such claim, the Executive shall promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 8.3, a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

9. ARBITRATION

Subject to Section 7.4, any dispute or controversy arising under or in connection with this Agreement that cannot be mutually resolved by the parties hereto shall be settled exclusively by arbitration in New York City before one arbitrator of exemplary qualifications and stature, who shall be selected jointly by the Company and the Executive, or, if the Company and the Executive cannot agree on the selection of the arbitrator, shall be selected by the American Arbitration Association. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The parties hereby agree that the arbitrator shall be empowered to enter an equitable decree mandating specific enforcement of the terms of this Agreement. Each party shall bear its own costs, including legal fees and out-of-pocket expenses, incurred in connection with any arbitration, and the party that prevails shall bear all expenses of the arbitrator.

10. MISCELLANEOUS

10.1. Communications. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered or on the fifth business day after mailed if delivered personally or mailed by registered or certified mail (postage prepaid, return receipt requested) to the party at the following addresses (or at such other address for a party as shall be specified by like notice, except that notices of changes of address shall be effective upon receipt):

(a) if to the Company:

Yuasa, Inc.
P.O. Box 14145
2366 Bernville Road
Reading, PA 19612-4145
Attention: Chief Executive Officer

with copies to:

Morgan Stanley Dean Witter Capital Partners
1221 Avenue of the Americas
New York, NY 10020
Attention: Howard I. Hoffen and Eric T. Fry

Shearman & Sterling
599 Lexington Avenue
New York, NY 10022
Attention: George Spera, Esq.

(b) if to the Executive: at the address for the Executive indicated on the signature page hereof.

10.2. Waiver of Breach; Severability. (a) The waiver by the Executive or the Company of a breach of any provision of this Agreement by the other party hereto shall not operate or be construed as a waiver of any subsequent breach by either party.

(b) The parties hereto recognize that the laws and public policies of various jurisdictions may differ as to the validity and enforceability of covenants similar to those set forth herein. It is the intention of the parties that the provisions hereof be enforced to the fullest extent permissible under the laws and policies of each jurisdiction in which enforcement may be sought, and that the unenforceability (or the modification to conform to such laws or policies) of any provisions hereof shall not render unenforceable, or impair, the remainder of the provisions hereof. Accordingly, if at the time of enforcement of any provision hereof, a court of competent jurisdiction holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope, or geographic area reasonable under such circumstances will be substituted for the stated period, scope or geographical area and that such court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and geographical area permitted by law.

10.3. Assignment; Successors. No right, benefit or interest hereunder shall be assigned, encumbered, charged, pledged, hypothecated or be subject to any setoff or recoupment by the Executive. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Company.

10.4. Entire Agreement. This Agreement represents the entire agreement of the parties and shall supersede any and all previous contracts, arrangements or understandings between the Company and the Executive relating to the Executive's employment or the consequences of a termination of such employment. This Agreement may be amended at any time by mutual written agreement of the parties hereto.

10.5. Other Severance Benefits. The Executive hereby agrees that in consideration for the payments to be received under this Agreement, the Executive waives any and all rights to any payments or benefits under any severance plans, programs, contracts or arrangements of the Company or any of its Affiliates.

10.6. Withholding. The payment of any amount pursuant to this Agreement shall be subject to applicable withholding and payroll taxes, and such other deductions as may be required under the Company's employee benefit plans, if any.

10.7. Governing Law. This Agreement shall be governed by, and construed with, the law of the State of New York.

10.8. Headings. The headings in this Agreement are for convenience only and shall not be used to interpret or construe any of its provisions.

10.9. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed and the Executive has hereunto set his hand, as of the day and year first above written.

YUASA, INC.

By: /s/ John D. Craig
Name:
Title: C.E.O

/s/ Charles K. McManus
CHARLES K. McMANUS
Address: 2155 Art School Rd
Chester Springs, PA 19425

YUASA HOLDINGS INC. (as to Section 5.7)

By: /s/ John D. Craig
Name:
Title: C.E.O.

APPENDIX A

Form of General Release

APPENDIX A

FORM OF GENERAL RELEASE

Reference is made to the Employment Agreement dated as of November 9, 2000 (the "Employment Agreement"), between YUASA, INC., a Pennsylvania corporation (the "Company") and [ ] (the "Executive"). Capitalized terms used herein without definition shall have the meanings assigned to them in the Employment Agreement, a copy of which is attached hereto.

SECTION 1. Mutual Release.

(a) General Waiver and Release. In consideration of their respective obligations under the Employment Agreement in connection with and following the Executive's termination of employment with the Company and its affiliates, and subject to the limitations set forth in Section 2 hereof, the Company, on the one hand, does hereby release and forever discharge the Executive, and the Executive, on the other hand, does hereby release and forever discharge the Company, its present, former and future shareholders, affiliates, direct and indirect parents, subsidiaries, successors, directors, officers, employees, agents, attorneys, heirs and assigns (the "Company Parties" and, together with the Executive, the "Released Parties"), from any and all claims, actions, causes of action, suits, costs, controversies, judgments, decrees, verdicts, damages, liabilities, attorneys' fees, covenants, contracts, and agreements that the Executive may have against the Company Parties or the Company Parties may have against the Executive, or in the future may possess based on events occurring during the term of the Executive's employment with the Company arising out of (i) the Executive's employment relationship with or service as an employee or officer of the Company and its affiliates or the termination of such relationship or service or (ii) any event, condition, circumstance or obligation that occurred, existed or arose on or prior to the date the Executive signs this Release, with respect to each other, including, but not limited to, any claims arising under Title VII of the Civil Rights Act of 1964, the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, the Civil Rights Act of 1866, the Civil Rights Act of 1991, the Employee Retirement Income Security Act of 1974, the Family Medical Leave Act of 1993, or any other federal or state or local law or any foreign jurisdiction, whether such claim arises under statute, common law or in equity, and whether or not any of the Released Parties are presently aware of the existence of such claim, damage, action or cause of action, suit or demand (collectively, including claims, actions and causes of action set forth in Section l(b) below, the "Claims"). The Executive and the Company Parties also do forever release, discharge and waive any right the Executive or the Company Parties may have to recover in any proceeding brought by any federal, state or local agency against the Company Parties and the Executive, respectively, to enforce any laws. Each of the parties hereto agrees that the value received or to be received in the future as described in the Employment Agreement shall be in full satisfaction of any and all claims, actions or causes of action for payment or other benefits of any kind that the Executive may have against the Company Parties and that the Company Parties may have against the Executive.

(b) ADEA Release. In further recognition of the above, the Executive hereby releases and forever discharges each of the Company Parties from any and all claims, actions and causes of action that he may have as of the date he signs and delivers to the Company this Release arising under the federal Age Discrimination in Employment Act of 1967, as amended, and the applicable rules and regulations promulgated thereunder ("ADEA").

SECTION 2. Limitations.

(a) No Impact on Obligations Under The Employment Agreement or the Shareholder Agreement. The releases contained herein do not, are not intended to and shall not be interpreted to serve as a release or waiver by the Executive or the Company Parties with respect to their respective rights and obligations set forth in the Employment Agreement or the Shareholder Agreement. In particular, and without limiting the generality of the preceding sentence, the Executive does not waive or release any claim he might now or in the future have to be paid or receive the payments and benefits provided for in Section 5.1 or Section 8 of the Employment Agreement, and the Company Parties do not waive or release any claim they might now or in the future have under Section 5.5 or Section 7 of the Employment Agreement or under the Shareholder Agreement.

(b) No Impact on Indemnification Rights. The releases contained herein do not, are not intended to and shall not be interpreted to serve as a release or waiver by the Executive with respect to any indemnification rights he may have and such indemnification rights shall not be effected, modified or extinguished by the Executive's execution of this Release.

SECTION 3. No Pending Litigation.

The Executive represents and agrees that he has not filed, and will not file, any action, complaint, charge, grievance or arbitration against any Company Party, except that such agreement shall not apply to any claim based on any matter which, pursuant to Section 2, is excluded from the scope of this Release. The Company hereby represents and agrees that no Company Party has filed, and no Company Party will file, any action, complaint, charge, grievance or arbitration against the Executive except that such agreement shall not apply to any claim based on any matter which, pursuant to Section 2, is excluded from the scope of this Release.

SECTION 4. Acknowledgment.

The Executive acknowledges and confirms that (i) he has been advised in writing by the Company in connection with his resignation to consult with an attorney of his choice prior to signing this Release and to have such attorney explain to him the terms of the Release, including, without limitation, the terms relating to his release of Claims arising under ADEA; (ii) he has read this Release carefully and completely and understands each of the terms hereof; and (iii) he was given not less than twenty-one (21) days to consider the terms of the Release and to consult with an attorney of his choosing with respect thereto, and that for a period of seven (7) days following his signing of this Agreement, he shall have the option to revoke this Agreement in accordance with the terms set forth in Section 6 below.

SECTION 5. Successors.

The rights and obligations under this Agreement shall inure to any and all successors of the Company.

SECTION 6 Revocation.

The Executive have the right to revoke this Release during the seven-day period commencing immediately following the date he signs and delivers this Agreement to the Company (the "Revocation Period"). The period shall expire at 5:00 p.m., Eastern [Standard] Time, on the last day of the seven-day period; provided, however, that if such seventh day is not a business day, the period shall extend to 5:00 p.m. on the next succeeding business day. In the event of any such revocation by the Executive, the obligations of the Company under this Release shall terminate and be of no further force and effect as of the date of such revocation. No such revocation by the Executive shall be effective unless it is in writing and signed by the Executive and received by a representative of the Company prior to the expiration of the Revocation Period.

SECTION 7. Counterparts.

This Release may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

YUASA, INC.

By: _____
Name:
Title:

ACCEPTED AND AGREED:

_____
[EXECUTIVE]
Address:

Dated:

EnerSys Inc.
PO Box 14145 2366 Bernville Rd
Reading, PA 19605
610-208-1991
email: www.enersysinc.com

www.enersysinc.com

June 27, 2002

Charles K. McManus
2155 Art School Road
Che3ster Springs PA 19425

Dear Charles:

With reference to your employment agreement (the ***"Employment Agreement")*** with EnerSys, Inc. (the ***"Company"),*** dated November 9, 2000, pursuant to which you are currently employed as Executive Vice President North America Reserve Power Business and World Wide Marketing of the Company, we confirm that effective as of March 22, 2002, your salary provided for in Section 3 of the Employment Agreement has been increased to $300,000.

Except as expressly set forth in the letter, the Employment Agreement shall remain in full force and effect.

ENERSYS INC.

By: /s/ John D. Craig
John D. Craig
Chairman, President & Chief Executive Officer

Accepted and Agreed:

/s/ Charles K. McManus
Charles K. McManus

Date: 7/15/02

Exhibit 10.5

EMPLOYMENT AGREEMENT dated as of November 9, 2000, between YUASA, INC., a Pennsylvania corporation (the "Company"), and JOHN A. SHEA (the "Executive").

WHEREAS, the Company desires to employ the Executive and to assure itself of the continued services of the Executive for the term of employment provided for in this Agreement, and the Executive desires to be employed by the Company for such period;

WHEREAS, both parties desire that the terms and conditions of the Executive's employment with the Company be governed by this Agreement;

NOW, THEREFORE, in consideration of the covenants and agreements hereinafter set forth, the parties hereto agree as follows:

1. EFFECTIVENESS OF AGREEMENT

1.1. General. This Agreement shall become effective as of November 9, 2000 (the "Effective Time").

2. EMPLOYMENT AND DUTIES

2.1. General. The Company hereby employs the Executive, and the Executive agrees to serve, as its Executive Vice President (Motive), upon the terms and conditions herein contained. The Executive shall perform such other duties and services for the Company and its subsidiaries, commensurate with the Executive's position, as may be designated from time to time by the Board. The Executive agrees to serve the Company faithfully and to the best of his ability under the direction of the Board and the Company's Chief Executive Officer.

2.2. Exclusive Services. Except as may otherwise be approved in advance by the Board, and except during vacation periods and reasonable periods of absence due to sickness, personal injury or other disability, the Executive shall devote his full working time throughout the Employment Term (as defined below) to the services required of him hereunder, provided, however, that this Section 2.2 shall not preclude the Executive from devoting time to civic and community activities or the management of personal investments so long as such activities do not interfere with the performance of his duties hereunder. The Executive shall render his services exclusively to the Company during the Employment Term, and shall use his best efforts, judgment and energy to improve and advance the business and interests of the Company in a manner consistent with the duties of his position.

2.3. Term of Employment. The term of the Executive's employment under this Agreement (the "Employment Term") shall commence at the Effective Time and initially shall

---

continue until the second anniversary of the Effective Time. Starting with the day following the Effective Time, the Employment Term shall be extended on a daily basis to continue until the second anniversary of the date of such extension, provided, however, that (i) the Company or the Executive may give the other notice that it does not wish to extend the Term beyond two years from the date of such notice, and (ii) unless the Company shall specify in writing to the contrary, the Term shall not extend past the Executive's sixty-fifth birthday, and provided, further, that nothing in this Section 2.3 shall limit the right of the Company to terminate the Executive's employment hereunder on the terms and conditions set forth in Section 5.

2.4. Reimbursement of Expenses. The Company shall reimburse the Executive for reasonable travel and other business expenses incurred by him in the fulfillment of his duties hereunder upon presentation by the Executive of an itemized account of such expenditures, in accordance with customary practice.

3. SALARY AND BONUS; BENEFITS.

3.1. Base Salary. From the Effective Time, the Executive shall be entitled to receive a base salary ("Base Salary") at a rate of $225,000 per annum, payable in arrears in equal installments in accordance with the Company's payroll practices.

3.2. Salary Adjustments. The Executive's Base Salary shall be annually reviewed by the Compensation Committee of the Company's Board of Directors (the "Committee") for upward adjustment based on, among other factors, the performance of the Company and the Executive. Any adjustments in Base Salary effected as a result of such review shall be made by the Committee in its sole discretion.

3.3. Bonus. After the Effective Time, the Board shall adopt an annual bonus plan ("Bonus Plan") upon which the annual bonus of the Executive shall be determined. Under the Bonus Plan, the Executive shall be eligible to receive an annual bonus ("Annual Bonus") of up to 60% of the Base Salary, based on the satisfaction of financial and other performance targets to be established by the Board and the Committee, prior to the commencement of each fiscal year with reference to the financial projections used to solicit the investment of Morgan Stanley Dean Witter Capital Partners IV, L.P (the "Investor") in the Company. The first Annual Bonus shall be paid in respect of the fiscal year of the Company ending March 31, 2001 ("Fiscal 2001") and shall consist of two components: (i) a component based on performance through the Effective Time (based on an aggregate accrual for all executives of the Company for performance through the Effective Time currently estimated to be $1.5 million, but the definitive amount of which will be determined by the Board following the Effective Time); and (ii) a component based on performance from the Effective Time through the end of Fiscal 2001.

---

4. BENEFITS

4.1. Employee Benefits. The Executive shall, during his employment under this Agreement, be included to the extent eligible thereunder in all employee benefit plans, programs or arrangements (including, without limitation, any plans, programs or arrangements providing for retirement benefits, profit sharing, disability benefits, health and life insurance, or paid holidays) that shall be established by the Company for, or made

available to, its senior executives generally. Such benefits shall be comparable in the aggregate to benefits provided to executive employees of Yuasa, Inc. immediately prior to the Effective Time.

4.2. Vacation. The Executive shall be entitled to four weeks of vacation per year in accordance with the Company's vacation policies.

5. TERMINATION OF EMPLOYMENT

5.1. Termination Without Cause; Resignation for Good Reason.

5.1.1. General. Subject to the provisions of Sections 5.1.2 and 5.1.3, if, prior to the expiration of the Employment Term, the Executive's employment is terminated by the Company without Cause (as defined below), or if the Executive terminates his employment hereunder for Good Reason (as defined below), the Company shall, subject to the Executive's execution of a general release of claims against the Company and its affiliates substantially in the form annexed hereto as Appendix A:

(a) For a period (the "Severance Period") equal to two years from the date of termination (provided, however, that (i) if the Executive has previously given the Company notice pursuant to Section 2.3 of his intention not to renew the Employment Term, or (ii) less than two years remain until the Executive's 65th birthday, the Severance Period shall be the period from the date of termination until the end of the Employment Term as in effect immediately prior to the Executive's termination or the date of the Executive's 65th birthday, as the case may be), the Company shall continue to pay the Executive the Base Salary (at the rate in effect on the date of such termination), at such intervals as the same would have been paid had the Executive remained in the active service of the Company;

(b) For the fiscal year in which such termination occurs (the "Termination Year") and for each whole fiscal year following the Termination Year included in the Severance Period, the Company shall pay the Executive an amount equal to the average of the Annual Bonus paid to the Executive for the two fiscal years preceding the Termination Year (including, if applicable, annual bonus earned prior to the Effective Time), which amount shall be payable at the time annual bonuses are paid to the Company's executives generally;

(c) For the partial fiscal year, if any, immediately preceding the end of the Severance Period, the Company shall pay the Executive a Pro Rata Portion (as defined in Section 5.6), through and including the last day of the Severance Period, of the amount provided for in paragraph (b) above for whole fiscal years included in the Severance Period. Such Pro Rata Portion shall be payable at the time annual bonuses are paid to the Company's executives generally but in any event no later than 75 days following the end of the fiscal year in which the Severance Period ends;

(d) During the Severance Period, the Executive and his beneficiaries shall remain eligible to participate, on the same terms and conditions as apply from time to time to the Company's senior executives generally, in all employee welfare benefit plans or programs (including health, disability and life insurance programs, but excluding any vacation and severance programs), provided, however, that such eligibility shall cease at such time as the Executive becomes eligible to participate in comparable programs of a subsequent employer, and provided, further, that the Company shall have no obligation to continue to maintain during the Severance Period any plan or program, solely as a result of the provisions of this Agreement. If the Executive is precluded from participating in any such plan or program by its terms or applicable law, the Company shall provide the Executive with benefits that are reasonably equivalent to those that the Executive would have received under such plan or program had he been eligible to participate therein.

The Executive shall have no further right to receive any other compensation or benefits after his termination or resignation of employment, except as determined in accordance with the terms of the employee benefit plans or programs of the Company, including without limitation the Yuasa Holdings Inc. Management Equity Plan (the "MEP").

5.1.2. Conditions Applicable to the Severance Period. If, during the Severance Period, the Executive breaches any of his obligations under Section 7, the Company may, upon written notice to the Executive, terminate the Severance Period and cease to make any further payments described in Section 5.1.1.

5.1.3. Death During Severance Period. In the event of the Executive's death during the Severance Period, payments of Base Salary under Section 5.1.1 shall continue to be made during the remainder of the Severance Period, and any amounts under clauses (b) and (c) of Section 5.1.1 shall be paid on the terms set forth therein, to the beneficiary designated in writing for this purpose by the Executive or, if no such beneficiary is specifically designated, to the Executive's estate.

5.1.4. Date of Termination. The date of termination of employment without Cause shall be the date specified in a written notice of termination to the Executive. The date of resignation for Good Reason shall be the date specified in the written notice of resignation from the Executive to the Company; provided, however, that no such written notice shall be effective unless and until the cure period specified in Section 5.4 has expired without the Company having

corrected, in all material respects, the event or events subject to cure. If no date of resignation is specified in the written notice from the Executive to the Company, the date of termination shall be the first day following the expiration of such cure period.

5.2. Termination for Cause; Resignation Without Good Reason.

5.2.1. General. If, prior to the expiration of the Employment Term, the Executive's employment is terminated by the Company for Cause, or the Executive resigns from his employment hereunder other than for Good Reason, the Executive shall be entitled only to payment of his Base Salary as then in effect through and including the date of termination or resignation. The Executive shall have no further right to receive any other compensation or benefits after such termination or resignation of employment except as determined in accordance with the terms of the employee benefit plans or programs of the Company, including without limitation the MEP. In particular, and without limiting the generality of the preceding sentence, the Executive shall not have any right to any portion of an Annual Bonus for the Termination Year.

5.2.2. Date of Termination. Subject to the proviso to Section 5.3, the date of termination for Cause shall be the date specified in a written notice of termination to the Executive. The date of the Executive's resignation without Good Reason shall be the date specified in the written notice of resignation from the Executive to the Company, or if no date is specified therein, ten business days after receipt by the Company of written notice of resignation from the Executive.

5.3. Cause. Termination for "Cause" shall mean termination of the Executive's employment because of any of the following:

(a) commission of any felony or other crime involving moral turpitude;

(b) knowing and intentional fraud;

(c) any act or omission that is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or any of its subsidiaries or affiliates, unless the Executive believed in good faith that he was acting in the best interests of the Company and its subsidiaries and affiliates; or

(d) willful and continued failure or refusal of the Executive to substantially perform the duties required of him as an employee of the Company, or the Executive's failure to follow the lawful written instructions of the Board or the Company's Chief Executive Officer, in any case other than by reason of physical or mental incapacity;

provided, however, that if any such Cause relates to the Executive's obligations under this Agreement, the Company may not terminate the Executive's employment hereunder unless the Company first gives the Executive notice of its intention to terminate and of the grounds for such

termination within 90 days of such event, and the Executive has not, within 20 days following receipt of such notice, cured such Cause to the reasonable satisfaction of the Company.

5.4. Good Reason. For purposes of this Agreement, "Good Reason" shall mean any of the following (without the Executive's prior written consent):

(a) any decrease by the Board in the Executive's rate of Base Salary;

(b) a material diminution of the authority, responsibilities or positions of the Executive from those set forth in Section 2.1;

(c) the Company's requiring the Executive to be based at any office or location more than 50 miles from the Reading, Pennsylvania area; or

(d) the Company's giving notice to the Executive pursuant to Section 2.3 of its intention to discontinue the automatic extension of the Employment Term;

provided, however, that none of the foregoing events or conditions shall constitute Good Reason unless (i) the Executive gives the Company written notice of his objection to such event or condition within 90 days of the occurrence of such event or condition, (ii) the Company does not correct or cure such event or condition within 20 days of its receipt of such notice, and (iii) the Executive resigns his employment with the Company not more than 30 days following the expiration of the 20-day period described in the foregoing clause (ii).

5.5. Mitigation and Offset. The Executive shall not be required to mitigate the amount of any payment provided for in Section 5.1 by seeking other employment, but the amount of any payment provided for in Section 5.1 (other than any amount that had accrued through the Executive's date of termination) shall be reduced (but not below zero) by (i) any compensation earned (including any amounts deferred) and (ii) any appreciation realized or accrued on equity or equity-linked securities by the Executive, in both such cases as a result of providing services (whether as an employee, consultant, advisor, independent contractor, founder, partner, shareholder, option holder, warrant holder, or board member or in any other capacity) to any party or entity during the Severance Period. The Executive shall promptly notify the Company in writing of any such arrangement during the Severance Period and will cooperate fully with the Company in determining the amount of any reduction to amounts otherwise payable under Section 5.1.

5.6 Pro Rata Amounts. Whenever this Agreement calls for payment of a "Pro Rata Portion" of a referenced amount, such pro rata amount shall be calculated on the basis of (I) the number of days in the partial fiscal year up to and including the day as of which the amount is to be calculated, divided by (II) 365.

5.7 Stock Options. For purposes of this Section 5.7, capitalized terms used without definition shall have the meanings provided therefore in the MEP. Notwithstanding any provision to the contrary in the MEP, the references in Section 8(a)(iv)(A) and Section 8(a)(iv)(B) of the MEP to the 60th day following the date of the Executive's termination of

employment, and to the 60th day following the date on which Yuasa Holdings Inc. notifies the Executive that certain conditions to the exercise of Vested Options have been satisfied, are in each case amended and shall be understood as references to the first anniversary of the Executive's termination of

employment and first anniversary of the date such notification is given to the Executive, respectively.

6. DEATH OR DISABILITY

6.1. Death. In the event of termination of employment by reason of death, the Executive (or his estate, as applicable) shall be entitled (i) to Base Salary through the date of termination and for one year thereafter and (ii) a Pro Rata Portion (through and including the date of death) of the Annual Bonus to which the Executive would have been entitled for the Termination Year pursuant to Section 3.3 had the Executive remained employed for the entire year, which bonus shall be payable at the time annual bonuses are paid to the Company's executives generally. Other benefits shall be determined in accordance with the terms of the benefit plans maintained by the Company, and the Company shall have no further obligation hereunder.

6.2. Disability. In the event of termination of employment by reason of Disability, the Executive shall be entitled (i) to Base Salary through the date as of which the Executive starts to receive benefits under the long-term disability program of the Company or its subsidiaries and affiliates applicable to him (but in no event beyond the end of the Employment Term as in effect immediately prior to termination of the Executive's employment) and (ii) a Pro Rata Portion (through and including the date of Disability) of the Annual Bonus to which the Executive would have been entitled for the Termination Year pursuant to Section 3.3 had the Executive remained employed for the entire year, which bonus shall be payable at the time annual bonuses are paid to the Company's executives generally. Other benefits shall be determined in accordance with the terms of the benefit plans maintained by the Company, and the Company shall have no further obligation hereunder.

6.3. For purposes of this Agreement, "Disability" means a physical or mental disability or infirmity of the Executive, as determined by a physician of recognized standing selected by the Company, that prevents (or, in the opinion of such physician, is reasonably expected to prevent) the normal performance of his duties as an employee of the Company for any continuous period of 180 days, or for 180 days during any one 12-month period.

7. PROTECTION OF THE COMPANY'S INTERESTS

7.1. Confidentiality. The Executive agrees with the Company that he will not at any time, except in performance of his obligations to the Company hereunder or with the prior written consent of the Company, directly or indirectly, reveal to any person, entity or other organization (other than the Company, or its employees, officers, directors, shareholders or agents) or use for his own benefit any information deemed to be confidential by the Company or any of its subsidiaries or affiliates (such subsidiaries and affiliates, collectively "Affiliates") ("Confidential Information") relating to the assets, liabilities, employees, goodwill, business or

affairs of the Company or any of its Affiliates, including, without limitation, any information concerning past, present or prospective customers, manufacturing processes, marketing, operating or financial data, or other confidential information used by, or useful to, the Company or any of its Affiliates and known (whether or not known with the knowledge and permission of the Company or any of its Affiliates and whether or not at any time prior to the Effective Time developed, devised, or otherwise created in whole or in part by the efforts of the Executive) to the Executive by reason of his employment by, shareholdings in or other association with the Company or any of its Affiliates. The Executive further agrees that he will retain all copies and extracts of any written Confidential Information acquired or developed by him during any such employment, shareholding or association in trust for the sole benefit of the Company, its Affiliates and their successors and assigns. The Executive further agrees that he will not, without the prior written consent of the Company, remove or take from the Company's or any of its Affiliate's premises (or if previously removed or taken, he will promptly return) any written Confidential Information or any copies or extracts thereof. Upon the request and at the expense of the Company, the Executive shall promptly make all disclosures, execute all instruments and papers and perform all acts reasonably necessary to vest and confirm in the Company and its Affiliates, fully and completely, all rights created or contemplated by this Section 7.1. The term "Confidential Information" shall not include information that is or becomes generally available to the public other than as a result of a disclosure by, or at the direction of, the Executive. The Executive's agreements set forth in this Section 7.1 regarding Confidential Information are independent of, and in addition to, his agreements set forth in the rest of the Section 7 and shall not be construed either to enlarge or to contract the scope of such other agreements.

7.2. Covenant Not to Compete; Nonsolicitation.

The covenants of this Section 7.2 shall apply for so long as the Executive is employed by the Company or any of its Subsidiaries and continuing for a period (the "Restricted Period") equal to two years following the termination of such employment for any reason, provided, however, that the Restricted Period shall be extended by a period of time equal to any period during which the Executive shall be in breach of any of such covenants, and provided, further, that in the event the Executive's employment with the Company is terminated by the Company under circumstances in which the Executive is not entitled to any severance benefits, the Board may in its discretion elect to waive the covenants of this Section 7.2 in whole or in part, but only if such waiver is authorized by a written resolution approved by the Board and supported by at least one of the Investor's representatives on the Board.

7.2.1. Competing Business. The Executive agrees with the Company that, for so long as the Executive is employed by the Company or any of its Subsidiaries and continuing for the Restricted Period, he will not, without the prior written consent of the Company, directly or indirectly, and whether as principal or investor or as an employee, officer, director, manager, partner, consultant, agent or otherwise, alone or in association with any other person, firm, corporation or other business organization, become involved in a Competing Business (as hereinafter defined) in any geographic area in which the Company or any of its Affiliates has engaged during such period in a Competing Business, or in which the Executive has knowledge of the Company's plans to engage in a Competing Business (including, without limitation, any area in which any customer of the Company or any of its Affiliates may be located). This

Section 7.2.1 shall not be violated, however, by the Executive's investment of up to $100,000 in the aggregate in one or several publicly-traded companies that engage in a Competing Business.

7.2.2. Solicitations. As a separate and independent covenant, the Executive agrees with the Company that, for so long as the Executive is employed by the Company or any of its Subsidiaries and continuing for the Restricted Period, he will not in any way, directly or indirectly (except in the course of his employment with the Company and its Subsidiaries), for the purpose of conducting or engaging in any Competing Business, call upon, solicit,

advise or otherwise do, or attempt to do, business with any person who is, or was, during the then most recent 12-month period, a customer of the Company or any of its Affiliates, or take away or interfere or attempt to take away or interfere with any custom, trade, business, patronage or affairs of the Company or any of its Affiliates, or hire or attempt to hire any person who is, or was during the then most recent 12-month period, an employee, officer, representative or agent of the Company or any of its Affiliates, or solicit, induce, or attempt to solicit or induce any person who is an employee, officer, representative or agent of the Company or any of its Affiliates to leave the employ of the Company or any of its Affiliates, or violate the terms of their contracts, or any employment arrangements, with it.

7.2.3. Competing Business. For purposes of this Section 7.2, a "Competing Business" means a business or enterprise (other than the Company and its direct or indirect subsidiaries) that is engaged in any or all of the manufacture, importing, development, distribution, marketing or sale of:

(a) motive power batteries and chargers (including without limitation batteries and chargers for industrial forklift trucks and other materials handling equipment); and/or

(b) stationary batteries and chargers (including without limitation standby batteries and power supply equipment for wireless and wireline telecommunications applications, such as central telephone exchanges, microwave relay stations, and switchgear and other instrumentation control systems); and/or

(c) any other product the Company now makes or is presently researching or developing, such as lithium batteries.

"Competing Business" also includes the design, engineering, installation or service of stationary and DC power systems, and any consulting and/or turnkey services relating thereto.

7.3. Exclusive Property. The Executive confirms that all confidential information is and shall remain the exclusive property of the Company and its Affiliates. All business records, papers and documents kept or made by the Executive relating to the business of the Company shall be and remain the property of the Company and its Affiliates.

7.4. Certain Remedies. Without intending to limit the remedies available to the Company and its Affiliates, the Executive agrees that a breach of any of the covenants contained in this Section 7 may result in material and irreparable injury to the Company or its Affiliates for which there is no adequate remedy at law, that it will not be possible to measure

damages for such injuries precisely and that, in the event of such a breach or threat thereof, the Company and its Affiliates shall be entitled to seek a temporary restraining order or a preliminary or permanent injunction, or both, without bond or other security, restraining the Executive from engaging in activities prohibited by this Section 7 or such other relief as may be required specifically to enforce any of the covenants in this Section 7. Such injunctive relief in any court shall be available to the Company and its Affiliates in lieu of, or prior to or pending determination in, any arbitration proceeding.

8. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

8.1. Gross-Up Payment. In the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 8) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (such excise tax being referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

8.2. Gross-Up Payment Calculation. Subject to the provisions of Section 8.3, all determinations required to be made under this Section 8, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's independent certified public accountants (the "Accounting Firm"). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 8, shall be paid by the Company to Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 8.3 and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of Executive.

8.3. Claim by the IRS. The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprize the Company of the nature of such claim and the date on which such claim is requested

to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which he gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 8.3, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and provided, further, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

8.4. Entitlement to Refund. If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 8.3, the Executive becomes entitled to receive any

refund with respect to such claim, the Executive shall promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 8.3, a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

9. ARBITRATION

Subject to Section 7.4, any dispute or controversy arising under or in connection with this Agreement that cannot be mutually resolved by the parties hereto shall be settled exclusively by arbitration in New York City before one arbitrator of exemplary qualifications and stature, who shall be selected jointly by the Company and the Executive, or, if the Company and the Executive cannot agree on the selection of the arbitrator, shall be selected by the American Arbitration Association. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The parties hereby agree that the arbitrator shall be empowered to enter an equitable decree mandating specific enforcement of the terms of this Agreement. Each party shall bear its own costs, including legal fees and out-of-pocket expenses, incurred in connection with any arbitration, and the party that prevails shall bear all expenses of the arbitrator.

10. MISCELLANEOUS

10.1. Communications. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered or on the fifth business day after mailed if delivered personally or mailed by registered or certified mail (postage prepaid, return receipt requested) to the party at the following addresses (or at such other address for a party as shall be specified by like notice, except that notices of changes of address shall be effective upon receipt):

(a) if to the Company:

Yuasa, Inc.
P.O. Box 14145
2366 Bernville Road
Reading, PA 19612-4145
Attention: Chief Executive Officer

with copies to:

Morgan Stanley Dean Witter Capital Partners
1221 Avenue of the Americas
New York, NY 10020
Attention: Howard I. Hoffen and Eric T. Fry

Shearman & Sterling
599 Lexington Avenue
New York, NY 10022
Attention: George Spera, Esq.

(b) if to the Executive: at the address for the Executive indicated on the signature page hereof.

10.2. Waiver of Breach; Severability. (a) The waiver by the Executive or the Company of a breach of any provision of this Agreement by the other party hereto shall not operate or be construed as a waiver of any subsequent breach by either party.

(b) The parties hereto recognize that the laws and public policies of various jurisdictions may differ as to the validity and enforceability of covenants similar to those set forth herein. It is the intention of the parties that the provisions hereof be enforced to the fullest extent permissible under the laws and policies of each jurisdiction in which enforcement may be sought, and that the unenforceability (or the modification to conform to such laws or policies) of any provisions hereof shall not render unenforceable, or impair, the remainder of the provisions hereof. Accordingly, if at the time of enforcement of any provision hereof, a court of competent jurisdiction holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope, or geographic area reasonable under such circumstances will be substituted for the stated period, scope or geographical area and that such court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and geographical area permitted by law.

10.3. Assignment; Successors. No right, benefit or interest hereunder shall be assigned, encumbered, charged, pledged, hypothecated or be subject to any setoff or recoupment by the Executive. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Company.

10.4. Entire Agreement. This Agreement represents the entire agreement of the parties and shall supersede any and all previous contracts, arrangements or understandings between the Company and the Executive relating to the Executive's employment or the consequences of a termination of such employment. This Agreement may be amended at any time by mutual written agreement of the parties hereto.

10.5. Other Severance Benefits. The Executive hereby agrees that in consideration for the payments to be received under this Agreement, the Executive waives any and all rights to any payments or benefits under any severance plans, programs, contracts or arrangements of the Company or any of its Affiliates.

10.6. Withholding. The payment of any amount pursuant to this Agreement shall be subject to applicable withholding and payroll taxes, and such other deductions as may be required under the Company's employee benefit plans, if any.

10.7. Governing Law. This Agreement shall be governed by, and construed with, the law of the State of New York.

10.8. Headings. The headings in this Agreement are for convenience only and shall not be used to interpret or construe any of its provisions.

10.9. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed and the Executive has hereunto set his hand, as of the day and year first above written.

YUASA, INC.

By: /s/ John D. Craig
Name:
Title: C.E.O.

/s/ John A. Shea
JOHN A. SHEA
Address:

YUASA HOLDINGS INC. (as to Section 5.7)

By: /s/ John D. Craig
Name:
Title: C.E.O.

APPENDIX A

Form of General Release

APPENDIX A

FORM OF GENERAL RELEASE

Reference is made to the Employment Agreement dated as of November 9, 2000 (the "Employment Agreement"), between YUASA, INC., a Pennsylvania corporation (the "Company") and [ ] (the "Executive"). Capitalized terms used herein without definition shall have the meanings assigned to them in the Employment Agreement, a copy of which is attached hereto.

SECTION 1. Mutual Release.

(a) General Waiver and Release. In consideration of their respective obligations under the Employment Agreement in connection with and following the Executive's termination of employment with the Company and its affiliates, and subject to the limitations set forth in Section 2 hereof, the Company, on the one hand, does hereby release and forever discharge the Executive, and the Executive, on the other hand, does hereby release and forever discharge the Company, its present, former and future shareholders, affiliates, direct and indirect parents, subsidiaries, successors, directors, officers, employees, agents, attorneys, heirs and assigns (the "Company Parties" and, together with the Executive, the "Released Parties"), from any and all claims, actions, causes of action, suits, costs, controversies, judgments, decrees, verdicts, damages, liabilities, attorneys' fees, covenants, contracts, and agreements that the Executive may have against the Company Parties or the Company Parties may have against the Executive, or in the future may possess based on events occurring during the term of the Executive's employment with the Company arising out of (i) the Executive's employment relationship with or service as an employee or officer of the Company and its affiliates or the termination of such relationship or service or (ii) any event, condition, circumstance or obligation that occurred, existed or arose on or prior to the date the Executive signs this Release, with respect to each other, including, but not limited to, any claims arising under Title VII of the Civil Rights Act of 1964, the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, the Civil Rights Act of 1866, the Civil Rights Act of 1991, the Employee Retirement Income Security Act of 1974, the Family Medical Leave Act of 1993, or any other federal or state or local law or any foreign jurisdiction, whether such claim arises under statute, common law or in equity, and whether or not any of the Released Parties are presently aware of the existence of such claim, damage, action or cause of action, suit or demand (collectively, including claims, actions and causes of action set forth in Section l(b) below, the "Claims"). The Executive and the Company Parties also do forever release, discharge and waive any right the Executive or the Company Parties may have to recover in any proceeding brought by any federal, state or local agency against the Company Parties and the Executive, respectively, to enforce any laws. Each of the parties hereto agrees that the value received or to be received in the future as described in the Employment Agreement shall be in full satisfaction of any and all claims, actions or causes of action for payment or other benefits of any kind that the Executive may have against the Company Parties and that the Company Parties may have against the Executive.

(b) ADEA Release. In further recognition of the above, the Executive hereby releases and forever discharges each of the Company Parties from any and all claims, actions and causes of action that he may have as of the date he signs and delivers to the Company this Release arising under the federal Age Discrimination in Employment Act of 1967, as amended, and the applicable rules and regulations promulgated thereunder ("ADEA").

SECTION 2. Limitations.

(a) No Impact on Obligations Under The Employment Agreement or the Shareholder Agreement. The releases contained herein do not, are not intended to and shall not be interpreted to serve as a release or waiver by the Executive or the Company Parties with respect to their respective rights and obligations set forth in the Employment Agreement or the Shareholder Agreement. In particular, and without limiting the generality of the preceding sentence, the Executive does not waive or release any claim he might now or in the future have to be paid or receive the payments and benefits provided for in Section 5.1 or Section 8 of the Employment Agreement, and the Company Parties do not waive or release any claim they might now or in the future have under Section 5.5 or Section 7 of the Employment Agreement or under the Shareholder Agreement.

(b) No Impact on Indemnification Rights. The releases contained herein do not, are not intended to and shall not be interpreted to serve as a release or waiver by the Executive with respect to any indemnification rights he may have and such indemnification rights shall not be effected, modified or extinguished by the Executive's execution of this Release.

SECTION 3. No Pending Litigation.

The Executive represents and agrees that he has not filed, and will not file, any action, complaint, charge, grievance or arbitration against any Company Party, except that such agreement shall not apply to any claim based on any matter which, pursuant to Section 2, is excluded from the scope of this Release. The Company hereby represents and agrees that no Company Party has filed, and no Company Party will file, any action, complaint, charge, grievance or arbitration against the Executive except that such agreement shall not apply to any claim based on any matter which, pursuant to Section 2, is excluded from the scope of this Release.

SECTION 4. Acknowledgment.

The Executive acknowledges and confirms that (i) he has been advised in writing by the Company in connection with his resignation to consult with an attorney of his choice prior to signing this Release and to have such attorney explain to him the terms of the Release, including, without limitation, the terms relating to his release of Claims arising under ADEA; (ii) he has read this Release carefully and completely and understands each of the terms hereof; and (iii) he was given not less than twenty-one (21) days to consider the terms of the Release and to consult with an attorney of his choosing with respect thereto, and that for a period of seven (7) days following his signing of this Agreement, he shall have the option to revoke this Agreement in accordance with the terms set forth in Section 6 below.

SECTION 5. Successors.

The rights and obligations under this Agreement shall inure to any and all successors of the Company.

SECTION 6 Revocation.

The Executive have the right to revoke this Release during the seven-day period commencing immediately following the date he signs and delivers this Agreement to the Company (the "Revocation Period"). The period shall expire at 5:00 p.m., Eastern [Standard] Time, on the last day of the seven-day period; provided, however, that if such seventh day is not a business day, the period shall extend to 5:00 p.m. on the next succeeding business day. In the event of any such revocation by the Executive, the obligations of the Company under this Release shall terminate and be of no further force and effect as of the date of such revocation. No such revocation by the Executive shall be effective unless it is in writing and signed by the Executive and received by a representative of the Company prior to the expiration of the Revocation Period.

SECTION 7. Counterparts.

This Release may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

YUASA, INC.

By: _____
Name:
Title:

ACCEPTED AND AGREED:

_____
[EXECUTIVE]
Address:

Dated:

EnerSys Inc.
PO Box 14145 2366 Bernville Rd
Reading, PA 19605
610-208-1991
email: www.enersysinc.com

www.enersysinc.com

June 27, 2002

John A. Shea
1016 Hilltop Road
Leesport PA 19533

Dear John:

With reference to your employment agreement (the ***"Employment Agreement"***) with EnerSys, Inc. (the ***"Company"***), dated November 9, 2000, pursuant to which you are currently employed as Executive Vice President North America Motive Power Business of the Company, we confirm that effective as of March 22, 2002, your salary provided for in Section 3 of the Employment Agreement has been increased to $300,000.

Except as expressly set forth in the letter, the Employment Agreement shall remain in full force and effect.

ENERSYS INC.

By: /s/ John D. Craig
John D. Craig
Chairman, President & Chief Executive Officer

Accepted and Agreed:

/s/ John A. Shea
John A. Shea

Date:

Exhibit 10.6

EMPLOYMENT AGREEMENT dated as of November 9, 2000, between YUASA, INC., a Pennsylvania corporation (the "Company"), and RICHARD W. ZUIDEMA (the "Executive").

WHEREAS, the Company desires to employ the Executive and to assure itself of the continued services of the Executive for the term of employment provided for in this Agreement, and the Executive desires to be employed by the Company for such period;

WHEREAS, both parties desire that the terms and conditions of the Executive's employment with the Company be governed by this Agreement;

NOW, THEREFORE, in consideration of the covenants and agreements hereinafter set forth, the parties hereto agree as follows:

1. EFFECTIVENESS OF AGREEMENT

1.1. General. This Agreement shall become effective as of November 9, 2000 (the "Effective Time").

2. EMPLOYMENT AND DUTIES

2.1. General. The Company hereby employs the Executive, and the Executive agrees to serve, as its Executive Vice President and Chief Administrative Officer, upon the terms and conditions herein contained. The Executive shall perform such other duties and services for the Company and its subsidiaries, commensurate with the Executive's position, as may be designated from time to time by the Board. The Executive agrees to serve the Company faithfully and to the best of his ability under the direction of the Board and the Company's Chief Executive Officer.

2.2. Exclusive Services. Except as may otherwise be approved in advance by the Board, and except during vacation periods and reasonable periods of absence due to sickness, personal injury or other disability, the Executive shall devote his full working time throughout the Employment Term (as defined below) to the services required of him hereunder, provided, however, that this Section 2.2 shall not preclude the Executive from devoting time to civic and community activities or the management of personal investments so long as such activities do not interfere with the performance of his duties hereunder. The Executive shall render his services exclusively to the Company during the Employment Term, and shall use his best efforts, judgment and energy to improve and advance the business and interests of the Company in a manner consistent with the duties of his position.

2.3. Term of Employment. The term of the Executive's employment under this Agreement (the "Employment Term") shall commence at the Effective Time and initially shall

---

continue until the second anniversary of the Effective Time. Starting with the day following the Effective Time, the Employment Term shall be extended on a daily basis to continue until the second anniversary of the date of such extension, provided, however, that (i) the Company or the Executive may give the other notice that it does not wish to extend the Term beyond two years from the date of such notice, and (ii) unless the Company shall specify in writing to the contrary, the Term shall not extend past the Executive's sixty-fifth birthday, and provided, further, that nothing in this Section 2.3 shall limit the right of the Company to terminate the Executive's employment hereunder on the terms and conditions set forth in Section 5.

2.4. Reimbursement of Expenses. The Company shall reimburse the Executive for reasonable travel and other business expenses incurred by him in the fulfillment of his duties hereunder upon presentation by the Executive of an itemized account of such expenditures, in accordance with customary practice.

3. SALARY AND BONUS; BENEFITS.

3.1. Base Salary. From the Effective Time, the Executive shall be entitled to receive a base salary ("Base Salary") at a rate of $225,000 per annum, payable in arrears in equal installments in accordance with the Company's payroll practices.

3.2. Salary Adjustments. The Executive's Base Salary shall be annually reviewed by the Compensation Committee of the Company's Board of Directors (the "Committee") for upward adjustment based on, among other factors, the performance of the Company and the Executive. Any adjustments in Base Salary effected as a result of such review shall be made by the Committee in its sole discretion.

3.3. Bonus. After the Effective Time, the Board shall adopt an annual bonus plan ("Bonus Plan") upon which the annual bonus of the Executive shall be determined. Under the Bonus Plan, the Executive shall be eligible to receive an annual bonus ("Annual Bonus") of up to 60% of the Base Salary, based on the satisfaction of financial and other performance targets to be established by the Board and the Committee, prior to the commencement of each fiscal year with reference to the financial projections used to solicit the investment of Morgan Stanley Dean Witter Capital Partners IV, L.P (the "Investor") in the Company. The first Annual Bonus shall be paid in respect of the fiscal year of the Company ending March 31, 2001 ("Fiscal 2001") and shall consist of two components: (i) a component based on performance through the Effective Time (based on an aggregate accrual for all executives of the Company for performance through the Effective Time currently estimated to be $1.5 million, but the definitive amount of which will be determined by the Board following the Effective Time); and (ii) a component based on performance from the Effective Time through the end of Fiscal 2001.

---

4. BENEFITS

4.1. Employee Benefits. The Executive shall, during his employment under this Agreement, be included to the extent eligible thereunder in all employee benefit plans, programs or arrangements (including, without limitation, any plans, programs or arrangements providing for retirement benefits, profit sharing, disability benefits, health and life insurance, or paid holidays) that shall be established by the Company for, or made

available to, its senior executives generally. Such benefits shall be comparable in the aggregate to benefits provided to executive employees of Yuasa, Inc. immediately prior to the Effective Time.

4.2. Vacation. The Executive shall be entitled to four weeks of vacation per year in accordance with the Company's vacation policies.

5. TERMINATION OF EMPLOYMENT

5.1. Termination Without Cause; Resignation for Good Reason.

5.1.1. General. Subject to the provisions of Sections 5.1.2 and 5.1.3, if, prior to the expiration of the Employment Term, the Executive's employment is terminated by the Company without Cause (as defined below), or if the Executive terminates his employment hereunder for Good Reason (as defined below), the Company shall, subject to the Executive's execution of a general release of claims against the Company and its affiliates substantially in the form annexed hereto as Appendix A:

(a) For a period (the "Severance Period") equal to two years from the date of termination (provided, however, that (i) if the Executive has previously given the Company notice pursuant to Section 2.3 of his intention not to renew the Employment Term, or (ii) less than two years remain until the Executive's 65th birthday, the Severance Period shall be the period from the date of termination until the end of the Employment Term as in effect immediately prior to the Executive's termination or the date of the Executive's 65th birthday, as the case may be), the Company shall continue to pay the Executive the Base Salary (at the rate in effect on the date of such termination), at such intervals as the same would have been paid had the Executive remained in the active service of the Company;

(b) For the fiscal year in which such termination occurs (the "TerminationYear") and for each whole fiscal year following the Termination Year included in the Severance Period, the Company shall pay the Executive an amount equal to the average of the Annual Bonus paid to the Executive for the two fiscal years preceding the Termination Year (including, if applicable, annual bonus earned prior to the Effective Time), which amount shall be payable at the time annual bonuses are paid to the Company's executives generally;

(c) For the partial fiscal year, if any, immediately preceding the end of the Severance Period, the Company shall pay the Executive a Pro Rata Portion (as defined in Section 5.6), through and including the last day of the Severance Period, of the amount provided for in paragraph (b) above for whole fiscal years included in the Severance Period. Such Pro Rata Portion shall be payable at the time annual bonuses are paid to the Company's executives generally but in any event no later than 75 days following the end of the fiscal year in which the Severance Period ends;

(d) During the Severance Period, the Executive and his beneficiaries shall remain eligible to participate, on the same terms and conditions as apply from time to time to the Company's senior executives generally, in all employee welfare benefit plans or programs (including health, disability and life insurance programs, but excluding any vacation and severance programs), provided, however, that such eligibility shall cease at such time as the Executive becomes eligible to participate in comparable programs of a subsequent employer, and provided, further, that the Company shall have no obligation to continue to maintain during the Severance Period any plan or program, solely as a result of the provisions of this Agreement. If the Executive is precluded from participating in any such plan or program by its terms or applicable law, the Company shall provide the Executive with benefits that are reasonably equivalent to those that the Executive would have received under such plan or program had he been eligible to participate therein.

The Executive shall have no further right to receive any other compensation or benefits after his termination or resignation of employment, except as determined in accordance with the terms of the employee benefit plans or programs of the Company, including without limitation the Yuasa Holdings Inc. Management Equity Plan (the "MEP").

5.1.2. Conditions Applicable to the Severance Period. If, during the Severance Period, the Executive breaches any of his obligations under Section 7, the Company may, upon written notice to the Executive, terminate the Severance Period and cease to make any further payments described in Section 5.1.1.

5.1.3. Death During Severance Period. In the event of the Executive's death during the Severance Period, payments of Base Salary under Section 5.1.1 shall continue to be made during the remainder of the Severance Period, and any amounts under clauses (b) and (c) of Section 5.1.1 shall be paid on the terms set forth therein, to the beneficiary designated in writing for this purpose by the Executive or, if no such beneficiary is specifically designated, to the Executive's estate.

5.1.4. Date of Termination. The date of termination of employment without Cause shall be the date specified in a written notice of termination to the Executive. The date of resignation for Good Reason shall be the date specified in the written notice of resignation from the Executive to the Company; provided, however, that no such written notice shall be effective unless and until the cure period specified in Section 5.4 has expired without the Company having

corrected, in all material respects, the event or events subject to cure. If no date of resignation is specified in the written notice from the Executive to the Company, the date of termination shall be the first day following the expiration of such cure period.

5.2. Termination for Cause; Resignation Without Good Reason.

5.2.1. General. If, prior to the expiration of the Employment Term, the Executive's employment is terminated by the Company for Cause, or the Executive resigns from his employment hereunder other than for Good Reason, the Executive shall be entitled only to payment of his Base Salary as then in effect through and including the date of termination or resignation. The Executive shall have no further right to receive any other compensation or benefits after such termination or resignation of employment except as determined in accordance with the terms of the employee benefit plans or programs of the Company, including without limitation the MEP. In particular, and without limiting the generality of the preceding sentence, the Executive shall not have any right to any portion of an Annual Bonus for the Termination Year.

5.2.2. Date of Termination. Subject to the proviso to Section 5.3, the date of termination for Cause shall be the date specified in a written notice of termination to the Executive. The date of the Executive's resignation without Good Reason shall be the date specified in the written notice of resignation from the Executive to the Company, or if no date is specified therein, ten business days after receipt by the Company of written notice of resignation from the Executive.

5.3. Cause. Termination for "Cause" shall mean termination of the Executive's employment because of any of the following:

(a) commission of any felony or other crime involving moral turpitude;

(b) knowing and intentional fraud;

(c) any act or omission that is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or any of its subsidiaries or affiliates, unless the Executive believed in good faith that he was acting in the best interests of the Company and its subsidiaries and affiliates; or

(d) willful and continued failure or refusal of the Executive to substantially perform the duties required of him as an employee of the Company, or the Executive's failure to follow the lawful written instructions of the Board or the Company's Chief Executive Officer, in any case other than by reason of physical or mental incapacity;

provided, however, that if any such Cause relates to the Executive's obligations under this Agreement, the Company may not terminate the Executive's employment hereunder unless the Company first gives the Executive notice of its intention to terminate and of the grounds for such

termination within 90 days of such event, and the Executive has not, within 20 days following receipt of such notice, cured such Cause to the reasonable satisfaction of the Company.

5.4. Good Reason. For purposes of this Agreement, "Good Reason" shall mean any of the following (without the Executive's prior written consent):

(a) any decrease by the Board in the Executive's rate of Base Salary;

(b) a material diminution of the authority, responsibilities or positions of the Executive from those set forth in Section 2.1;

(c) the Company's requiring the Executive to be based at any office or location more than 50 miles from the Reading, Pennsylvania area; or

(d) the Company's giving notice to the Executive pursuant to Section 2.3 of its intention to discontinue the automatic extension of the Employment Term;

provided, however, that none of the foregoing events or conditions shall constitute Good Reason unless (i) the Executive gives the Company written notice of his objection to such event or condition within 90 days of the occurrence of such event or condition, (ii) the Company does not correct or cure such event or condition within 20 days of its receipt of such notice, and (iii) the Executive resigns his employment with the Company not more than 30 days following the expiration of the 20-day period described in the foregoing clause (ii).

5.5. Mitigation and Offset. The Executive shall not be required to mitigate the amount of any payment provided for in Section 5.1 by seeking other employment, but the amount of any payment provided for in Section 5.1 (other than any amount that had accrued through the Executive's date of termination) shall be reduced (but not below zero) by (i) any compensation earned (including any amounts deferred) and (ii) any appreciation realized or accrued on equity or equity-linked securities by the Executive, in both such cases as a result of providing services (whether as an employee, consultant, advisor, independent contractor, founder, partner, shareholder, option holder, warrant holder, or board member or in any other capacity) to any party or entity during the Severance Period. The Executive shall promptly notify the Company in writing of any such arrangement during the Severance Period and will cooperate fully with the Company in determining the amount of any reduction to amounts otherwise payable under Section 5.1.

5.6 Pro Rata Amounts. Whenever this Agreement calls for payment of a "Pro Rata Portion" of a referenced amount, such pro rata amount shall be calculated on the basis of (I) the number of days in the partial fiscal year up to and including the day as of which the amount is to be calculated, divided by (II) 365.

5.7 Stock Options. For purposes of this Section 5.7, capitalized terms used without definition shall have the meanings provided therefore in the MEP. Notwithstanding any provision to the contrary in the MEP, the references in Section 8(a)(iv)(A) and Section 8(a)(iv)(B) of the MEP to the 60th day following the date of the Executive's termination of

employment, and to the 60th day following the date on which Yuasa Holdings Inc. notifies the Executive that certain conditions to the exercise of Vested Options have been satisfied, are in each case amended and shall be understood as references to the first anniversary of the Executive's termination of

employment and first anniversary of the date such notification is given to the Executive, respectively.

6. DEATH OR DISABILITY

6.1. Death. In the event of termination of employment by reason of death, the Executive (or his estate, as applicable) shall be entitled (i) to Base Salary through the date of termination and for one year thereafter and (ii) a Pro Rata Portion (through and including the date of death) of the Annual Bonus to which the Executive would have been entitled for the Termination Year pursuant to Section 3.3 had the Executive remained employed for the entire year, which bonus shall be payable at the time annual bonuses are paid to the Company's executives generally. Other benefits shall be determined in accordance with the terms of the benefit plans maintained by the Company, and the Company shall have no further obligation hereunder.

6.2. Disability. In the event of termination of employment by reason of Disability, the Executive shall be entitled (i) to Base Salary through the date as of which the Executive starts to receive benefits under the long-term disability program of the Company or its subsidiaries and affiliates applicable to him (but in no event beyond the end of the Employment Term as in effect immediately prior to termination of the Executive's employment) and (ii) a Pro Rata Portion (through and including the date of Disability) of the Annual Bonus to which the Executive would have been entitled for the Termination Year pursuant to Section 3.3 had the Executive remained employed for the entire year, which bonus shall be payable at the time annual bonuses are paid to the Company's executives generally. Other benefits shall be determined in accordance with the terms of the benefit plans maintained by the Company, and the Company shall have no further obligation hereunder.

6.3. For purposes of this Agreement, "Disability" means a physical or mental disability or infirmity of the Executive, as determined by a physician of recognized standing selected by the Company, that prevents (or, in the opinion of such physician, is reasonably expected to prevent) the normal performance of his duties as an employee of the Company for any continuous period of 180 days, or for 180 days during any one 12-month period.

7. PROTECTION OF THE COMPANY'S INTERESTS

7.1. Confidentiality. The Executive agrees with the Company that he will not at any time, except in performance of his obligations to the Company hereunder or with the prior written consent of the Company, directly or indirectly, reveal to any person, entity or other organization (other than the Company, or its employees, officers, directors, shareholders or agents) or use for his own benefit any information deemed to be confidential by the Company or any of its subsidiaries or affiliates (such subsidiaries and affiliates, collectively "Affiliates") ("Confidential Information") relating to the assets, liabilities, employees, goodwill, business or

affairs of the Company or any of its Affiliates, including, without limitation, any information concerning past, present or prospective customers, manufacturing processes, marketing, operating or financial data, or other confidential information used by, or useful to, the Company or any of its Affiliates and known (whether or not known with the knowledge and permission of the Company or any of its Affiliates and whether or not at any time prior to the Effective Time developed, devised, or otherwise created in whole or in part by the efforts of the Executive) to the Executive by reason of his employment by, shareholdings in or other association with the Company or any of its Affiliates. The Executive further agrees that he will retain all copies and extracts of any written Confidential Information acquired or developed by him during any such employment, shareholding or association in trust for the sole benefit of the Company, its Affiliates and their successors and assigns. The Executive further agrees that he will not, without the prior written consent of the Company, remove or take from the Company's or any of its Affiliate's premises (or if previously removed or taken, he will promptly return) any written Confidential Information or any copies or extracts thereof. Upon the request and at the expense of the Company, the Executive shall promptly make all disclosures, execute all instruments and papers and perform all acts reasonably necessary to vest and confirm in the Company and its Affiliates, fully and completely, all rights created or contemplated by this Section 7.1. The term "Confidential Information" shall not include information that is or becomes generally available to the public other than as a result of a disclosure by, or at the direction of, the Executive. The Executive's agreements set forth in this Section 7.1 regarding Confidential Information are independent of, and in addition to, his agreements set forth in the rest of the Section 7 and shall not be construed either to enlarge or to contract the scope of such other agreements.

7.2. Covenant Not to Compete; Nonsolicitation.

The covenants of this Section 7.2 shall apply for so long as the Executive is employed by the Company or any of its Subsidiaries and continuing for a period (the "Restricted Period") equal to two years following the termination of such employment for any reason, provided, however, that the Restricted Period shall be extended by a period of time equal to any period during which the Executive shall be in breach of any of such covenants, and provided, further, that in the event the Executive's employment with the Company is terminated by the Company under circumstances in which the Executive is not entitled to any severance benefits, the Board may in its discretion elect to waive the covenants of this Section 7.2 in whole or in part, but only if such waiver is authorized by a written resolution approved by the Board and supported by at least one of the Investor's representatives on the Board.

7.2.1. Competing Business. The Executive agrees with the Company that, for so long as the Executive is employed by the Company or any of its Subsidiaries and continuing for the Restricted Period, he will not, without the prior written consent of the Company, directly or indirectly, and whether as principal or investor or as an employee, officer, director, manager, partner, consultant, agent or otherwise, alone or in association with any other person, firm, corporation or other business organization, become involved in a Competing Business (as hereinafter defined) in any geographic area in which the Company or any of its Affiliates has engaged during such period in a Competing Business, or in which the Executive has knowledge of the Company's plans to engage in a Competing Business (including, without limitation, any area in which any customer of the Company or any of its Affiliates may be located). This

Section 7.2.1 shall not be violated, however, by the Executive's investment of up to $100,000 in the aggregate in one or several publicly-traded companies that engage in a Competing Business.

7.2.2. Solicitations. As a separate and independent covenant, the Executive agrees with the Company that, for so long as the Executive is employed by the Company or any of its Subsidiaries and continuing for the Restricted Period, he will not in any way, directly or indirectly (except in the course of his employment with the Company and its Subsidiaries), for the purpose of conducting or engaging in any Competing Business, call upon, solicit,

advise or otherwise do, or attempt to do, business with any person who is, or was, during the then most recent 12-month period, a customer of the Company or any of its Affiliates, or take away or interfere or attempt to take away or interfere with any custom, trade, business, patronage or affairs of the Company or any of its Affiliates, or hire or attempt to hire any person who is, or was during the then most recent 12-month period, an employee, officer, representative or agent of the Company or any of its Affiliates, or solicit, induce, or attempt to solicit or induce any person who is an employee, officer, representative or agent of the Company or any of its Affiliates to leave the employ of the Company or any of its Affiliates, or violate the terms of their contracts, or any employment arrangements, with it.

7.2.3. Competing Business. For purposes of this Section 7.2, a "Competing Business" means a business or enterprise (other than the Company and its direct or indirect subsidiaries) that is engaged in any or all of the manufacture, importing, development, distribution, marketing or sale of:

(a) motive power batteries and chargers (including without limitation batteries and chargers for industrial forklift trucks and other materials handling equipment); and/or

(b) stationary batteries and chargers (including without limitation standby batteries and power supply equipment for wireless and wireline telecommunications applications, such as central telephone exchanges, microwave relay stations, and switchgear and other instrumentation control systems); and/or

(c) any other product the Company now makes or is presently researching or developing, such as lithium batteries.

"Competing Business" also includes the design, engineering, installation or service of stationary and DC power systems, and any consulting and/or turnkey services relating thereto.

7.3. Exclusive Property. The Executive confirms that all confidential information is and shall remain the exclusive property of the Company and its Affiliates. All business records, papers and documents kept or made by the Executive relating to the business of the Company shall be and remain the property of the Company and its Affiliates.

7.4. Certain Remedies. Without intending to limit the remedies available to the Company and its Affiliates, the Executive agrees that a breach of any of the covenants contained in this Section 7 may result in material and irreparable injury to the Company or its Affiliates for which there is no adequate remedy at law, that it will not be possible to measure

damages for such injuries precisely and that, in the event of such a breach or threat thereof, the Company and its Affiliates shall be entitled to seek a temporary restraining order or a preliminary or permanent injunction, or both, without bond or other security, restraining the Executive from engaging in activities prohibited by this Section 7 or such other relief as may be required specifically to enforce any of the covenants in this Section 7. Such injunctive relief in any court shall be available to the Company and its Affiliates in lieu of, or prior to or pending determination in, any arbitration proceeding.

8. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

8.1. Gross-Up Payment. In the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 8) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (such excise tax being referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

8.2. Gross-Up Payment Calculation. Subject to the provisions of Section 8.3, all determinations required to be made under this Section 8, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's independent certified public accountants (the "Accounting Firm"). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 8, shall be paid by the Company to Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 8.3 and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of Executive.

8.3. Claim by the IRS. The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprize the Company of the nature of such claim and the date on which such claim is requested

to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which he gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 8.3, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and provided, further, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

8.4. Entitlement to Refund. If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 8.3, the Executive becomes entitled to receive any

refund with respect to such claim, the Executive shall promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 8.3, a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

9. ARBITRATION

Subject to Section 7.4, any dispute or controversy arising under or in connection with this Agreement that cannot be mutually resolved by the parties hereto shall be settled exclusively by arbitration in New York City before one arbitrator of exemplary qualifications and stature, who shall be selected jointly by the Company and the Executive, or, if the Company and the Executive cannot agree on the selection of the arbitrator, shall be selected by the American Arbitration Association. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The parties hereby agree that the arbitrator shall be empowered to enter an equitable decree mandating specific enforcement of the terms of this Agreement. Each party shall bear its own costs, including legal fees and out-of-pocket expenses, incurred in connection with any arbitration, and the party that prevails shall bear all expenses of the arbitrator.

10. MISCELLANEOUS

10.1. Communications. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered or on the fifth business day after mailed if delivered personally or mailed by registered or certified mail (postage prepaid, return receipt requested) to the party at the following addresses (or at such other address for a party as shall be specified by like notice, except that notices of changes of address shall be effective upon receipt):

(a) if to the Company:

Yuasa, Inc.
P.O. Box 14145
2366 Bernville Road
Reading, PA 19612-4145
Attention: Chief Executive Officer

with copies to:

Morgan Stanley Dean Witter Capital Partners
1221 Avenue of the Americas
New York, NY 10020
Attention: Howard I. Hoffen and Eric T. Fry

Shearman & Sterling
599 Lexington Avenue
New York, NY 10022
Attention: George Spera, Esq.

(b) if to the Executive: at the address for the Executive indicated on the signature page hereof.

10.2. Waiver of Breach; Severability. (a) The waiver by the Executive or the Company of a breach of any provision of this Agreement by the other party hereto shall not operate or be construed as a waiver of any subsequent breach by either party.

(b) The parties hereto recognize that the laws and public policies of various jurisdictions may differ as to the validity and enforceability of covenants similar to those set forth herein. It is the intention of the parties that the provisions hereof be enforced to the fullest extent permissible under the laws and policies of each jurisdiction in which enforcement may be sought, and that the unenforceability (or the modification to conform to such laws or policies) of any provisions hereof shall not render unenforceable, or impair, the remainder of the provisions hereof. Accordingly, if at the time of enforcement of any provision hereof, a court of competent jurisdiction holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope, or geographic area reasonable under such circumstances will be substituted for the stated period, scope or geographical area and that such court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and geographical area permitted by law.

10.3. Assignment; Successors. No right, benefit or interest hereunder shall be assigned, encumbered, charged, pledged, hypothecated or be subject to any setoff or recoupment by the Executive. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Company.

10.4. Entire Agreement. This Agreement represents the entire agreement of the parties and shall supersede any and all previous contracts, arrangements or understandings between the Company and the Executive relating to the Executive's employment or the consequences of a termination of such employment. This Agreement may be amended at any time by mutual written agreement of the parties hereto.

10.5. Other Severance Benefits. The Executive hereby agrees that in consideration for the payments to be received under this Agreement, the Executive waives any and all rights to any payments or benefits under any severance plans, programs, contracts or arrangements of the Company or any of its Affiliates.

10.6. Withholding. The payment of any amount pursuant to this Agreement shall be subject to applicable withholding and payroll taxes, and such other deductions as may be required under the Company's employee benefit plans, if any.

10.7. Governing Law. This Agreement shall be governed by, and construed with, the law of the State of New York.

10.8. Headings. The headings in this Agreement are for convenience only and shall not be used to interpret or construe any of its provisions.

10.9. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed and the Executive has hereunto set his hand, as of the day and year first above written.

YUASA, INC.

By: /s/ John D. Craig
Name:
Title: C.E.O.

/s/ Richard W. Zuidema
RICHARD W. ZUIDEMA
Address: PO Box 13515
Reading, PA 19612

YUASA HOLDINGS INC. (as to Section 5.7)

By: /s/ John D. Craig
Name:
Title: C.E.O.

APPENDIX A

Form of General Release

APPENDIX A

FORM OF GENERAL RELEASE

Reference is made to the Employment Agreement dated as of November 9, 2000 (the "Employment Agreement"), between YUASA, INC., a Pennsylvania corporation (the "Company") and [ ] (the "Executive"). Capitalized terms used herein without definition shall have the meanings assigned to them in the Employment Agreement, a copy of which is attached hereto.

SECTION 1. Mutual Release.

(a) General Waiver and Release. In consideration of their respective obligations under the Employment Agreement in connection with and following the Executive's termination of employment with the Company and its affiliates, and subject to the limitations set forth in Section 2 hereof, the Company, on the one hand, does hereby release and forever discharge the Executive, and the Executive, on the other hand, does hereby release and forever discharge the Company, its present, former and future shareholders, affiliates, direct and indirect parents, subsidiaries, successors, directors, officers, employees, agents, attorneys, heirs and assigns (the "Company Parties" and, together with the Executive, the "Released Parties"), from any and all claims, actions, causes of action, suits, costs, controversies, judgments, decrees, verdicts, damages, liabilities, attorneys' fees, covenants, contracts, and agreements that the Executive may have against the Company Parties or the Company Parties may have against the Executive, or in the future may possess based on events occurring during the term of the Executive's employment with the Company arising out of (i) the Executive's employment relationship with or service as an employee or officer of the Company and its affiliates or the termination of such relationship or service or (ii) any event, condition, circumstance or obligation that occurred, existed or arose on or prior to the date the Executive signs this Release, with respect to each other, including, but not limited to, any claims arising under Title VII of the Civil Rights Act of 1964, the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, the Civil Rights Act of 1866, the Civil Rights Act of 1991, the Employee Retirement Income Security Act of 1974, the Family Medical Leave Act of 1993, or any other federal or state or local law or any foreign jurisdiction, whether such claim arises under statute, common law or in equity, and whether or not any of the Released Parties are presently aware of the existence of such claim, damage, action or cause of action, suit or demand (collectively, including claims, actions and causes of action set forth in Section 1(b) below, the "Claims"). The Executive and the Company Parties also do forever release, discharge and waive any right the Executive or the Company Parties may have to recover in any proceeding brought by any federal, state or local agency against the Company Parties and the Executive, respectively, to enforce any laws. Each of the parties hereto agrees that the value received or to be received in the future as described in the Employment Agreement shall be in full satisfaction of any and all claims, actions or causes of action for payment or other benefits of any kind that the Executive may have against the Company Parties and that the Company Parties may have against the Executive.

(b) ADEA Release. In further recognition of the above, the Executive hereby releases and forever discharges each of the Company Parties from any and all claims, actions and causes of action that he may have as of the date he signs and delivers to the Company this Release arising under the federal Age Discrimination in Employment Act of 1967, as amended, and the applicable rules and regulations promulgated thereunder ("ADEA").

SECTION 2. Limitations.

(a) No Impact on Obligations Under The Employment Agreement or the Shareholder Agreement. The releases contained herein do not, are not intended to and shall not be interpreted to serve as a release or waiver by the Executive or the Company Parties with respect to their respective rights and obligations set forth in the Employment Agreement or the Shareholder Agreement. In particular, and without limiting the generality of the preceding sentence, the Executive does not waive or release any claim he might now or in the future have to be paid or receive the payments and benefits provided for in Section 5.1 or Section 8 of the Employment Agreement, and the Company Parties do not waive or release any claim they might now or in the future have under Section 5.5 or Section 7 of the Employment Agreement or under the Shareholder Agreement.

(b) No Impact on Indemnification Rights. The releases contained herein do not, are not intended to and shall not be interpreted to serve as a release or waiver by the Executive with respect to any indemnification rights he may have and such indemnification rights shall not be effected, modified or extinguished by the Executive's execution of this Release.

SECTION 3. No Pending Litigation.

The Executive represents and agrees that he has not filed, and will not file, any action, complaint, charge, grievance or arbitration against any Company Party, except that such agreement shall not apply to any claim based on any matter which, pursuant to Section 2, is excluded from the scope of this Release. The Company hereby represents and agrees that no Company Party has filed, and no Company Party will file, any action, complaint, charge, grievance or arbitration against the Executive except that such agreement shall not apply to any claim based on any matter which, pursuant to Section 2, is excluded from the scope of this Release.

SECTION 4. Acknowledgment.

The Executive acknowledges and confirms that (i) he has been advised in writing by the Company in connection with his resignation to consult with an attorney of his choice prior to signing this Release and to have such attorney explain to him the terms of the Release, including, without limitation, the terms relating to his release of Claims arising under ADEA; (ii) he has read this Release carefully and completely and understands each of the terms hereof; and (iii) he was given not less than twenty-one (21) days to consider the terms of the Release and to consult with an attorney of his choosing with respect thereto, and that for a period of seven (7) days following his signing of this Agreement, he shall have the option to revoke this Agreement in accordance with the terms set forth in Section 6 below.

SECTION 5. Successors.

The rights and obligations under this Agreement shall inure to any and all successors of the Company.

SECTION 6. Revocation.

The Executive have the right to revoke this Release during the seven-day period commencing immediately following the date he signs and delivers this Agreement to the Company (the "Revocation Period"). The period shall expire at 5:00 p.m., Eastern [Standard] Time, on the last day of the seven-day period; provided, however, that if such seventh day is not a business day, the period shall extend to 5:00 p.m. on the next succeeding business day. In the event of any such revocation by the Executive, the obligations of the Company under this Release shall terminate and be of no further force and effect as of the date of such revocation. No such revocation by the Executive shall be effective unless it is in writing and signed by the Executive and received by a representative of the Company prior to the expiration of the Revocation Period.

SECTION 7. Counterparts.

This Release may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

YUASA, INC.

By: _____
Name:
Title:

ACCEPTED AND AGREED:

_____
[EXECUTIVE]
Address:

Dated:

EnerSys Inc.

PO Box 14145 2366 BernvilleRd
Reading, PA 19605
610-208-1991
email: www.enersysinc.com

www.enersysinc.com

June 27, 2002

Richard W. Zuidema
1932 Wickford Place
Wyomissing PA 19610

Dear Richard:

With reference to your employment agreement (the ***"Employment Agreement"***) with EnerSys, Inc. (the ***"Company"),*** dated November 9, 2000, pursuant to which you are currently employed as Executive Vice President Administration of the Company, we confirm that effective as of March 22, 2002, your salary provided for in Section 3 of the Employment Agreement has been increased to $325,000.

Except as expressly set forth in the letter, the Employment Agreement shall remain in full force and effect.

ENERSYS INC.

By: /s/ John D. Craig
John D. Craig
Chairman, President & Chief Executive Officer

Accepted and Agreed:

/s/ Richard W. Zuidema
Richard W. Zuidema

Date:

Exhibit 10.7

EXECUTION DRAFT

DIRECTORSHIP AGREEMENT dated as of January 8, 2002, between ENERSYS, INC., a Pennsylvania corporation (the **"Company"**), and RAY KUBIS (the **"Director"**).

WHEREAS, the Company has entered into a Stock Purchase Agreement (the **"Purchase Agreement"**), dated as of the date hereof with Invensys plc, a corporation organized under the laws of England and Wales, pursuant to which the Company will acquire (the **"Acquisition"**) the industrial battery division of Invensys, plc (as defined in the Purchase Agreement, the **"Business"**);

WHEREAS, following the Acquisition, the Director will remain a Director and shall be appointed Managing Director of Hawker Belgium S.A., ("**Hawker**") a Company organized under the laws of Belgium that forms part of the Business pursuant to a Managing Directorship Agreement executed concurrently with this Agreement, a copy of which is attached hereto as Appendix A (the "**Hawker Agreement**");

WHEREAS, upon the Closing Date of the Acquisition (as defined in the Purchase Agreement), the Director will be appointed as a member of the Board of Directors of [ ] (the **"Board"**), a [ ] corporation and a wholly owned subsidiary of the Company (the **"U.S.Subsidiary"**);

WHEREAS, upon the Closing Date of the Acquisition, Mr. Kubis shall be appointed as President of Enersys Europe and shall responsible for the management and direction of the Company's operations in Europe, the Middle East and Africa;

WHEREAS, in consideration of the Director's services as a member of the Board of Directors of the U.S. Subsidiary, the Company has agreed to grant to the Director options to purchase shares of the Company's common stock pursuant to the Company's Management Equity Plan, as the same shall be amended (the **"MEP"**); and

WHEREAS, in consideration of the Director agreeing to be bound by certain restrictive covenants following the termination of his services as a Director and Managing Director of Hawker and a member of the Board of Directors of the U.S. Subsidiary (collectively, the **"Directorships"**), the Company wishes to provide the Director with certain termination payments described herein.

NOW, THEREFORE, in consideration of the covenants and agreements hereinafter set forth, the parties hereto agree as follows:

1. EFFECTIVENESS OF AGREEMENT

This Agreement shall become effective on the date hereof; provided, however, that if the Acquisition is not consummated, this Agreement shall terminate and be of no further force and effect.

---

2. DIRECTORSHIP OF THE U.S. SUBSIDIARY

2.1. Appointment. Following the Closing Date of the Acquisition and for so long as the Director remains a Director and Managing Director of Hawker, the Director shall serve as a member of the Board of Directors of the U.S. Subsidiary (**"Director Term"**). Upon the termination of the Director's service as a Director and Managing Director of Hawker, the Director shall cease to serve as a member of the Board of Directors of the U.S. Subsidiary.

2.2. Company Options. In consideration of the Director's services as a member of the Board of Directors of the U.S. Subsidiary, the Director shall be eligible to participate in the MEP in accordance with the terms thereof as determined by the Company's Board of Directors from time to time.

2.3. Reimbursement of Expenses. The U.S. Subsidiary shall reimburse the Director for reasonable travel and other expenses incurred by him in the fulfillment of his duties hereunder upon presentation by the Director of an itemized account of such expenditures, in accordance with customary practice.

3. TERMINATION OF DIRECTORSHIPS

3.1. Termination Without Cause; Resignation for Good Reason.

3.1.1. General. Subject to Sections 3.1.2 and 3.1.3, if the Directorships are terminated by Hawker and the U.S. Subsidiary, as applicable, without Cause (as defined below) or if the Director resigns the Directorships for Good Reason (as defined below), the Company shall, subject to the Director's execution of a general release of claims against the Company and its affiliates (including, without limitation, Hawker and the U.S. Subsidiary) substantially in the form annexed hereto as Appendix B, pay to the Director the following amounts (the **"Termination Payments"**) which amounts shall be reduced by any post-termination benefits made pursuant to the Hawker Agreement or Belgian law, if any:

(a) For a period equal to two years from the date of termination (or, if less than two years remain until the Director's 65th birthday, for the period from the date of termination until the Director's 65th birthday) (the **"Restricted Period"**), the Company shall continue to pay the Director the Base Remuneration (as defined in the Hawker Agreement), at the rate in effect on the date of such termination, at such intervals as the same would have been paid had the Director remained in service as a Director and Managing Director of Hawker and a member of the Board of the U.S. Subsidiary;

(b) For the fiscal year in which such termination occurs (the **"Termination Year"**) and for each whole fiscal year following the Termination Year included in the Restricted Period, the Company shall pay the Director an amount equal to the average of the bonus paid to the Director pursuant to the Hawker Agreement for the two fiscal years preceding the Termination Year (including, if applicable, the

bonus earned prior to the Acquisition), which amount shall be payable at the time annual bonuses are paid by the Company;

(c) For the partial fiscal year, if any, immediately preceding the end of the Restricted Period, the Company shall pay the Director a Pro Rata Portion (as defined below), through and including the last day of the Restricted Period, of the amount provided for in paragraph (b) above for whole fiscal years included in the Restricted Period. Such Pro Rata Portion shall be payable at the time annual bonuses are paid to the Company's executives generally but in any event no later than 75 days following the end of the fiscal year in which the Restricted Period ends;

(d) During the Restricted Period, the Company will provide the Director and his beneficiaries with the pension, medical and dental insurance benefits that in the aggregate are substantially similar to the benefits provided for in Section 2.3 of the Hawker Agreement, on the same terms as provided for therein; provided, however, that this obligation on the part of the Company shall cease at such time as the Director becomes eligible to participate in comparable programs of another company, and provided, further, that the Company and Hawker reserve the right to alter or discontinue specific benefit plans or programs as long as the Company continues to provide substantially similar benefits to the Director in accordance with this Section 3.1.l(d).

(e) The Company will reimburse the Director for documented reasonable costs of relocating him and his family and their reasonable personal effects to a single location in the United States, but only if such costs are incurred within nine months after the date of termination and only to the extent that another company does not directly or indirectly bear such relocation costs on his behalf.

Except as set forth in the MEP and the applicable award agreement thereunder, the Director shall have no further right to receive any other compensation or benefits from the Company, Hawker or the U.S. Subsidiary after the termination of the Directorships. The Director's rights following termination of the Directorships in any awards under the MEP will be determined in accordance with the MEP and the applicable award agreement.

3.1.2. Conditions Applicable to the Restricted Period. If, during the Restricted Period, the Director breaches any of his obligations under Section 5, the Company may, upon written notice to the Director, terminate the Restricted Period and cease to make any further Termination Payments.

3.1.3. Death During the Restricted Period. In the event of the Director's death during the Restricted Period, the Termination Payments shall continue to be made during the remainder of the Restricted Period to the beneficiary designated in writing for this purpose by the Director or, if no such beneficiary is specifically designated, to the Director's estate.

3.2. Termination for Cause; Voluntary Resignation. If the Directorships are terminated by Hawker and the U.S. Subsidiary for Cause or the Director voluntarily terminates the Directorships other than for Good Reason, the Director shall not be entitled to receive any portion of the Termination Payment. The Director shall have no right to receive any other compensation or benefits from the Company, Hawker or the U.S. Subsidiary after such termination except as set forth in the MEP and the applicable award agreement thereunder.

3.3. Cause. Termination for **"Cause"** shall mean termination of the Directorships because of any of the following:

(a) commission of any felony or other crime involving moral turpitude;

(b) knowing and intentional fraud;

(c) any act or omission that is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or any of its subsidiaries or affiliates, unless the Director believed in good faith that he was acting in the best interests of the Company and its subsidiaries and affiliates; or

(d) willful and continued failure or refusal of the Director to substantially perform the duties required of him as a director other than by reason of physical or mental incapacity;

provided, however, that if any such Cause relates to the Director's obligations under this Agreement or the Hawker Agreement, such termination shall not constitute Cause unless Hawker or the U.S. Subsidiary, as the case may be, shall have given the Director notice of its intention to terminate and of the grounds for such termination within 90 days of such event, and the Director has not, within 20 days following receipt of such notice, cured such Cause to the reasonable satisfaction of Hawker or the U.S. Subsidiary, as the case may be.

3.4. Good Reason. For purposes of this Agreement, "Good Reason" shall mean any of the following (without the Director's prior written consent):

(a) any decrease in the Director's rate of Base Remuneration (as defined in the Hawker Agreement);

(b) a material diminution of the authority, responsibilities or positions of the Director from those set forth in this Agreement or the Hawker Agreement as in effect on the consummation of the Acquisition;

(c) the Company, Hawker or the U.S. Subsidiary requiring the Director to relocate from Brussels, Belgium, except to the extent the Director is relocated (i) to the United States or (ii) with 90 days prior notice and an undertaking to pay reasonable relocation expense, to London, Paris or Frankfort; or

(d) the failure to renew the term of the Hawker Agreement unless such failure to renew is based on the existence of Cause.

provided, however, that none of the foregoing events or conditions shall constitute Good Reason unless (i) the Director gives Hawker or the U.S. Subsidiary, as the case may be written notice of his objection to such event or condition within 90 days of the occurrence of such event or condition, (ii) Hawker or the U.S. Subsidiary, as the case may be, does not correct or cure such event or condition within 20 days of its receipt of such notice, and (iii) the Director terminates his service with Hawker and the U.S. Subsidiary not more than 30 days following the expiration of the 20-day period described in the foregoing clause (ii).

3.5. Mitigation and Offset. The Director shall not be required to mitigate the amount of any payment provided for in Section 3.1 by providing services to any third party, but the amount of any payment provided for in Section 3.1 (other than any amount that had accrued through the Director's date of termination) shall be reduced (but not below zero) by (i) any compensation earned (including any amounts deferred) from a subsequent employer and (ii) any appreciation realized or accrued on equity or equity-linked securities of a subsequent employer by the Director, in both such cases as a result of providing services (whether as an employee, consultant, advisor, independent contractor, founder, partner, shareholder, option holder, warrant holder, or board member or in any other capacity) to any party or entity during the Restricted Period. The Director shall promptly notify the Company in writing of any such arrangement during the Restricted Period and will cooperate fully with the Company in determining the amount of any reduction to amounts otherwise payable under Section 3.1.

3.6. Pro Rata Amounts. Whenever this Agreement calls for payment of a **"Pro Rata Portion"** of a referenced amount, such pro rata amount shall be calculated on the basis of (i) the number of days in the partial fiscal year up to and including the day as of which the amount is to be calculated, divided by (ii) 365.

4. DEATH OR DISABILITY

4.1. General. In the event the Directorships are terminated as a result of the Director's death or Disability, the Company shall pay to the Director (or his estate, as applicable) (i) Base Remuneration through the date of termination and (ii) a Pro Rata Portion (through and including the date of termination) of the Bonus to which the Director would have be entitled to receive pursuant to the Hawker Agreement during the year in which the Directorships were terminated payable at the time Bonuses are generally paid to the Director pursuant to the Hawker Agreement; provided, however, that each such amount shall be reduced (but not below zero) by related amounts paid under the Hawker Agreement.

4.2. Definition. For purposes of this Agreement, **"Disability"** means a physical or mental disability or infirmity of the Director, as determined by a physician of recognized standing selected by the Company, that prevents (or, in the opinion of such physician, is reasonably expected to prevent) the normal performance of his duties as a Director of Hawker and the U.S. Subsidiary for any continuous period of 180 days, or for 180 days during any one 12-month period.

5. PROTECTION OF THE COMPANY'S INTERESTS

5.1. Confidentiality. The Director agrees with the Company that he will not at any time, except in performance of his obligations to Hawker or the U.S. Subsidiary or with the prior written consent of the Company, directly or indirectly, reveal to any person, entity or other organization (other than the Company, Hawker or the U.S. Subsidiary, or their employees, officers, directors, shareholders or agents) or use for his own benefit any information deemed to be confidential by the Company or any of its subsidiaries or affiliates, including, without limitation, Hawker and the U.S. Subsidiary (such subsidiaries and affiliates, collectively **"Affiliates") ("Confidential Information"**) relating to the assets, liabilities, employees, goodwill, business or affairs of the Company or any of its Affiliates, including, without limitation, any information concerning past, present or prospective customers, manufacturing processes, marketing, operating or financial data, or other confidential information used by, or useful to, the Company or any of its Affiliates and known (whether or not known with the knowledge and permission of the Company or any of its Affiliates and whether or not at any time prior to the Effective Time developed, devised, or otherwise created in whole or in part by the efforts of the Director) to the Director by reason of his services for, shareholdings in or other association with the Company or any of its Affiliates. The Director further agrees that he will retain all copies and extracts of any written Confidential Information acquired or developed by him during any such service, shareholding or association in trust for the sole benefit of the Company, its Affiliates and their successors and assigns. The Director further agrees that he will not, without the prior written consent of the Company, remove or take from the Company's or any of its Affiliate's premises (or if previously removed or taken, he will promptly return) any written Confidential Information or any copies or extracts thereof. Upon the request and at the expense of the Company, the Director shall promptly make all disclosures, execute all instruments and papers and perform all acts reasonably necessary to vest and confirm in the Company and its Affiliates, fully and completely, all rights created or contemplated by this Section 5.1. The term "Confidential Information" shall not include information that is or becomes generally available to the public other than as a result of a disclosure by, or at the direction of, the Director. The Director's agreements set forth in this Section 5.1 regarding Confidential Information are independent of, and in addition to, his agreements set forth in the rest of the Section 5.1 and shall not be construed either to enlarge or to contract the scope of such other agreements.

5.2. Covenant Not to Compete; Nonsolicitation.

5.2. The covenants of this Section 5.2 shall apply during the Directorship Term and the Restricted Period provided, however, that the Restricted Period shall be extended by a period of time equal to any period during which the Director shall be in breach of any of such covenants, and provided, further, that in the event the Directorships are terminated under circumstances in which the Director is not entitled to the Termination Payment, the Board may in its discretion elect to waive the covenants of this Section 5.2 in whole or in part, but only if such waiver is authorized by a written resolution approved by the Board.

5.2.1. Competing Business. The Director agrees with the Company that, during the Directorship Term and the Restricted Period, he will not, without the prior written consent of the Company, directly or indirectly, and whether as principal or investor or as an

employee, officer, director, manager, partner, consultant, agent or otherwise, alone or in association with any other person, firm, corporation or other business organization, become involved in a Competing Business (as hereinafter defined) in any geographic area in which the Company or any of its Affiliates has engaged during such period in a Competing Business, or in which the Director has knowledge of the Company's plans to engage in a Competing Business (including, without limitation, any area in which any customer of the Company or any of its Affiliates may be located). This Section 5.2.1 shall not be violated, however, by the Director's investment of up to $100,000 in the aggregate in one or several publicly-traded companies that engage in a Competing Business.

5.2.2. Solicitations. As a separate and independent covenant, the Director agrees with the Company that, during the Directorship Term and the Restricted Period, he will not in any way, directly or indirectly (except in the course of his services to Hawker and the U.S. Subsidiary), for the purpose of conducting or engaging in any Competing Business, call upon, solicit, advise or otherwise do, or attempt to do, business with any person who is, or was, during the then most recent 12-month period, a customer of the Company or any of its Affiliates, or take away or interfere or attempt to take away or interfere with any custom, trade, business, patronage or affairs of the Company or any of its Affiliates, or hire or attempt to hire any person who is, or was during the then most recent 12-month period, an employee, officer, representative or agent of the Company or any of its Affiliates, or solicit, induce, or attempt to solicit or induce any person who is an employee, officer, representative or agent of the Company or any of its Affiliates to leave the employ of the Company or any of its Affiliates, or violate the terms of their contracts, or any employment arrangements, with it.

5.2.3. Competing Business. For purposes of this Agreement a "**Competing Business"** means a business or enterprise (other than the Company and its direct or indirect subsidiaries) that is engaged in any or all of the manufacture, importing, development, distribution, marketing or sale of:

(a) motive power batteries and chargers (including, without limitation, batteries and chargers for industrial forklift trucks and other materials handling equipment); and/or

(b) stationary batteries and chargers (including, without limitation, standby batteries and power supply equipment for wireless and wireline telecommunications applications, such as central telephone exchanges, microwave relay stations, and switchgear and other instrumentation control systems); and/or

(c) any other product the Company, Hawker or the U.S. Subsidiary now makes or is presently researching or developing, such as lithium batteries.

"Competing Business" also includes the design, engineering, installation or service of stationary and DC power systems, and any consulting and/or turnkey services relating thereto.

5.3. Exclusive Property. The Director confirms that all Confidential Information is and shall remain the exclusive property of the Company and its Affiliates. All business records, papers and documents kept or made by the Director relating to the business of

the Company, Hawker and the U.S. Subsidiary shall be and remain the property of the Company and its Affiliates.

5.4. Certain Remedies. Without intending to limit the remedies available to the Company and its Affiliates, the Director agrees that a breach of any of the covenants contained in this Section 5 may result in material and irreparable injury to the Company or its Affiliates for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such a breach or threat thereof, the Company and its Affiliates shall be entitled to seek a temporary restraining order or a preliminary or permanent injunction, or both, without bond or other security, restraining the Director from engaging in activities prohibited by this Section 5 or such other relief as may be required specifically to enforce any of the covenants in this Section 5. Such injunctive relief in any court shall be available to the Company and its Affiliates in lieu of, or prior to or pending determination in, any arbitration proceeding,

6. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY

6.1. Gross-Up Payments. In the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Director (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 6) (a **"Payment"**) would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the **"Code"**) (such excise tax being referred to as the **"Excise Tax"**), then the Director shall be entitled to receive an additional payment (a **"Gross-Up Payment"**) in an amount such that after payment by the Director of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Director retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

6.2. Gross-Up Payment Calculation. Subject to the provisions of Section 6.3, all determinations required to be made under this Section 6, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's independent certified public accountants (the **"Accounting Firm"**). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 6, shall be paid by the Company to Director within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Director. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (**"Underpayment"**), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 6.3 and the Director thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of Director.

6.3. Claim by the IRS. The Director shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten

business days after the Director is informed in writing of such claim and shall apprize the Company of the nature of such claim and the date on which such claim is requested to be paid. The Director shall not pay such claim prior to the expiration of the 30-day period following the date on which he gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Director in writing prior to the expiration of such period that it desires to contest such claim, the Director shall:

(i) give the Company any information reasonably requested by the Company relating to such claim;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Director harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 6.3, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Director to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Director agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Director to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Director, on an interest-free basis and shall indemnify and hold the Director harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance, and provided, further, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Director with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Director shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

6.4. Entitlement to Refund. If, after the receipt by the Director of an amount advanced by the Company pursuant to Section 6.3, the Director becomes entitled to receive any refund with respect to such claim, the Director shall promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Director of an amount advanced by the Company pursuant to Section 6.3, a determination is made that the Director shall not be entitled to any refund with respect to such claim and the Company does not notify the Director in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

7. TAXATION.

7.1. Tax Rate Increase. The Director acknowledges that during the Directorship Term, in connection with his services to the Company, Hawker or the U.S. Subsidiary, he will be required to travel. The Company acknowledges that a decrease in the amount of travel required of the Director during the Directorship Term may increase the Director's Belgian tax rate above the Base Tax Rate (as defined below). Such an increase in the Base Tax Rate may increase the net amount of taxes (taking into account any foreign tax credits) that the Director is obligated to pay in the United States and Belgium. Notwithstanding anything set forth in Article 9 of the Hawker Agreement, the Company agrees to reimburse the Director on a gross-up basis for the net amount of additional Belgian and United States taxes, if any, owed by the Director as a result of an increase in his Base Tax Rate due solely to a decrease in his required travel. Any calculation regarding payments to be made by the Company pursuant to this Section 7.1 shall be made by the Accounting Firm. For purposes of this Agreement, the Director's **"Base Tax Rate"** shall be the average of the Director's Belgian tax rates for the three calendar years immediately preceding the consummation of the Acquisition.

7.2. Taxation of Options. Upon the initial grant of stock options (the **"Initial Grant"**) made to the Director pursuant to the MEP, the Company shall pay to the Director a payment (the **"Option Tax Payment"**) in an amount equal to the Belgian taxes owed by the Director in connection with the Initial Grant on a gross-up basis. The amount of the Option Tax payment shall be calculated by the Accounting Firm. To the extent that Option Tax Payment can be used by the Director as a foreign tax credit on the Director's United States tax return at any time, the Director shall promptly pay to the Company the amount of such foreign tax credit.

8. ARBITRATION

Subject to Section 5.4, any dispute or controversy arising under or in connection with this Agreement that cannot be mutually resolved by the parties hereto shall be settled exclusively by arbitration in New York City before one arbitrator of exemplary qualifications and stature, who shall be selected jointly by the Company and the Director, or, if the Company and the Director cannot agree on the selection of the arbitrator, shall be selected by the American Arbitration Association. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The parties hereby agree that the arbitrator shall be empowered to enter an equitable

decree mandating specific enforcement of the terms of this Agreement. Each party shall bear its own costs, including legal fees and out-of-pocket expenses, incurred in connection with any arbitration, and the party that prevails shall bear all expenses of the arbitrator..

9. MISCELLANEOUS

9.1. Communications. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered or on the fifth business day after mailed if delivered personally or mailed by registered or certified mail (postage prepaid, return receipt requested) to the party at the following addresses (or at such other address for a party as shall be specified by like notice, except that notices of changes of address shall be effective upon receipt):

(a) if to the Company:

Enersys, Inc.
P.O. Box 14145
2366 Bernville Road
Reading, PA 19612-4145
Attention: Chief Executive Officer

with copies to:

Morgan Stanley Dean Witter Capital Partners
1221 Avenue of the Americas
New York, NY 10020
Attention: Howard I. Hoffen and Eric T. Fry

Shearman & Sterling
599 Lexington Avenue
New York, NY 10022
Attention: John Herbert, Esq.

Stevens & Lee
111 North Sixth Street
P.O. Box 679
Reading, PA 19603-0679
Attention: Joseph M. Harenza, Esq.

(b) if to the Director: at the address for the Director indicated on the signature page hereof.

9.2. Waiver of Breach; Severability. (a) The waiver by the Director or the Company of a breach of any provision of this Agreement by the other party hereto shall not operate or be construed as a waiver of any subsequent breach by either party.

(b) The parties hereto recognize that the laws and public policies of various jurisdictions may differ as to the validity and enforceability of covenants similar to those set forth herein. It is the intention of the parties that the provisions hereof be enforced to the fullest extent permissible under the laws and policies of each jurisdiction in which enforcement may be sought, and that the unenforceability (or the modification to conform to such laws or policies) of any provisions hereof shall not render unenforceable, or impair, the remainder of the provisions hereof. Accordingly, if at the time of enforcement of any provision hereof, a court of competent jurisdiction holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope, or geographic area reasonable under such circumstances will be substituted for the stated period, scope or geographical area and that such court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and geographical area permitted by law.

9.3. Assignment; Successors. No right, benefit or interest hereunder shall be assigned, encumbered, charged, pledged, hypothecated or be subject to any setoff or recoupment by the Director. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Company.

9.4. Entire Agreement. This Agreement represents the entire agreement of the parties and shall supersede any and all previous contracts, arrangements or understandings between the Company and the Director relating to the matters described herein. This Agreement may be amended at any time by mutual written agreement of the parties hereto.

9.5. Withholding. The payment of any amount pursuant to this Agreement shall be subject to applicable withholding and payroll taxes, and such other deductions as may be required under the Company's benefit plans, if any.

9.6. Governing Law. This Agreement shall be governed by, and construed with, the law of the State of New York.

9.7. Headings. The headings in this Agreement are for convenience only and shall not be used to interpret or construe any of its provisions.

9.8. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

9.9. Nature of Services. Notwithstanding anything herein to the contrary, Director's services hereby shall be performed by him in an autonomous and independent means, consistent with the obligations of a director under applicable law. Subject to the provisions of such law, the Company shall have no power to control the means and methods utilized by the Director in discharging his duties hereunder.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed and the Director has hereunto set his hand, as of the day and year first above written.

ENERSYS, INC.

By: /s/ Richard W. Zuidema
Name:
Title:

/s/ Ray Kubis
RAY KUBIS
Address: Dreve de Rembucher 44
1170 Watermael-Boisfort

APPENDIX A

Hawker Agreement

Exhibit 10.8

EXECUTION DRAFT

MANAGING DIRECTORSHIP AGREEMENT

This agreement is entered into

BETWEEN

1. Mr. Ray Kubis, residing at Drève de Rembucher 44, 1170 Watermael-Boisfort ***(Mr. Kubis);***

2. HAWKER BELGIUM S.A., a Belgian Company having its seat at Houtweg 26, 1140 Evere (the ***Company)***

Being both referred to herein as the Parties (the ***Parties)***.

Whereas, Enersys Inc. a US Company having its seat at 2366 Bernville Road, Reading, PA ***(Enersys)*** and Invensys plc, a corporation organized under the laws of England and Wales have entered into a Stock Purchase Agreement (the ***Purchase Agreement)*** pursuant to which, among other things, Enersys will acquire the Company (the ***Acquisition***);

Whereas Mr. Kubis was appointed Director of VHB Industrial Batteries ***(VHB)*** pursuant to resolutions of the General Meeting of Shareholders of VHB;

Whereas Mr. Kubis' Directorship was confirmed at the moment of the merger between VHB and Chloride Industrial Batteries which formed the Company, dated 3 April 2000;

Whereas, the Board of Directors of HAWKER BELGIUM S.A. shall appoint Mr. Kubis as Managing Director of the Company following the consummation of the Acquisition, Mr. Kubis' appointment as director and Managing Director shall hereinafter be collectively referred to as the mandate (the ***Mandate)****;*

Whereas Mr. Kubis has obtained a professional card for a self-employed person in Belgium, valid up to 31 December 2002 (the ***Professional Card)****;*

Whereas, the parties hereto wish to formalize the terms and conditions pursuant to which Mr. Kubis shall exercise the Mandate;

NOW, THEREFORE, the parties hereto agree as follows:

1. SERVICE AS MANAGING DIRECTOR OF HAWKER BELGIUM S.A.

1.1 Subject to the terms and conditions set forth in this Agreement, Mr. Kubis hereby agrees to continue to serve as Director and to serve as Managing Director of HAWKER BELGIUM S.A. Mr. Kubis shall fulfill the Mandate to the best of his abilities. In the performance of his tasks as Director and Managing Director of HAWKER BELGIUM S.A., hereafter described in Schedule 1 of this Agreement, Mr.

Kubis shall have the power to act autonomously and independently, reporting to the Board of Directors of HAWKER BELGIUM S.A. or, as the case may be, to the General Assembly of the Shareholders.

1.2 Taking into account the nature of the Mandate, Mr. Kubis will be required to carry out his activities during a minimum of 47 weeks of each calendar year as mutually agreed upon by the Company and Mr. Kubis; provided, however, that in no event shall Mr. Kubis be entitled to additional remuneration if he carries out his services for more than 47 weeks of each calendar year.

1.3 The remuneration of Mr. Kubis in his capacity as a Managing Director of HAWKER BELGIUM S.A. shall be set forth in Article 2 of this Agreement. The duration of Mr. Kubis' appointments shall be as set forth in Article 3 of this Agreement.

2. EMOLUMENT

2.1 In his capacity as Managing Director of HAWKER BELGIUM S.A., Mr. Kubis shall receive, subject to the provisions of this Agreement, an annual fixed gross emolument of EURO 286,168.28 payable monthly in twelve monthly installments of EURO 23,847.36 each (the ***Base Remuneration)***. Any emolument paid for a period of less than a full month shall be prorated based on the actual number of days elapsed.

2.2 During the term of this Agreement, Mr. Kubis will be entitled to a bonus of up to 60% of the Base Remuneration as provided in the Enersys incentive bonus plan as amended from time to time.

2.3 In addition to his Base Remuneration and the bonus to which he is entitled, Mr. Kubis shall have the following benefits:

- **Company Car:** the Company will provide or bear the cost of one automobile and reasonable operating expenses for business and personal use for the duration of the Mandate in accordance with Company policy as in effect from time to time.

- **Home Leave:** the company will reimburse Mr. Kubis and his immediate family for the actual cost incurred of two direct round trip coach class air flights between Brussels and one United States destination during each year of the Mandate term. Mr. Kubis will be responsible for living and other expenses during any home leave.

- **School Fees:** for the duration of the Mandate, the Company will reimburse Mr. Kubis for tuition paid for each of Mr. Kubis' three children attending international schools. In its sole discretion, the Company may directly pay such tuition to the appropriate international school. Mr. Kubis acknowledges that his three children have one year, three years and seven years respectively remaining in their schooling.

- **Pension:** for the duration of the Mandate, the Company will provide Mr. Kubis with an annual pension allotment equal to 6.45% of his Base Remuneration to remit towards his own pension provision.

- **Medical and Dental:** for the duration of the Mandate, the Company shall provide Mr. Kubis and his family with medical and dental benefits that are substantially equivalent in the aggregate to those benefits provided to key officers of the Company. In addition, the Company shall provide Mr. Kubis and his family with a maximum of $2,000 per annum to purchase umbrella medical coverage when travelling outside Europe.

- **Tax preparation:** for the duration of the Mandate, the Company will provide or bear the cost of tax preparation and consultancy services up to a maximum of EURO 6,000 per annum. Upon a termination of the Mandate for any reason, the Company shall pay on half of the cost of the tax preparation services for the year of termination.

2.4 In his capacity as Director and Managing Director of HAWKER BELGIUM S.A., Mr. Kubis acts as a self-employed worker and not as an employee, given the scope of his responsibilities. To this end, Mr. Kubis is registered as a self-employed worker with the Belgian Social Security Administration for self-employed workers ("RSVZ/INASTT") and shall remain so registered throughout the duration of this Agreement. Furthermore, Mr. Kubis and the Company are mutually responsible for maintaining a valid Professional Card throughout the duration of the present Agreement.

3. DURATION

3.1 Mr. Kubis was previously been appointed Director of HAWKER BELGIUM S.A., and the term of such appointment shall be reduced to a term of 2 years to start on the date of consummation of the Acquisition.

3.2 Upon the consummation of the Acquisition, Mr. Kubis shall be appointed Managing Director of HAWKER BELGIUM S.A. for a term of 2 years to start on the date of consummation of the Acquisition.

3.3 The appointments may be extended, at the election of HAWKER BELGIUM S.A. for additional 2- years terms.

4. WITHDRAWAL OF MANDATE

4.1 Pursuant to the Belgian Companies Act, Mr. Kubis may resign at any time prior to the expiration of term set out in article 3 without any notice or indemnity to be observed or paid by the Company.

4.2 Pursuant to the Belgian Companies Act, the Mandate can be withdrawn without justification at any time prior to the expiration of the term set out in article 3 by the General Meeting of Shareholders of HAWKER BELGIUM S.A. and the Board of Directors of HAWKER BELGIUM S.A., without any notice or indemnity to be observed or paid by the Company.

of Directors of HAWKER BELGIUM S.A., without any notice or indemnity to be observed or paid by the Company.

5. EXCLUSIVITY

5.1 Mr. Kubis undertakes to carry out his professional activity in Belgium exclusively in the framework of this Agreement and the Mandate. He therefore undertakes not to perform any other business activity in Belgium including the membership of the Board of Directors of any other Company (other than subsidiaries and affiliates of the Company), whether remunerated or not, for himself, in co-operation with or for third parties, without the prior written approval of the Chairman of the Board of Directors of HAWKER BELGIUM S.A.

5.2 Furthermore, Mr. Kubis undertakes not to take part, directly or indirectly, in any matter, whether professional or not, which might in any manner conflict with the interests of the Company, other companies of the Enersys Group or its clients. This Section 5.2. shall not be violated, however, by the Mr. Kubis' investment of up to U.S. $100,000 in the aggregate in one or several publicly-traded companies that engage in a Competing Business (as hereinafter defined).

6. CONFIDENTIALITY/COMPANY PROPERTY

6.1 Mr. Kubis acknowledges that all information and knowledge obtained or developed as a result of, or in connection with, the Mandate and which is directly or indirectly related to the Company, its activities, products, software, techniques, technology and procedures as well as all related intellectual property rights are extremely valuable and confidential. All such information and rights shall vest and remain with the Company.

6.2 Mr. Kubis agrees and undertakes not to disclose, publish or make available to any third party, during his Mandate and at any time after the termination of the Mandate, any such knowledge or information without the prior written consent of the Company; provided, however, that this article 6.2 shall not apply to information and knowledge that is in the public domain unless such information is in the public domain as a result of actions by Mr. Kubis in violation of this provision.

6.3 Furthermore, Mr. Kubis shall be bound, both during the Mandate and afterwards, not to perform or take part in any act of unfair competition.

6.4 All commercial and technical documents and equipment remain the property of the Company and will be returned when requested, and in any event upon the termination of the Mandate.

7. NON-COMPETITION AND NON-SOLICITATION

7.1 In consideration of the benefits to accrue to him from the present Agreement, Mr. Kubis agrees and undertakes that if the Mandate expires or is withdrawn, for whatever reason and by whatever party, he undertakes during (12) consecutive months following the withdrawal of his Mandate with the Company (the ***Restricted***

Period), save with the prior written consent of the Company, not to carry on, set up, be employed, engaged or interested in a Competing Business (as hereinafter defined).

7.2 Because of the international activities of the Company and the companies of the Enersys Group, this prohibition as referred to in the above paragraph, shall apply to the territory(ies) within the European Economic Area and Switzerland in which the Company or other companies of the Enersys Group have business activities at the moment of the termination of the Mandate and to the territory(ies) within the European Economic Area and Switzerland in which the Company or other companies of the Enersys Group had business activities in the (12) months preceding the withdrawal of the Mandate with the Company.

7.3 In the event of the breach of the non-competition obligation by Mr. Kubis, the Company may demand full compensation for the damages, costs and other expenses incurred.

7.4 For purposes of this Section a ***Competing Business*** means a business or enterprise (other than the Company and any companies within the Enersys group) that is engaged in any or all of the manufacture, importing, development, distribution, marketing or sale of:

(a) motive power batteries and chargers (including, without limitation, batteries and chargers for industrial forklift trucks and other materials handling equipment); and/or

(b) stationary batteries and chargers (including, without limitation, standby batteries and power supply equipment for wireless and wireline telecommunications applications, such as central telephone exchanges, microwave relay stations, and switchgear and other instrumentation control systems); and/or

(c) any other product the Company or any company within the Enersys Group now makes or is presently researching or developing, such as lithium batteries.

Competing Business also includes the design, engineering, installation or service of stationary and DC power systems, and any consulting and/or turnkey services relating thereto.

7.5 Mr. Kubis agrees with the Company that, for the duration of the Mandate and continuing for the Restricted Period, he will not in any way, directly or indirectly (except in the course of exercising the Mandate), for the purpose of conducting or engaging in any Competing Business, call upon, solicit, advise or otherwise do, or attempt to do, business with any person who is, or was, during the then most recent 12-month period, a customer of the Company or the Enersys Group, or take away or interfere or attempt to take away or interfere with any custom, trade, business, patronage or affairs of the Company or the Enersys Group, or hire or attempt to hire any person who is, or was during the then most recent 12-month period, an employee, officer, representative or agent of the Company or Enersys Group, or solicit, induce, or attempt to solicit or induce any person who is an employee, officer, representative or agent of the Company or the Enersys Group to leave the employ of the Company

or the Enersys Group, or violate the terms of their contracts, or any employment arrangements, with it.

8. INFRINGEMENT OF NON-COMPETE PROVISIONS

8.1 In the event Mr. Kubis should breach any of the provisions contained in Article 7 of this Agreement, the Company expressly reserves the right to seek judicial relief by requesting in summary proceedings before the Belgian commercial courts an order to abstain from any further infringement under penalty of a fine.

9. TAXATION

9.1 During his Mandate, Mr. Kubis will be considered self-employed from a social security and income tax perspective. Mr. Kubis accepts and agrees to be responsible for all payments of social security contributions and income taxes owed by him in respect of the emoluments and benefits in kind payable or granted under this Agreement; provided, however, that the Company shall be responsible for remitting any taxes withheld by the Company on his behalf.

10. EFFECTIVENESS OF THE AGREEMENT

10.1 Consummation of the Acquisition is a condition precedent to this Agreement having full force and effect. Upon non-fulfillment of the condition precedent, this Agreement shall not give rise to any rights nor claims against the Company.

11. ENTIRE AGREEMENT

11.1 This Agreement is the entire Agreement and understanding between the Parties with regard to the subject matters hereof in respect of Belgium. It replaces, supersedes and annuls any prior written or oral arrangements, agreements, offers, correspondence or proposals relating to the activities carried out by Mr. Kubis for the Company.

11.2 Any amendments or changes to this Agreement shall be binding only if made in writing and if duly signed by both Parties.

12. SEVERABILITY

12.1 In the event a provision of this Agreement is null, invalid or appears unenforceable, this shall not effect the other provisions of this Agreement, and the Parties shall consult on substitute provisions of this Agreement as to its content and substance as closely as possible, taking into account the intent of the Parties to this Agreement.

13. GOVERNING LAW–JURISDICTION

13.1 This Agreement shall be governed by and construed in accordance with the laws of the Kingdom of Belgium. If any part of this Agreement is to be found null or unenforceable under Belgian Law, the rest of the Agreement will remain unaffected, and will continue to be valid and enforceable.

13.2 Any disputes, discussions or claims arising out of or relating to this Agreement, or its breach, termination or invalidity, shall be settled exclusively by arbitration, under the CEPINA arbitration rules. Three arbitrators shall be appointed and the arbitration proceedings will be held in Brussels. The language will be English

IN WITNESS WHEREOF, the parties hereto have duly caused this Agreement to be executed in two (2) original copies, each party acknowledging receipt of one original copy.

Made in Reading, on January 8, 2002.

/s/ Richard W. Zuidema	/s/ Ray Kubis
The Company	Mr. Ray Kubis
Represented by _____	
On behalf of the shareholders,	
On behalf of the Board of Directors.	

SCHEDULE 1

Summary of responsibilities of Mr. Kubis

- The Mandate shall include responsibilities for the daily management of the Company.
- Mr. Kubis shall also be appointed President, Enersys Europe and shall be responsible for the management and direction of the Enersys operations in Europe, the Middle East and Africa.

Exhibit 10.9

Published CUSIP Number: 29274PAC6

CREDIT AGREEMENT

among

ENERSYS,

ENERSYS CAPITAL INC.,

VARIOUS LENDING INSTITUTIONS,

BANK OF AMERICA, N.A.,
as Administrative Agent,

MORGAN STANLEY SENIOR FUNDING, INC.,
as Syndication Agent,

and

LEHMAN COMMERCIAL PAPER INC.,
as Documentation Agent

Dated as of March 17, 2004

BANC OF AMERICA SECURITIES LLC,
as Joint Lead Arranger and Joint Book Manager

MORGAN STANLEY SENIOR FUNDING, INC.,
as Joint Lead Arranger and Joint Book Manager

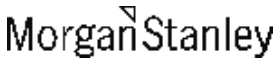


TABLE OF CONTENTS

EXHIBIT M - Form of Shareholder Subordinated Note
EXHIBIT N - Form of Intercreditor Agreement

CREDIT AGREEMENT, dated as of March 17, 2004, among ENERSYS, a Delaware corporation ("Holdings"), ENERSYS CAPITAL INC., a Delaware corporation (the "Borrower"), the Lenders from time to time party hereto, Bank of America, N.A., as Administrative Agent (in such capacity, the "Administrative Agent"), Morgan Stanley Senior Funding, Inc., as Syndication Agent (in such capacity, the "Syndication Agent"), and Lehman Commercial Paper Inc., as Documentation Agent (in such capacity, the "Documentation Agent"). Unless otherwise defined herein, all capitalized terms used herein and defined in Section 11 are used herein as so defined.

W I T N E S S E T H:

WHEREAS, subject to and upon the terms and conditions herein set forth, the Lenders are willing to make available to the Borrower the credit facilities provided for herein;

NOW, THEREFORE, IT IS AGREED:

SECTION 1. Amount and Terms of Credit.

1.01. Commitments. (a) Subject to and upon the terms and conditions set forth herein, each Lender with a Term Loan Commitment severally agrees to make a term loan (each, a "Term Loan" and, collectively, the "Term Loans") to the Borrower, which Term Loans:

(i) shall be incurred by the Borrower pursuant to a single drawing on the Initial Borrowing Date for the purposes described in Section 7.05(a);

(ii) shall be denominated in U.S. Dollars;

(iii) except as hereafter provided, shall, at the option of the Borrower, be incurred and maintained as, and/or converted into, Base Rate Loans or Eurodollar Loans, provided that (x) except as otherwise specifically provided in Section 1.10(b), all Term Loans made as part of the same Borrowing shall at all times consist of Term Loans of the same Type and (y) unless the Administrative Agent has determined that the Syndication Date has occurred (at which time this clause (y) shall no longer be applicable), (I) Term Loans may not be incurred or maintained as Eurodollar Loans on or prior to the fourth Business Day following the Initial Borrowing Date and (II) each Borrowing of Term Loans to be incurred or maintained as Eurodollar Loans after such fourth Business Day following the Initial Borrowing Date shall have an Interest Period of one-week; and

(iv) shall be made by each Lender in that initial aggregate principal amount as is equal to the Term Loan Commitment of such Lender on the Initial Borrowing Date (before giving effect to the termination thereof on such date pursuant to Section 3.03(b)).

Once repaid, Term Loans incurred hereunder may not be reborrowed.

(b) Subject to and upon the terms and conditions set forth herein, each RL Lender severally agrees, at any time and from time to time on and after the Initial Borrowing Date and prior to the Revolving Loan Maturity Date, to make a revolving loan or revolving loans (each, a "Revolving Loan" and, collectively, the "Revolving Loans") to the Borrower, which Revolving Loans:

(i) shall be denominated in U.S. Dollars;

(ii) shall, at the option of the Borrower, be incurred and maintained as, and/or converted into, Base Rate Loans or Eurodollar Loans, provided that (x) except as otherwise specifically provided in Section 1.10(b), all Revolving Loans made as part of the same Borrowing shall at all times be of the same Type and (y) unless the Administrative Agent has determined that the Syndication Date has occurred (at which time this clause (y) shall no longer be applicable), (I) Revolving Loans may not be incurred or maintained as Eurodollar Loans on or prior to the fourth Business Day following the Initial Borrowing Date and (II) each Borrowing of Revolving Loans to be incurred or maintained as Eurodollars Loans after such fourth Business Day following the Initial Borrowing Date shall have an Interest Period of one week;

(iii) may be repaid and reborrowed in accordance with the provisions hereof;

(iv) shall not exceed for any Lender at any time outstanding that aggregate principal amount which, when added to such Lender's RL Percentage of the sum of (x) the Letter of Credit Outstandings (exclusive of Unpaid Drawings which are repaid with the proceeds of, and simultaneously with the incurrence of, the respective incurrence of Revolving Loans) at such time and (y) the aggregate principal amount of all Swingline Loans (exclusive of Swingline Loans which are repaid with the proceeds of, and simultaneously with the incurrence of, the respective incurrence of Revolving Loans) then outstanding, equals the Revolving Loan Commitment of such Lender at such time; and

(v) shall not exceed for all Lenders at any time outstanding that aggregate principal amount which, when added to (x) the Letter of Credit Outstandings (exclusive of Unpaid Drawings which are repaid with the proceeds of, and simultaneously with the incurrence of, the respective incurrence of Revolving Loans) at such time and (y) the aggregate principal amount of all Swingline Loans (exclusive of Swingline Loans

which are repaid with the proceeds of, and simultaneously with the incurrence of, the respective incurrence of Revolving Loans) then outstanding, exceeds the Total Revolving Loan Commitment then in effect.

(c) Subject to and upon the terms and conditions set forth herein, the Swingline Lender in its capacity as such agrees to make at any time and from time to time on and after the Initial Borrowing Date and prior to the Swingline Expiry Date, a revolving loan or revolving loans to the Borrower (each, a "Swingline Loan" and, collectively, the "Swingline Loans"), which Swingline Loans:

(i) shall be denominated in U.S. Dollars;

(ii) shall be made and maintained as Base Rate Loans;

(iii) may be repaid and reborrowed in accordance with the provisions hereof;

(iv) shall not exceed in aggregate principal amount at any time outstanding, when combined with (x) the aggregate principal amount of all Revolving Loans then outstanding and (y) the Letter of Credit Outstandings at such time, the Total Revolving Loan Commitment at such time (after giving effect to any changes thereto on such date); and

(v) shall not exceed in aggregate principal amount at any time outstanding the Maximum Swingline Amount.

Notwithstanding anything contained in this Section 1.01(c), (i) the Swingline Lender shall not be obligated to make any Swingline Loans at a time when a Lender Default exists unless the Swingline Lender has entered into arrangements satisfactory to it and the Borrower to eliminate the Swingline Lender's risk with respect to the Defaulting Lender's or Defaulting Lenders' participation in such Swingline Loans, including by cash collateralizing such Defaulting Lender's or Defaulting Lenders' RL Percentage(s) of the outstanding Swingline Loans and (ii) the Swingline Lender will not make a Swingline Loan after it has received written notice from the Borrower or the Administrative Agent (at the direction of the Required Lenders) stating that a Default or an Event of Default exists until such time as the Swingline Lender shall have received a written notice of (i) rescission of such notice from the party or parties originally delivering the same or (ii) a waiver of such Default or Event of Default from the Required Lenders.

(d) On any Business Day, the Swingline Lender may, in its sole discretion, give notice to the RL Lenders that its outstanding Swingline Loans shall be funded with a Borrowing of Revolving Loans (provided that each such notice shall be deemed to have been automatically given upon the occurrence of a Default or an Event of Default under Section 10.05 or upon the exercise of any of the remedies provided in the last paragraph of Section 10), in which case a Borrowing of Revolving Loans constituting Base Rate Loans (each such Borrowing, a "Mandatory Borrowing") shall be made on the immediately succeeding Business Day by all RL Lenders pro rata based on each RL Lender's RL Percentage (determined before giving effect to any termination of the Revolving Loan Commitments pursuant to the last paragraph of Section 10), and the proceeds thereof shall be applied directly to repay the Swingline Lender for such outstanding Swingline Loans. Each RL Lender hereby irrevocably agrees to make Revolving Loans upon one Business Day's notice pursuant to each Mandatory Borrowing in the amount and in the manner specified in the preceding sentence and on the date specified in writing by the Swingline Lender notwithstanding (i) that the amount of the Mandatory Borrowing may not comply with the Minimum Borrowing Amount otherwise required hereunder, (ii) whether any conditions specified in Section 5 or 6 are then satisfied, (iii) whether a Default or an Event of Default has occurred and is continuing, (iv) the date of such Mandatory Borrowing and (v) the amount of the Total Revolving Loan Commitment at such time. In the event that any Mandatory Borrowing cannot for any reason be made on the date otherwise required above (including, without limitation, as a result of the commencement of a proceeding

under the Bankruptcy Code with respect to the Borrower), then each RL Lender (other than the Swingline Lender) hereby agrees that it shall forthwith purchase from the Swingline Lender (without recourse or warranty) such assignment of the outstanding Swingline Loans as shall be necessary to cause the RL Lenders to share in such Swingline Loans ratably based upon their respective RL Percentages (determined before giving effect to any termination of the Revolving Loan Commitments pursuant to the last paragraph of Section 10), provided that (x) all interest payable on the Swingline Loans shall be for the account of the Swingline Lender until the date the respective assignment is purchased and, to the extent attributable to the purchased assignment, shall be payable to the RL Lender purchasing same from and after such date of purchase (or, if earlier, from the date on which the Mandatory Borrowing would otherwise have occurred, so long as the payments required by following clause (y) have in fact been made) and (y) at the time any purchase of assignments pursuant to this sentence is actually made, the purchasing RL Lender shall be required to pay the Swingline Lender interest on the principal amount of the assignment purchased for each day from and including the day upon which the Mandatory Borrowing would otherwise have occurred to but excluding the date of payment for such assignment, at the rate otherwise applicable to Revolving Loans maintained as Base Rate Loans hereunder for each day thereafter.

1.02. Minimum Borrowing Amounts, etc. The aggregate principal amount of each Borrowing of Loans under a respective Tranche shall not be less than the Minimum Borrowing Amount applicable to such Tranche, provided that Mandatory Borrowings shall be made in the amounts required by Section 1.01(d). More than one Borrowing may be incurred on any day, provided that at no time shall there be outstanding more than fifteen Borrowings of Eurodollar Loans.

1.03. Notice of Borrowing. (a) Whenever the Borrower desires to make a Borrowing of Loans hereunder (excluding Borrowings of Swingline Loans and Mandatory Borrowings), it shall give the Administrative Agent at its Notice Office, prior to 12:00 Noon (New York time), at least three Business Days' prior written notice (or telephonic notice promptly confirmed in writing) of each Borrowing of Eurodollar Loans and at least one Business Day's prior written notice (or telephonic notice promptly confirmed in writing) of each Borrowing of Base Rate Loans to be made hereunder. Each such written notice or written confirmation of telephonic notice (each, a "Notice of Borrowing") shall, except as otherwise expressly provided in Section 1.10, be irrevocable, and, in the case of each written notice and each confirmation of telephonic notice, shall be given by an Authorized Officer of the Borrower in the form of Exhibit A, appropriately completed to specify: (i) the aggregate principal amount of the Loans to be made pursuant to such Borrowing, (ii) the date of such Borrowing (which shall be a Business Day), (iii) whether the respective Borrowing shall consist of Term Loans or Revolving Loans, (iv) whether the respective Borrowing shall consist of Base Rate Loans or, to the extent permitted hereunder, Eurodollar Loans and, if Eurodollar Loans, the Interest Period to be initially applicable thereto and (v) in the case of a Borrowing of Revolving Loans any of the proceeds of which are to be utilized to finance, in whole or in part, the purchase price of a Permitted Acquisition, (x) a reference to the officer's certificate, if any, delivered in accordance with Section 8.14, (y) the

aggregate principal amount of such Revolving Loans to be utilized in connection with such Permitted Acquisition and (z) the Total Unutilized Revolving Loan Commitment in effect immediately after giving effect to the respective Permitted Acquisition (and all Borrowings and payments to be made in connection therewith and post-closing purchase

price adjustments and capital expenditures described in Section 8.14(a)(x)). The Administrative Agent shall promptly give each Lender which is required to make Loans of the Tranche specified in the respective Notice of Borrowing, written notice (or telephonic notice promptly confirmed in writing) of each proposed Borrowing, of such Lender's proportionate share thereof and of the other matters required by the immediately preceding sentence to be specified in the Notice of Borrowing.

(b) (i) Whenever the Borrower desires to incur Swingline Loans hereunder, it shall give the Swingline Lender not later than 2:00 P.M. (New York time) on the day such Swingline Loan is to be made, written notice (or telephonic notice promptly confirmed in writing) of each Swingline Loan to be made hereunder. Each such notice shall be irrevocable and shall specify in each case (x) the date of such Borrowing (which shall be a Business Day) and (y) the aggregate principal amount of the Swingline Loan to be made pursuant to such Borrowing.

(ii) Mandatory Borrowings shall be made upon the notice (or deemed notice) specified in Section 1.01(d), with the Borrower irrevocably agreeing, by its incurrence of any Swingline Loan, to the making of Mandatory Borrowings as set forth in such Section 1.01(d).

(c) Without in any way limiting the obligation of the Borrower to confirm in writing any telephonic notice permitted to be given hereunder, the Administrative Agent or the Swingline Lender (in the case of a Borrowing of Swingline Loans) or the Letter of Credit Issuer (in the case of the issuance of Letters of Credit), as the case may be, may, prior to receipt of written confirmation, act without liability upon the basis of such telephonic notice, believed by the Administrative Agent, the Swingline Lender or the Letter of Credit Issuer, as the case may be, in good faith to be from an Authorized Officer of the Borrower. In each such case, the Administrative Agent's, the Swingline Lender's or the respective Letter of Credit Issuer's record of the terms of such telephonic notice shall be conclusive evidence of the contents of such notice, absent manifest error.

1.04. Disbursement of Funds. (a) Not later than 1:00 P.M. (New York time) on the date specified in each Notice of Borrowing (or (x) in the case of Swingline Loans, not later than 3:00 P.M. (New York time) on the date specified in Section 1.03(b)(i) or (y) in the case of Mandatory Borrowings, not later than 12:00 Noon (New York time) on the date specified in Section 1.01(d)), each Lender with a Commitment under the respective Tranche will make available its pro rata share (determined in accordance with Section 1.07), if any, of each Borrowing requested to be made on such date (or in the case of Swingline Loans, the Swingline Lender shall make available the full amount thereof) in the manner provided below. All amounts shall be made available to the Administrative Agent in U.S. Dollars and in immediately available funds at the Payment Office and the Administrative Agent promptly will make available to the Borrower by depositing to its account at the Payment Office the aggregate of the amounts so made available in the type of funds received. Unless the Administrative Agent shall have been notified by any Lender prior to the date of Borrowing that such Lender does not intend to make available to the Administrative Agent its portion of the Borrowing or Borrowings to be made on such date, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on such date of Borrowing, and the Administrative Agent, in reliance upon such assumption, may (in its sole discretion and without any obligation to do so) make available

to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Lender and the Administrative Agent has made available same to the Borrower, the Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent shall promptly notify the Borrower, and the Borrower shall immediately pay such corresponding amount to the Administrative Agent. The Administrative Agent shall also be entitled to recover on demand from such Lender or the Borrower, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Administrative Agent to the Borrower to the date such corresponding amount is recovered by the Administrative Agent, at a rate per annum equal to (x) if paid by such Lender, the overnight Federal Funds Rate or (y) if paid by the Borrower, the then applicable rate of interest, calculated in accordance with Section 1.08.

(b) Nothing in this Agreement shall be deemed to relieve any Lender from its obligation to fulfill its commitments hereunder or to prejudice any rights which the Borrower may have against any Lender as a result of any default by such Lender hereunder.

1.05. Notes. (a) The Borrower's obligation to pay the principal of, and interest on, all the Loans made to it by each Lender shall be set forth on the Register maintained by the Administrative Agent pursuant to Section 13.07(c) and, subject to the provisions of Section 1.05(f), shall be evidenced (i) if Term Loans, by a promissory note substantially in the form of Exhibit B-1 with blanks appropriately completed in conformity herewith (each, a "Term Note" and, collectively, the "Term Notes"), (ii) if Revolving Loans, by a promissory note substantially in the form of Exhibit B-2 with blanks appropriately completed in conformity herewith (each, a "Revolving Note" and, collectively, the "Revolving Notes") and (iii) if Swingline Loans, by a promissory note substantially in the form of Exhibit B-3 with blanks appropriately completed in conformity herewith (the "Swingline Note").

(b) The Term Note issued to each Lender with a Term Loan Commitment shall (i) be executed by the Borrower, (ii) be payable to such Lender or its registered assigns and be dated the Initial Borrowing Date (or, in the case of any Term Note issued after the Initial Borrowing Date, the date of issuance thereof), (iii) be in a stated principal amount equal to the Term Loan Commitment of such Lender on the Initial Borrowing Date (or, in the case of any Term Note issued after the Initial Borrowing Date, in a stated principal amount equal to the outstanding principal amount of the Term Loan of such Lender on the date of the issuance thereof) and be payable in the principal amount of Term Loans evidenced thereby from time to time, (iv) mature on the Term Loan Maturity Date, (v) bear interest as provided in the appropriate clause of Section 1.08 in respect of the Base Rate Loans and Eurodollar Loans, as the case may be, evidenced thereby, (vi) be subject to voluntary repayment as provided in Section 4.01 and mandatory repayment as provided in Section 4.02 and (vii) be entitled to the benefits of this Agreement and the other Credit Documents.

(c) The Revolving Note issued to each RL Lender shall (i) be executed by the Borrower, (ii) be payable to such RL Lender or its registered assigns and be dated the date of issuance thereof, (iii) be in a stated principal amount equal to the Revolving Loan Commitment of such RL Lender and be payable in the principal amount of the outstanding Revolving Loans

evidenced thereby, (iv) mature on the Revolving Loan Maturity Date, (v) bear interest as provided in the appropriate clause of Section 1.08 in respect of the Base Rate Loans and Eurodollar Loans, as the case may be, evidenced thereby, (vi) be subject to voluntary prepayment as provided in Section 4.01 and mandatory repayment as provided in Section 4.02 and (vii) be entitled to the benefits of this Agreement and the other Credit Documents.

(d) The Swingline Note issued to the Swingline Lender shall (i) be executed by the Borrower, (ii) be payable to the Swingline Lender or its registered assigns and be dated the Initial Borrowing Date, (iii) be in a stated principal amount equal to the Maximum Swingline Amount and be payable in the principal amount of the outstanding Swingline Loans evidenced thereby, (iv) mature on the Swingline Expiry Date, (v) bear interest as provided in Section 1.08 in respect of the Base Rate Loans evidenced thereby, (vi) be subject to voluntary prepayment as provided in Section 4.01 and mandatory repayment as provided in Section 4.02 and (vii) be entitled to the benefits of this Agreement and the other Credit Documents.

(e) Each Lender will note on its internal records the amount of each Loan made by it and each payment in respect thereof and will prior to any transfer of any of its Notes endorse on the reverse side thereof the outstanding principal amount of Loans evidenced thereby. Failure to make any such notation or any error in such notation shall not affect the Borrower's obligations in respect of such Loans.

(f) Notwithstanding anything to the contrary contained above or elsewhere in this Agreement, Notes shall only be delivered to Lenders which at any time specifically request the delivery of such Notes. No failure of any Lender to request or obtain a Note evidencing its Loans to the Borrower shall affect or in any manner impair the obligations of the Borrower to pay the Loans (and all related Obligations) which would otherwise be evidenced thereby in accordance with the requirements of this Agreement, and shall not in any way affect the security or guaranties therefor provided pursuant to the various Credit Documents. Any Lender which does not have a Note evidencing its outstanding Loans shall in no event be required to make the notations otherwise described in preceding clause (e). At any time when any Lender requests the delivery of a Note to evidence any of its Loans, the Borrower shall promptly execute and deliver to the respective Lender the requested Note in the appropriate amount or amounts to evidence such Loans.

1.06. Conversions. The Borrower shall have the option to convert on any Business Day occurring on or after the Initial Borrowing Date, all or a portion at least equal to the applicable Minimum Borrowing Amount of the outstanding principal amount of Loans (other than Swingline Loans, which shall at all times be maintained as Base Rate Loans) made pursuant to one or more Borrowings of one or more Types of Loans under a single Tranche into a Borrowing or Borrowings of another Type of Loan under such Tranche; provided that (i) except as otherwise provided in Section 1.10(b) or unless the Borrower pays all breakage costs and other amounts owing to each Lender pursuant to Section 1.11 concurrently with any such conversion, Eurodollar Loans may be converted into Base Rate Loans only on the last day of an Interest Period applicable to the Loans being converted, and no partial conversion of a Borrowing of Eurodollar Loans shall reduce the outstanding principal amount of the Eurodollar Loans made pursuant to such Borrowing to less than the Minimum Borrowing Amount applicable thereto, (ii) unless the Required Lenders otherwise agree, Base Rate Loans may only

be converted into Eurodollar Loans if no Default or Event of Default is in existence on the date of the conversion, (iii) unless the Administrative Agent has determined that the Syndication Date has occurred (at which time this clause (iii) shall no longer be applicable), a conversion of a Base Rate Loan into a Eurodollar Loan may only be made (x) after the fourth Business Day following the Initial Borrowing Date and (y) if the Interest Period of the Eurodollar Loan into which such Base Rate Loan is converted is one week and (iv) Borrowings of Eurodollar Loans resulting from this Section 1.06 shall be limited in number as provided in Section 1.02. Each such conversion shall be effected by the Borrower by giving the Administrative Agent at its Notice Office, prior to 12:00 Noon (New York time), at least three Business Days' (or one Business Day's in the case of a conversion into Base Rate Loans) prior written notice (or telephonic notice promptly confirmed in writing) (each, a "Notice of Conversion/Continuation") in the form of Exhibit A-2, appropriately completed to specify the Loans to be so converted, the Borrowing(s) pursuant to which the Loans were made and, if to be converted into a Borrowing of Eurodollar Loans, the Interest Period to be initially applicable thereto. The Administrative Agent shall give each Lender prompt notice of any such proposed conversion affecting any of its Loans. Upon any such conversion, the proceeds thereof will be deemed to be applied directly on the day of such conversion to prepay the outstanding principal amount of the Loans being converted.

1.07. Pro Rata Borrowings. All Borrowings of Term Loans and Revolving Loans under this Agreement shall be incurred by the Borrower from the Lenders pro rata on the basis of such Lenders' Term Loan Commitments or Revolving Loan Commitments, as the case may be, in each case as in effect on the date of the respective Borrowing; provided that all Borrowings of Revolving Loans made pursuant to a Mandatory Borrowing shall be incurred from the RL Lenders pro rata on the basis of their respective RL Percentages. It is understood that no Lender shall be responsible for any default by any other Lender of its obligation to make Loans hereunder and that each Lender shall be obligated to make the Loans to be made by it hereunder, regardless of the failure of any other Lender to fulfill its commitments hereunder.

1.08. Interest. (a) The unpaid principal amount of each Base Rate Loan shall bear interest from the date of the Borrowing thereof until the earlier of (i) the maturity (whether by acceleration or otherwise) of such Base Rate Loan and (ii) the conversion of such Base Rate Loan to a Eurodollar Loan pursuant to Section 1.06, at a rate per annum which shall at all times be the relevant Applicable Margin plus the Base Rate, each as in effect from time to time.

(b) The unpaid principal amount of each Eurodollar Loan shall bear interest from the date of the Borrowing thereof until the earlier of (i) the maturity (whether by acceleration or otherwise) of such Eurodollar Loan and (ii) the conversion of such Eurodollar Loan to a Base Rate Loan pursuant to Section 1.06, 1.09 or 1.10(b), as applicable, at a rate per annum which shall at all times be the relevant Applicable Margin plus the Eurodollar Rate for such Interest Period, each as in effect from time to time.

(c) Overdue principal and, to the extent permitted by law, overdue interest in respect of each Loan shall bear interest at a rate per annum equal to the greater of (x) the rate which is 2% in excess of the rate borne by such Loans immediately prior to the respective payment default and (y) the rate which is 2% in excess of the rate otherwise applicable to Base Rate Loans from time to time. Interest which accrues under this Section 1.08(c) shall be payable on demand.

(d) Interest shall accrue from and including the date of any Borrowing to but excluding the date of any repayment thereof and shall be payable (i) in respect of each Base Rate Loan, quarterly in arrears on each Quarterly Payment Date, (ii) in respect of each Eurodollar Loan, on (x) the date of any conversion into a Base Rate Loan pursuant to Section 1.06, 1.09 or 1.10(b), as applicable (on the amount converted) and (y) the last day of each Interest Period applicable thereto and, in the case of an Interest Period in excess of three months, on each date occurring at three month intervals after the first day of such Interest Period and (iii) in respect of each Loan, on (x) the date of any prepayment or repayment thereof (on the amount prepaid or repaid), (y) at maturity (whether by acceleration or otherwise) and (z) after such maturity, on demand.

(e) All computations of interest hereunder shall be made in accordance with Section 13.21(b).

(f) Upon each Interest Determination Date, the Administrative Agent shall determine the Eurodollar Rate for the respective Interest Period or Interest Periods and shall promptly notify the Borrower and the Lenders thereof. Each such determination shall, absent manifest error, be final and conclusive and binding on all parties hereto.

1.09. Interest Periods. At the time the Borrower gives a Notice of Borrowing or Notice of Conversion/Continuation in respect of the making of, or conversion into, a Borrowing of Eurodollar Loans (in the case of the initial Interest Period applicable thereto) or prior to 12:00 Noon (New York time) on the third Business Day prior to the expiration of an Interest Period applicable to a Borrowing of Eurodollar Loans (in the case of any subsequent Interest Period), the Borrower shall have the right to elect by giving the Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of the Interest Period applicable to such Borrowing, which Interest Period shall, at the option of the Borrower (but otherwise subject to clause (y) of the proviso to Sections 1.01(a)(iii) and 1.01(b)(ii) and to clause (iii) of the proviso to Section 1.06), be (x) a one, two, three, six or, to the extent approved by each Lender with outstanding Loans and/or Commitments under the respective Tranche, nine or twelve month period or (y) at all times prior to the Syndication Date (as determined by the Administrative Agent) or to the extent approved by the Administrative Agent in its reasonable discretion, a one-week period. Notwithstanding anything to the contrary contained above:

(i) all Eurodollar Loans comprising a Borrowing shall at all times have the same Interest Period;

(ii) the initial Interest Period for any Borrowing of Eurodollar Loans shall commence on the date of such Borrowing (including the date of any conversion from a Borrowing of Base Rate Loans) and each Interest Period occurring thereafter in respect of such Borrowing shall commence on the day on which the next preceding Interest Period applicable thereto expires;

(iii) if any Interest Period for any Borrowing of Eurodollar Loans begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period, such Interest Period shall end on the last Business Day of such calendar month;

(iv) if any Interest Period would otherwise expire on a day which is not a Business Day, such Interest Period shall expire on the next succeeding Business Day, provided that if any Interest Period for any Borrowing of Eurodollar Loans would otherwise expire on a day which is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day;

(v) no Interest Period for a Borrowing under a Tranche shall be selected which would extend beyond the respective Maturity Date for such Tranche;

(vi) no Interest Period may be elected at any time when a Default or an Event of Default is then in existence; and

(vii) no Interest Period in respect of any Borrowing of Term Loans shall be elected which extends beyond any date upon which a Scheduled Repayment will be required to be made under Section 4.02(b) if, after giving effect to the election of such Interest Period, the aggregate principal amount of such Term Loans which have Interest Periods which will expire after such date will be in excess of the aggregate principal amount of such Term Loans then outstanding less the aggregate amount of such required Scheduled Repayment.

If upon the expiration of any Interest Period applicable to a Borrowing of Eurodollar Loans, the Borrower has failed to elect, or is not permitted to elect, a new Interest Period to be applicable to the respective Borrowing of Eurodollar Loans as provided above, the Borrower shall be deemed to have elected to convert such Borrowing into a Borrowing of Base Rate Loans effective as of the expiration date of such current Interest Period.

1.10. Increased Costs; Illegality; etc. (a) In the event that (x) in the case of clause (i) below, the Administrative Agent or (y) in the case of clauses (ii) and (iii) below, any Lender, shall have determined in good faith (which determination shall, absent manifest error, be final and conclusive and binding upon all parties hereto):

(i) on any Interest Determination Date, that, by reason of any changes arising after the Effective Date affecting the interbank Eurodollar market, adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of Eurodollar Rate; or

(ii) at any time, that such Lender shall incur increased costs or reductions in the amounts received or receivable hereunder with respect to any Eurodollar Loans because of (x) any change since the date of this Agreement in any applicable law, governmental rule, regulation, guideline, order or request (whether or not having the force of law), or in the interpretation or administration thereof and including the introduction of any new law or governmental rule, regulation, guideline, order or request, such as, for example, but not limited to, (A) a change in the basis of taxation of payment to any Lender of the principal of or interest on such Eurodollar Loans or any other amounts payable hereunder (except for changes with respect to any tax imposed on, measured by or determined by reference to, the net income, net profits of such Lender or any franchise

tax imposed in lieu thereof pursuant to the laws of the jurisdiction in which such Lender is organized, or in which such Lender's principal office or applicable lending office is located or any subdivision thereof or therein), provided, however, that the Borrower's obligations to pay any additional amounts claimed under this Section 1.10(a)(ii)(x)(A) shall be subject to the provisions contained in Section 4.04(c); provided further that taxes that are otherwise addressed by Section 4.04 are not subject to a claim under this Section 1.10 or (B) a change in official reserve requirements, but, in all events, excluding reserves required under Regulation D to the extent included in the computation of the Eurodollar Rate and/or (y) other circumstances arising since the date of this Agreement affecting such Lender, the interbank Eurodollar market or the position of such Lender in such market (whether or not such Lender was a Lender at the time of such occurrence, but subject to the last sentence of Section 13.07(j)); or

(iii) at any time since the Effective Date, that the making or continuance of any Eurodollar Loan has become unlawful by compliance by such Lender with any law, governmental rule, regulation, guideline or order (or would conflict with any governmental rule, regulation, guideline, request or order not having the force of law but with which such Lender customarily complies even though the failure to comply therewith would not be unlawful), or has become impracticable as a result of a change or contingency occurring after the Effective Date which materially and adversely affects the interbank Eurodollar market;

then, and in any such event, such Lender (or the Administrative Agent in the case of clause (i) above) shall promptly give notice (by telephone confirmed in writing) to the Borrower, which written notice shall set forth such Lender's (or the Administrative Agent's, as the case may be) basis for asserting its rights under this Section 1.10(a) and the calculation, in reasonable detail, of any such additional amounts claimed hereunder, and (except in the case of clause (i)) to the Administrative Agent of such determination (which notice the Administrative Agent shall promptly transmit to each of the other Lenders). Thereafter, (x) in the case of clause (i) above, Eurodollar Loans shall no longer be available until such time as the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice by the Administrative Agent no longer exist, and any Notice of Borrowing or Notice of Conversion/Continuation given by the Borrower with respect to Eurodollar Loans which have not yet been incurred (including by way of conversion) shall be deemed rescinded by the Borrower, (y) in the case of clause (ii) above, the Borrower agrees, subject to the provisions of Section 13.18 (to the extent applicable), to pay to such Lender, upon written demand therefor, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Lender in its sole discretion shall determine) as shall be required to compensate such Lender for such increased costs or reductions in amounts received or receivable hereunder but without duplication of any payments due under Section 4.04 (with the written notice as to the additional amounts owed to such Lender, submitted to the Borrower by such Lender in accordance with the foregoing to be, absent manifest error, final, conclusive and binding upon all parties hereto, although the failure to give any such notice shall not release or diminish any of the Borrower's obligations to pay additional amounts pursuant to this Section 1.10(a) upon the subsequent receipt of such notice) and (z) in the case of clause (iii) above, the Borrower shall take one of the actions specified in Section 1.10(b) as promptly as possible and, in any event, within the time period required by law.

(b) At any time that any Eurodollar Loan is affected by the circumstances described in Section 1.10(a)(ii) or (iii), the Borrower may at its sole option (and in the case of a Eurodollar Loan affected pursuant to Section 1.10(a)(iii), the Borrower shall) either (i) if the affected Eurodollar Loan is then being made pursuant to a Borrowing, cancel said Borrowing by giving the Administrative Agent telephonic notice (confirmed promptly in writing) thereof on the same date that the Borrower was notified by a Lender pursuant to Section 1.10(a)(ii) or (iii)), or (ii) if the affected Eurodollar Loan is then outstanding, upon at least three Business Days' notice to the Administrative Agent, require the affected Lender to convert each such Eurodollar Loan into a Base Rate Loan (which conversion, in the case of the circumstance described in Section 1.10(a)(iii), shall occur no later than the last day of the Interest Period then applicable to such Eurodollar Loan or such earlier day as shall be required by applicable law); provided that if more than one Lender is affected at any time, then all affected Lenders must be treated the same pursuant to this Section 1.10(b).

(c) If any Lender shall have determined after the Effective Date that the adoption or effectiveness after the Effective Date of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change after the Effective Date in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's or such other corporation's capital or assets as a consequence of such Lender's Commitment or Commitments hereunder or its obligations hereunder to a level below that which such Lender or such other corporation could have achieved but for such adoption, effectiveness, change or compliance (taking into consideration such Lender's or such other corporation's policies with respect to capital adequacy), then from time to time, upon written demand by such Lender (with a copy to the Administrative Agent), accompanied by the notice referred to in the last sentence of this clause (c), the Borrower agrees, subject to the provisions of Section 13.18 (to the extent applicable), to pay to such Lender such additional amount or amounts as will compensate such Lender or such other corporation for such reduction in the rate of return to such Lender or such other corporation. Each Lender, upon determining in good faith that any additional amounts will be payable pursuant to this Section 1.10(c), will give prompt written notice thereof to the Borrower (a copy of which shall be sent by such Lender to the Administrative Agent), which notice shall set forth such Lender's basis for asserting its rights under this Section 1.10(c) and the calculation, in reasonable detail, of such additional amounts claimed hereunder, although the failure to give any such notice shall not release or diminish the Borrower's obligations to pay additional amounts pursuant to this Section 1.10(c) upon the subsequent receipt of such notice. A Lender's reasonable good faith determination of compensation owing under this Section 1.10(c) shall, absent manifest error, be final and conclusive and binding on all the parties hereto.

1.11. Compensation. The Borrower shall, subject to the provisions of Section 13.18 (to the extent applicable), compensate each Lender, promptly upon its written request (which request shall set forth in reasonable detail the basis for requesting such compensation), for all losses, expenses and liabilities (including, without limitation, any loss, expense or liability incurred by reason of the liquidation or reemployment of deposits or other funds required by such Lender to fund its Eurodollar Loans) which such Lender may sustain: (i) if for

any reason (other than a default by such Lender or any Agent) a Borrowing of, or conversion from or into, Eurodollar Loans does not occur on a date specified therefor in a Notice of Borrowing or Notice of Conversion/Continuation given by the Borrower (whether or not withdrawn by the Borrower or deemed withdrawn pursuant to Section 1.10(a)); (ii) if any repayment (including any repayment made pursuant to Section 4.01 or 4.02 or as a result of an acceleration of the Loans pursuant to Section 10 or as a result of the replacement of a Lender (other than a Defaulting Lender) pursuant to Section 1.13 or 13.01(b)) or conversion of any Eurodollar Loans of the Borrower occurs on a date which is not the last day of an Interest Period applicable thereto; (iii) if any prepayment of any Eurodollar Loans is not made on any date specified in a notice of prepayment given by the Borrower; or (iv) as a consequence of (x) any

other default by the Borrower to repay its Eurodollar Loans when required by the terms of this Agreement or (y) an election made by the Borrower pursuant to Section 1.10(b). Each Lender's calculation of the amount of compensation owing pursuant to this Section 1.11 shall be made in good faith. A Lender's basis for requesting compensation pursuant to this Section 1.11 and a Lender's calculation of the amount thereof, shall, absent manifest error, be final and conclusive and binding on all parties hereto.

1.12. Change of Lending Office. Each Lender agrees that upon the occurrence of any event giving rise to the operation of Section 1.10(a)(ii) or (iii), Section 1.10(c), Section 2.05 or Section 4.04 with respect to such Lender, it will, if requested by the applicable Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans or Letters of Credit affected by such event, provided that such designation is made on such terms that such Lender and its lending 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. Nothing in this Section 1.12 shall affect or postpone any of the obligations of the Borrower or the rights of any Lender provided in Sections 1.10, 2.05 and 4.04.

1.13. Replacement of Lenders. (x) If any Lender becomes a Defaulting Lender, (y) upon the occurrence of any event giving rise to the operation of Section 1.10(a)(ii) or (iii), Section 1.10(c), Section 2.05 or Section 4.04 with respect to any Lender which results in such Lender charging to the Borrower increased costs materially in excess of the average costs being charged by the other Lenders in respect of such contingency or (z) in the case of a refusal by a Lender to consent to a proposed change, waiver, discharge or termination with respect to this Agreement which has been approved by the Required Lenders as provided in Section 13.01(b), the Borrower shall have the right, in accordance with Section 13.07(b), if no Default or Event of Default then exists or would exist after giving effect to such replacement, to replace such Lender (the "Replaced Lender") with one or more other Eligible Assignee or Assignees, none of whom shall constitute a Defaulting Lender at the time of such replacement (collectively, the "Replacement Lender") and each of whom shall be reasonably acceptable to the Administrative Agent or, at the option of the Borrower, to replace only (a) the Revolving Loan Commitment (and outstandings pursuant thereto) of the Replaced Lender with an identical Revolving Loan Commitment provided by the Replacement Lender or (b) in the case of a replacement as provided in Section 13.01(b) where the consent of the respective Lender is required with respect to less than all Tranches of its Loans or Commitments, the Commitments and/or outstanding Loans of such Lender in respect of each Tranche where the consent of such Lender would

otherwise be individually required, with identical Commitments and/or Loans of the respective Tranche provided by the Replacement Lender; provided that:

(i) at the time of any replacement pursuant to this Section 1.13, the Replacement Lender shall enter into one or more Assignment and Assumption Agreements pursuant to Section 13.07(b) (and with all fees payable pursuant to said Section 13.07(b) to be paid by the Replacement Lender) pursuant to which the Replacement Lender shall acquire all of the Commitments and outstanding Loans (or, in the case of the replacement of only (a) the Revolving Loan Commitment, the Revolving Loan Commitment and outstanding Revolving Loans and participations in Letter of Credit Outstandings and/or (b) the outstanding Term Loans, the outstanding Term Loans) of, and in each case (except for the replacement of only the outstanding Term Loans of the respective Lender) participations in Letters of Credit by, the Replaced Lender and, in connection therewith, shall pay to (x) the Replaced Lender in respect thereof an amount equal to the sum of (A) an amount equal to the principal of, and all accrued interest on, all outstanding Loans (or of the Loans of the respective Tranche being replaced) of the Replaced Lender, (B) an amount equal to all Unpaid Drawings (unless there are no Unpaid Drawings with respect to the Tranche being replaced) that have been funded by (and not reimbursed to) such Replaced Lender, together with all then unpaid interest with respect thereto at such time and (C) an amount equal to all accrued, but theretofore unpaid, Fees owing to the Replaced Lender (but only with respect to the relevant Tranche, in the case of the replacement of less than all Tranches of Loans then held by the respective Replaced Lender) pursuant to Section 3.01, (y) except in the case of the replacement of only the outstanding Term Loans of a Replaced Lender, each Letter of Credit Issuer an amount equal to such Replaced Lender's RL Percentage of any Unpaid Drawing relating to Letters of Credit issued by such Letter of Credit Issuer (which at such time remains an Unpaid Drawing) to the extent such amount was not theretofore funded by such Replaced Lender and (z) in the case of any replacement of Revolving Loan Commitments, the Swingline Lender an amount equal to such Replaced Lender's RL Percentage of any Mandatory Borrowing to the extent such amount was not theretofore funded by such Replaced Lender; and

(ii) all obligations of the Borrower then owing to the Replaced Lender (other than those (a) specifically described in clause (i) above in respect of which the assignment purchase price has been, or is concurrently being, paid, but including all amounts, if any, owing under Section 1.11 or (b) relating to any Tranche of Loans and/or Commitments of the respective Replaced Lender which will remain outstanding after giving effect to the respective replacement) shall be paid in full to such Replaced Lender concurrently with such replacement.

Upon the execution of the respective Assignment and Assumption Agreements by the respective Replacement Lender, the payment of amounts referred to in clauses (i) and (ii) above, recordation of the assignment on the Register by the Administrative Agent pursuant to Section 13.07(c) and, if so requested by the Replacement Lender, delivery to the Replacement Lender of the appropriate Note or Notes executed by the Borrower, (x) the Replacement Lender shall become a Lender hereunder and, unless the respective Replaced Lender continues to have outstanding Term Loans and/or a Revolving Loan Commitment hereunder, the Replaced Lender

shall cease to constitute a Lender hereunder, except with respect to indemnification provisions under this Agreement (including, without limitation, Sections 1.10, 1.11, 2.05, 4.04, 13.04, 13.05 and 13.19), which shall survive as to such Replaced Lender and (y) except in the case of the replacement of only outstanding Term Loans, the RL Percentages of the Lenders shall be automatically adjusted at such time to give effect to such replacement. In connection with any replacement of Lenders pursuant to, and as contemplated by, this Section 1.13, the Borrower hereby irrevocably authorizes the Administrative Agent to take all necessary action, in the name of the Borrower, as described above in this Section 1.13 in order to effect the replacement of the respective Lender or Lenders in accordance with the preceding provisions of this Section 1.13.

1.14. Change of Currency. (a) Each provision of this Agreement shall be subject to such reasonable changes of construction as the Administrative Agent may from time to time specify to be appropriate to reflect the adoption of the Euro by any member state of the European Union and any relevant market conventions or practices relating to the Euro.

(b) Each provision of this Agreement also shall be subject to such reasonable changes of construction as the Administrative Agent may from time to time specify to be appropriate to reflect a change in currency of any other country and any relevant market conventions or practices relating

to the change in currency.

SECTION 2. Letters of Credit.

2.01. Letters of Credit. (a) Subject to and upon the terms and conditions herein set forth, the Borrower may request a Letter of Credit Issuer at any time and from time to time on or after the Initial Borrowing Date and prior to the 30th day preceding the Revolving Loan Maturity Date to issue, (x) for the account of the Borrower and for the benefit of any holder (or any trustee, agent or other similar representative for any such holders) of L/C Supportable Indebtedness, irrevocable sight standby letters of credit in a form customarily used by such Letter of Credit Issuer or in such other form as has been approved by such Letter of Credit Issuer (each such standby letter of credit, a "Standby Letter of Credit") in support of such L/C Supportable Indebtedness and (y) for the account of the Borrower and for the benefit of sellers of goods to the Borrower or any of its Subsidiaries in the ordinary course of business, irrevocable sight trade letters of credit in a form customarily used by such Letter of Credit Issuer or in such other form as has been approved by such Letter of Credit Issuer (each such trade letter of credit, a "Trade Letter of Credit," and each such Standby Letter of Credit and Trade Letter of Credit, a "Letter of Credit" and, collectively, the "Letters of Credit").

(b) Subject to and upon the terms and conditions set forth herein, each Letter of Credit Issuer hereby agrees that it will, at any time and from time to time on and after the Initial Borrowing Date and prior to the 30th day preceding the Revolving Loan Maturity Date, following its receipt of the respective Letter of Credit Request, issue for the account of the Borrower one or more Letters of Credit, (x) in the case of Trade Letters of Credit, in support of trade obligations of the Borrower or any Subsidiary Guarantor that arise in the ordinary course of business or (y) in the case of Standby Letters of Credit, in support of such L/C Supportable Indebtedness as is permitted to remain outstanding hereunder. Notwithstanding the foregoing, no Letter of Credit Issuer shall be under any obligation to issue any Letter of Credit if at the time of such issuance:

(i) any order, judgment or decree of any governmental authority or arbitrator shall purport by its terms to enjoin or restrain such Letter of Credit Issuer from issuing such Letter of Credit or any requirement of law applicable to such Letter of Credit Issuer or any request or directive (whether or not having the force of law) from any governmental authority with jurisdiction over such Letter of Credit Issuer shall prohibit, or request that such Letter of Credit Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such Letter of Credit Issuer with respect to such Letter of Credit any restriction or reserve or capital requirement (for which such Letter of Credit Issuer is not otherwise compensated) not in effect on the date hereof, or any unreimbursed loss, cost or expense which was not applicable, in effect or known to such Letter of Credit Issuer as of the date hereof and which such Letter of Credit Issuer in good faith deems material to it; or

(ii) such Letter of Credit Issuer shall have received written notice from the Borrower or the Administrative Agent (at the request of the Required Lenders) prior to the issuance of such Letter of Credit of the type described in clause (vi) of Section 2.01(c) or the last sentence of Section 2.02(b); or

(iii) the issuance of such Letter of Credit would violate any laws or one or more policies of such Letter of Credit Issuer generally applicable to account parties.

(c) Notwithstanding the foregoing, (i) no Letter of Credit shall be issued the Stated Amount of which, when added to the Letter of Credit Outstandings (exclusive of Unpaid Drawings which are repaid on the date of, and prior to the issuance of, the respective Letter of Credit) at such time, would exceed either (x) $20,000,000 or (y) when added to the aggregate principal amount of all Revolving Loans then outstanding and all Swingline Loans then outstanding, the Total Revolving Loan Commitment at such time; (ii) (x) each Standby Letter of Credit shall have an expiry date occurring not later than one year after such Standby Letter of Credit's date of issuance, provided that any such Standby Letter of Credit may be extendable for successive periods each of up to one year, but not beyond the 30th day preceding the Revolving Loan Maturity Date, on terms acceptable to the respective Letter of Credit Issuer and (y) each Trade Letter of Credit shall have an expiry date occurring not later than 180 days after such Trade Letter of Credit's date of issuance; (iii) no Letter of Credit shall have an expiry date occurring later than 30 days prior to the Revolving Loan Maturity Date; (iv) each Letter of Credit shall be denominated in U.S. Dollars or, if agreed by the respective Letter of Credit Issuer, in Euros or Sterling; (v) the Stated Amount of each Letter of Credit shall not be less than (x) in the case of a Letter of Credit denominated in U.S. Dollars, $100,000, (y) in the case of a Letter of Credit denominated in Euros, €100,000 and (z) in the case of a Letter of Credit denominated in Sterling, ?75,000, or in each case such lesser amount as is reasonably acceptable to the respective Letter of Credit Issuer; and (vi) no Letter of Credit Issuer will issue any Letter of Credit after it has received written notice from the Borrower or the Administrative Agent (at the request of the Required Lenders) stating that a Default or an Event of Default exists until such time as such Letter of Credit Issuer shall have received a written notice of (x) rescission of such notice from the party or parties originally delivering the same or (y) a waiver of such Default or Event of Default by the Required Lenders.

(d) Notwithstanding the foregoing, in the event a Lender Default exists, no Letter of Credit Issuer shall be required to issue any Letter of Credit unless the respective Letter of Credit Issuer has entered into arrangements satisfactory to it and the Borrower to eliminate such Letter of Credit Issuer's risk with respect to the participation in Letters of Credit of the Defaulting Lender or Defaulting Lenders, including by cash collateralizing such Defaulting Lender's or Defaulting Lenders' RL Percentage(s) of the Letter of Credit Outstandings, as the case may be.

(e) Schedule XIV hereto contains a description of certain letters of credit issued pursuant to certain existing letter of credit agreements and outstanding on the Effective Date (and setting forth, with respect to each such letter of credit, (i) the name of the issuing lender, (ii) the letter of credit number, (iii) the name(s) of the account party or account parties, (iv) the stated amount (including the currency in which such letter of credit is denominated, which shall be U.S. Dollars), (v) the name of the beneficiary, (vi) the expiry date and (vii) whether such letter of credit constitutes a standby letter of credit or a trade letter of credit). Each such letter of credit, including any extension or renewal thereof (each, as amended from time to time in accordance with the terms thereof and hereof, an "Existing Letter of Credit") shall constitute a "Letter of Credit" for all purposes of this Agreement, issued, for purposes of Section 2.04(a), on the Initial Borrowing Date. Any Lender hereunder which has issued an Existing Letter of Credit shall constitute a "Letter of Credit Issuer" for all purposes of this Agreement.

2.02. Letter of Credit Requests. (a) Whenever the Borrower desires that a Letter of Credit be issued, the Borrower shall give the Administrative Agent and the respective Letter of Credit Issuer written notice thereof at least four Business Days (or such shorter period as may be acceptable

to the respective Letter of Credit Issuer) prior to the proposed date of issuance (which shall be a Business Day) which written notice shall be in the form of Exhibit C (each, a "Letter of Credit Request") and specify the currency in which the requested Letter of Credit is to be denominated. Each Letter of Credit Request shall include any other documents as such Letter of Credit Issuer customarily requires in connection therewith.

(b) The making of each Letter of Credit Request, and the acceptance of the benefits of each Letter of Credit issued hereunder, shall be deemed to be a representation and warranty by the Borrower that such Letter of Credit may be issued in accordance with, and it will not violate the requirements of, the first sentence of Section 2.01(b) and Section 2.01(c). Unless the respective Letter of Credit Issuer has received notice from the Administrative Agent (at the direction of the Required Lenders) before it issues a Letter of Credit that one or more of the applicable conditions specified in Section 5 or 6, as the case may be, are not then satisfied, or that the issuance of such Letter of Credit would violate Section 2.01(c), then such Letter of Credit Issuer may issue the requested Letter of Credit for the account of the Borrower in accordance with such Letter of Credit Issuer's usual and customary practice. In no event shall any Letter of Credit Issuer have any obligation or liability to the L/C Participants as a result the failure of any Standby Letter of Credit or Trade Letter of Credit to conform to the purpose or beneficiary requirements for such type of Letter of Credit set forth in Section 2.01(a).

2.03. Letter of Credit Participations. (a) Immediately upon the issuance by a Letter of Credit Issuer of any Letter of Credit, such Letter of Credit Issuer shall be deemed to have sold and transferred to each other RL Lender, and each such RL Lender (each, an "L/C

Participant") shall be deemed irrevocably and unconditionally to have purchased and received from such Letter of Credit Issuer, without recourse or warranty, an undivided interest and participation, to the extent of such L/C Participant's RL Percentage, in such Letter of Credit, each substitute Letter of Credit, each drawing made thereunder and the obligations of the Borrower under this Agreement with respect thereto (although Letter of Credit Fees shall be payable directly to the Administrative Agent for the account of the RL Lenders as provided in Section 3.01(b) and the L/C Participants shall have no right to receive any portion of any Facing Fees with respect to such Letters of Credit) and any security therefor or guaranty pertaining thereto. Upon any change in the Revolving Loan Commitments or the RL Percentages of the RL Lenders pursuant to Section 1.13 or 13.07(b), it is hereby agreed that, with respect to all outstanding Letters of Credit and Unpaid Drawings with respect thereto, there shall be an automatic adjustment to the participations pursuant to this Section 2.03 to reflect the new RL Percentages of the assigning and assignee Lender or of all RL Lenders, as the case may be.

(b) In determining whether to pay under any Letter of Credit, no Letter of Credit Issuer shall have any obligation relative to the L/C Participants other than to determine that any documents required to be delivered under such Letter of Credit have been delivered and that they appear to substantially comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by any Letter of Credit Issuer under or in connection with any Letter of Credit issued by it if taken or omitted in the absence of gross negligence or willful misconduct (as determined by a court of competent jurisdiction in a final and non-appealable decision), shall not create for such Letter of Credit Issuer any resulting liability to the Borrower or any Lender.

(c) In the event that any Letter of Credit Issuer makes any payment under any Letter of Credit issued by it and the Borrower shall not have reimbursed such amount in full to the Letter of Credit Issuer pursuant to Section 2.04(a), such Letter of Credit Issuer shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify each L/C Participant of such failure, and each such L/C Participant shall promptly and unconditionally pay to the Administrative Agent for the account of such Letter of Credit Issuer in U.S. Dollars and in same day funds, the amount of such L/C Participant's RL Percentage of such payment (in the case of a payment under a Letter of Credit denominated in a currency other than U.S. Dollars, taking the Dollar Equivalent of the amount of the respective payment on the date such payment is made). If the Administrative Agent so notifies any L/C Participant required to fund a payment under a Letter of Credit prior to 11:00 A.M. (New York time) on any Business Day, such L/C Participant shall make available to the Administrative Agent at the Payment Office for the account of the respective Letter of Credit Issuer such L/C Participant's RL Percentage of the amount of such payment on such Business Day in same day funds (and, to the extent such notice is given after 11:00 A.M. (New York time) on any Business Day, such L/C Participant shall make such payment on the immediately following Business Day). If and to the extent such L/C Participant shall not have so made its RL Percentage of the amount of such payment available to the Administrative Agent for the account of the respective Letter of Credit Issuer, such L/C Participant agrees to pay to the Administrative Agent for the account of such Letter of Credit Issuer, forthwith on demand such amount, together with interest thereon, for each day from such date until the date such amount is paid to the Administrative Agent for the account of the Letter of Credit Issuer at the overnight Federal Funds Rate. The failure of any L/C Participant to make available to the Administrative Agent for the account of the respective Letter of Credit Issuer its

RL Percentage of any payment under any Letter of Credit issued by it shall not relieve any other L/C Participant of its obligation hereunder to make available to the Administrative Agent for the account of such Letter of Credit Issuer its applicable RL Percentage of any payment under any such Letter of Credit on the date required, as specified above, but no L/C Participant shall be responsible for the failure of any other L/C Participant to make available to the Administrative Agent for the account of such Letter of Credit Issuer such other L/C Participant's RL Percentage of any such payment.

(d) Whenever any Letter of Credit Issuer receives a payment of a reimbursement obligation as to which the Administrative Agent has received for the account of such Letter of Credit Issuer any payments from the L/C Participants pursuant to clause (c) above, such Letter of Credit Issuer shall pay to the Administrative Agent and the Administrative Agent shall promptly pay to each L/C Participant which has paid its RL Percentage thereof, in U.S. Dollars and in same day funds, an amount equal to such L/C Participant's RL Percentage of the principal amount thereof and interest thereon accruing after the purchase of the respective participations.

(e) Each Letter of Credit Issuer shall, promptly after each issuance of, or amendment or modification to, a Standby Letter of Credit issued by it, give the Administrative Agent, each L/C Participant and the Borrower written notice of the issuance of, or amendment or modification to, such Standby Letter of Credit.

(f) Each Letter of Credit Issuer (other than Bank of America) shall deliver to the Administrative Agent and the Borrower, promptly on the first Business Day of each week, by facsimile transmission, the aggregate daily Stated Amount available to be drawn under the outstanding Trade Letters of Credit issued by such Letter of Credit Issuer for the previous week.

(g) The obligations of the L/C Participants to make payments to the Administrative Agent for the account of the respective Letter of Credit Issuer with respect to Letters of Credit issued by it shall be irrevocable and not subject to counterclaim, set-off or other defense or any other qualification or exception whatsoever and shall be made in accordance with the terms and conditions of this Agreement under all circumstances, including, without limitation, any of the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any of the other Credit Documents;

(ii) the existence of any claim, set-off, defense or other right which Holdings or any of its Subsidiaries may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), any Agent, any Letter of Credit Issuer, any Lender, or other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions (including any underlying transaction between Holdings or any of its Subsidiaries and the beneficiary named in any such Letter of Credit);

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

(iv) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Credit Documents; or

(v) the occurrence of any Default or Event of Default.

2.04. Agreement to Repay Letter of Credit Drawings. (a) The Borrower hereby agrees to reimburse each Letter of Credit Issuer, by making payment to the Administrative Agent in U.S. Dollars in immediately available funds at the Payment Office, for any payment or disbursement (in the case of any such payment or disbursement under any Letter of Credit denominated in a currency other than U.S. Dollars, taking the Dollar Equivalent of the amount of the respective payment or disbursement on the date upon which the respective payment or disbursement is made) made by such Letter of Credit Issuer under any Letter of Credit issued by it (each such amount so paid or disbursed until reimbursed, an "Unpaid Drawing") no later than two Business Days after the Administrative Agent notifies the Borrower of such payment or disbursement, with interest on the amount so paid or disbursed by such Letter of Credit Issuer, to the extent not reimbursed prior to 2:00 P.M. (New York time) on the date of such payment or disbursement, from and including the date paid or disbursed to but not including the date such Letter of Credit Issuer is reimbursed therefor at a rate per annum which shall be the then Applicable Margin for Revolving Loans maintained as Base Rate Loans plus the Base Rate, each as in effect from time to time (plus an additional 2% per annum if not reimbursed by the first Business Day after the date the Borrower is given notice of such payment or disbursement), such interest also to be payable on demand; provided that it is understood and agreed, however, that the notices referred to above in this clause (a) shall not be required to be given if a Default or an Event of Default under such Section 10.05 shall have occurred and be continuing (in which case the Unpaid Drawings shall be due and payable immediately without presentment, demand, protest or notice of any kind (all of which are hereby waived by each Credit Party) and shall bear interest at a rate per annum which shall be (x) until the third Business Day following the respective Unpaid Drawing, the Applicable Margin for Revolving Loans maintained as Base Rate Loans plus the Base Rate, each as in effect from time to time, and (y) at all times on and after the third Business Day following the respective Drawing, the rate per annum specified in preceding clause (x) plus 2%). Each Letter of Credit Issuer shall provide the Borrower prompt notice of any payment or disbursement made by it under any Letter of Credit issued by it, although the failure of, or delay in, giving any such notice shall not release or diminish the obligations of the Borrower under this Section 2.04(a) or under any other Section of this Agreement.

(b) The Borrower's obligation under this Section 2.04 to reimburse the respective Letter of Credit Issuer with respect to Unpaid Drawings on Letters of Credit (including, in each case, interest thereon) shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Borrower or any of its Subsidiaries may have or have had against such Letter of Credit Issuer, any Agent or any Lender, including, without limitation, any defense based upon the failure of any drawing under a Letter of Credit issued by it to conform to the terms of the Letter of Credit or any nonapplication or misapplication by the beneficiary of the proceeds of such drawing;

provided, however, that the Borrower shall not be obligated to reimburse such Letter of Credit Issuer for any wrongful payment made by such Letter of Credit Issuer under a Letter of Credit issued by it as a result of deliberate acts or omissions constituting willful misconduct or gross negligence on the part of such Letter of Credit Issuer (as determined by a court of competent jurisdiction in a final and non-appealable decision).

2.05. Increased Costs. If after the Effective Date, any Letter of Credit Issuer or any L/C Participant determines in good faith that the adoption or effectiveness after the Effective Date of any applicable law, rule or regulation, order, guideline or request or any change therein, or any change after the Effective Date in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Letter of Credit Issuer or any L/C Participant with any request or directive (whether or not having the force of law) by any such authority, central bank or comparable agency shall either (i) impose, modify or make applicable any reserve, deposit, capital adequacy or similar requirement against Letters of Credit issued by such Letter of Credit Issuer or such L/C Participant's participation therein, or (ii) impose on any Letter of Credit Issuer or any L/C Participant any other conditions directly or indirectly affecting this Agreement, any Letter of Credit or such L/C Participant's participation therein; and the result of any of the foregoing is to increase the cost to such Letter of Credit Issuer or such L/C Participant of issuing, maintaining or participating in any Letter of Credit, or to reduce the amount of any sum received or receivable by such Letter of Credit Issuer or such L/C Participant hereunder or reduce the rate of return on its capital with respect to Letters of Credit, then, upon written demand to the Borrower by such Letter of Credit Issuer or such L/C Participant (a copy of which notice shall be sent by such Letter of Credit Issuer or such L/C Participant to the Administrative Agent), accompanied by the certificate described in the last sentence of this Section 2.05, the Borrower agrees, subject to the provisions of Section 13.18 (to the extent applicable), to pay to such Letter of Credit Issuer or such L/C Participant such additional amount or amounts as will compensate such Letter of Credit Issuer or such L/C Participant for such increased cost or reduction. A certificate submitted to the Borrower by such Letter of Credit Issuer or such L/C Participant, as the case may be (a copy of which certificate shall be sent by such Letter of Credit Issuer or such L/C Participant to the Administrative Agent), setting forth in reasonable detail the basis for the determination of such additional amount or amounts necessary to compensate such Letter of Credit Issuer or such L/C Participant as aforesaid shall be final and conclusive and binding on the Borrower absent manifest error, although the

failure to deliver any such certificate shall not release or diminish the Borrower's obligations to pay additional amounts pursuant to this Section 2.05 upon subsequent receipt of such certificate.

2.06. Applicability of ISP and UCP; Conflicts; etc. (a) Unless otherwise expressly agreed by the respective Letter of Credit Issuer and the Borrower when a Letter of Credit is issued, (i) the rules of the ISP shall apply to each Standby Letter of Credit, and (ii) the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce at the time of issuance shall apply to each Trade Letter of Credit.

(b) In the event of any conflict between the terms hereof and the terms of any Letter of Credit Request (or related application), the terms hereof shall control.

(c) Notwithstanding that a Letter of Credit issued or outstanding hereunder is in support of any obligations of, or is for "the account of", a Subsidiary of the Borrower, the Borrower shall be obligated to reimburse the respective Letter of Credit Issuer hereunder for any and all drawings under such Letter of Credit. The Borrower hereby acknowledges that the issuance of Letters of Credit for the account of its Subsidiaries inures to the benefit of the Borrower, and that the Borrower's business derives substantial benefits from the businesses of such Subsidiaries.

SECTION 3. Fees; Commitments.

3.01. Fees. (a) The Borrower shall pay to the Administrative Agent for distribution to each Non-Defaulting Lender with a Revolving Loan Commitment, a commitment fee (the "Commitment Fee") for the period from the Effective Date to but not including the Revolving Loan Maturity Date (or such earlier date as the Total Revolving Loan Commitment shall have been terminated), computed at a rate for each day equal to the relevant Applicable Margin then in effect on the daily average Unutilized Revolving Loan Commitment of such Non-Defaulting Lender. Accrued Commitment Fees shall be due and payable quarterly in arrears on each Quarterly Payment Date and on the Revolving Loan Maturity Date (or such earlier date upon which the Total Revolving Loan Commitment is terminated).

(b) The Borrower shall pay to the Administrative Agent for pro rata distribution to each RL Lender (based on their respective RL Percentages as from time to time in effect) in U.S. Dollars, a fee in respect of each Letter of Credit (the "Letter of Credit Fee") computed at a rate per annum equal to the Applicable Margin for Revolving Loans maintained as Eurodollar Loans then in effect on the daily Stated Amount of such Letter of Credit. Accrued Letter of Credit Fees shall be due and payable quarterly in arrears on each Quarterly Payment Date and upon the first day on or after the termination of the Total Revolving Loan Commitment upon which no Letters of Credit remain outstanding.

(c) The Borrower shall pay to each Letter of Credit Issuer, for its own account, in U.S. Dollars, a fee in respect of each Letter of Credit issued by such Letter of Credit Issuer (the "Facing Fee") computed at the rate of 1/8 of 1% per annum on the daily Stated Amount of such Letter of Credit; provided that in no event shall the annual Facing Fee with respect to each Letter of Credit be less than $250; it being agreed that (x) on the date of issuance of any Letter of Credit and on each anniversary thereof prior to the termination of such Letter of Credit, if $250 will exceed the amount of Facing Fees that will accrue with respect to such Letter of Credit for the immediately succeeding 12-month period, the full $250 shall be payable on the date of issuance of such Letter of Credit and on each such anniversary thereof prior to the termination of such Letter of Credit and (y) if on the date of the termination of any Letter of Credit, $250 actually exceeds the amount of Facing Fees paid or payable with respect to such Letter of Credit for the period beginning on the date of the issuance thereof (or if the respective Letter of Credit has been outstanding for more than one year, the date of the last anniversary of the issuance thereof occurring prior to the termination of such Letter of Credit) and ending on the date of the termination thereof, an amount equal to such excess shall be paid as additional Facing Fees with respect to such Letter of Credit on the next date upon which Facing Fees are payable in accordance with the immediately succeeding sentence. Except as provided in the immediately preceding sentence, accrued Facing Fees shall be due and payable quarterly in arrears on each

Quarterly Payment Date and upon the first day on or after the termination of the Total Revolving Loan Commitment upon which no Letters of Credit remain outstanding. Notwithstanding anything to the contrary contained in this Agreement, to the extent that the Borrower has paid advance facing fees to any Letter of Credit Issuer with respect to any Existing Letter of Credit under the Existing Credit Agreement, there shall be credited against the Facing Fees due to such Letter of Credit Issuer under this Agreement the amount of such advance facing fees which related to periods after the Initial Borrowing Date.

(d) The Borrower shall pay directly to each Letter of Credit Issuer upon each issuance of, payment under, and/or amendment of, a Letter of Credit issued by such Letter of Credit Issuer such amount as shall at the time of such issuance, payment or amendment be the administrative charge which such Letter of Credit Issuer is customarily charging for issuances of, payments under or amendments of, letters of credit issued by it.

(e) The Borrower shall pay to each Agent, for its own account, such other fees as may be agreed to in writing from time to time between the Borrower and such Agent, when and as due.

(f) All computations of Fees shall be made in accordance with Section 13.21(b).

3.02. Voluntary Termination or Reduction of Total Unutilized Revolving Loan Commitment. (a) Upon at least three Business Days' prior notice from an Authorized Officer of the Borrower to the Administrative Agent at its Notice Office (which notice the Administrative Agent shall promptly transmit to each of the Lenders), the Borrower shall have the right, without premium or penalty, to terminate or partially reduce the Total Unutilized Revolving Loan Commitment, in whole or in part, provided that (i) any such termination or partial reduction shall apply to proportionately and permanently reduce the Revolving Loan Commitment of each Lender with such a Commitment and (ii) any partial reduction pursuant to this Section 3.02(a) shall be in integral multiples of $1,000,000.

(b) In the event of certain refusals by a Lender to consent to certain proposed changes, waivers, discharges or terminations with respect to this Agreement which have been approved by the Required Lenders as provided in Section 13.01(b), the Borrower shall have the right, subject to obtaining the consents required by Section 13.01(b), upon five Business Days' prior written notice to the Administrative Agent at its Notice Office (which notice the Administrative Agent shall promptly transmit to each of the Lenders), to terminate the entire Revolving Loan Commitment of such Lender, so long

as all Loans, together with accrued and unpaid interest, Fees and all other amounts, owing to such Lender (including all amounts, if any, owing pursuant to Section 1.11 but excluding amounts owing in respect of Term Loans maintained by such Lender, if such Term Loans are not being repaid pursuant to Section 13.01(b)) are repaid concurrently with the effectiveness of such termination (at which time Schedule I shall be deemed modified to reflect such changed amounts) and at such time, unless the respective Lender continues to have outstanding Term Loans hereunder, such Lender shall no longer constitute a "Lender" for purposes of this Agreement, except with respect to indemnifications under this Agreement (including, without limitation, Sections 1.10, 1.11, 2.05, 4.04, 13.04, 13.05 and 13.19), which shall survive as to such repaid Lender.

3.03. Mandatory Reduction of Commitments. (a) The Total Commitment (and the Term Loan Commitment and the Revolving Loan Commitment of each Lender with such a Commitment) shall terminate in its entirety on April 30, 2004 unless the Initial Borrowing Date has occurred on or before such date.

(b) In addition to any other mandatory commitment reductions pursuant to this Section 3.03, the Total Term Loan Commitment (and the Term Loan Commitment of each Lender) shall terminate in its entirety on the Initial Borrowing Date (after giving effect to the making of Term Loans on such date).

(c) In addition to any other mandatory commitment reductions pursuant to this Section 3.03, the Total Revolving Loan Commitment (and the Revolving Loan Commitment of each RL Lender) shall terminate in its entirety on the earlier to occur of (i) the Revolving Loan Maturity Date and (ii) unless the Required Lenders shall otherwise consent in writing in their sole discretion, a Change of Control.

(d) In addition to any other mandatory commitment reductions pursuant to this Section 3.03, the Total Revolving Loan Commitment shall be permanently reduced from time to time to the extent required by Section 4.02.

(e) Each reduction to the Total Term Loan Commitment or Total Revolving Loan Commitment pursuant to this Section 3.03 (or pursuant to Section 4.02) shall be applied proportionately to reduce the Term Loan Commitment or the Revolving Loan Commitment, as the case may be, of each Lender with such a Commitment.

SECTION 4. Payments.

4.01. Voluntary Prepayments. The Borrower shall have the right to prepay the Loans, and the right to allocate such prepayments to Revolving Loans, Swingline Loans and/or Term Loans as the Borrower elects, in whole or in part, without premium or penalty except as otherwise provided in this Agreement, from time to time on the following terms and conditions:

(i) the Borrower shall give the Administrative Agent at its Notice Office written notice (or telephonic notice promptly confirmed in writing) of its intent to prepay the Loans, whether such Loans are Term Loans, Revolving Loans or Swingline Loans, the amount of such prepayment, the Type of Loans to be repaid and (in the case of Eurodollar Loans) the specific Borrowing(s) pursuant to which made, which notice (I) shall be given by the Borrower prior to 10:00 A.M. (New York time) (x) at least one Business Day prior to the date of such prepayment in the case of Base Rate Loans, (y) on the date of such prepayment in the case of Swingline Loans and (z) at least three Business Days prior to the date of such prepayment in the case of Eurodollar Loans and (II) shall, except in the case of Swingline Loans, promptly be transmitted by the Administrative Agent to each of the Lenders;

(ii) each prepayment (other than prepayments in full of (x) all outstanding Base Rate Loans or (y) any outstanding Borrowing of Eurodollar Loans) shall be in an aggregate principal amount of at least (x) $1,000,000, in the case of Eurodollar Loans, (y) $500,000, in the case of Revolving Loans and Term Loans

maintained as Base Rate Loans and (z) $100,000, in the case of Swingline Loans and, in each case, if greater, in integral multiples of $100,000, provided, that no partial prepayment of Eurodollar Loans made pursuant to a Borrowing shall reduce the aggregate principal amount of the Eurodollar Loans outstanding pursuant to such Borrowing to an amount less than the Minimum Borrowing Amount applicable thereto;

(iii) at the time of any prepayment of Eurodollar Loans pursuant to this Section 4.01 on any date other than the last day of the Interest Period applicable thereto, the Borrower shall pay the amounts required pursuant to Section 1.11;

(iv) except as provided in clause (vi) below, each prepayment in respect of any Loans made pursuant to a Borrowing shall be applied pro rata among such Loans made pursuant to such Borrowing, provided, that at the Borrower's election in connection with any prepayment of Revolving Loans pursuant to this Section 4.01, such prepayment shall not be applied to any Revolving Loans of a Defaulting Lender;

(v) each prepayment of principal of Term Loans pursuant to this Section 4.01 shall be applied to reduce the then remaining Scheduled Repayments pro rata (based upon the then remaining principal amounts of the Scheduled Repayments after giving effect to all prior reductions thereto); provided that (x) at any time the Borrower may, at its option, direct that any voluntary prepayment of Term Loans pursuant to this Section 4.01 (except pursuant to clause (vi) below) be applied (in which case it shall be applied) (I) first, to reduce the first four immediately succeeding Scheduled Repayments (after giving effect to all prior reductions thereto) as of the date of the respective payments pursuant to this Section 4.01 in direct order of maturity and (II) second, to the extent in excess thereof, as otherwise provided above without regard to this proviso and (y) repayments of Term Loans pursuant to clause (vi) below shall only apply to reduce the then remaining Scheduled Repayments to the extent the Term Loans so repaid are not replaced (and are not required to be replaced) pursuant to Section 13.01(b), with any such reductions to reduce the then remaining Scheduled Repayments in the manner provided above in this clause (v) (without regard to preceding clause (x) of this proviso), unless otherwise specifically agreed by the Required Lenders; and

(vi) in the event of certain refusals by a Lender to consent to certain proposed changes, waivers, discharges or terminations with respect to this Agreement which have been approved by the Required Lenders as provided in Section 13.01(b), the Borrower may, upon five

Business Days' prior written notice to the Administrative Agent at its Notice Office (which notice the Administrative Agent shall promptly transmit to each of the Lenders), elect to repay all Loans of such Lender (including all amounts, if any, owing pursuant to Section 1.11), together with accrued and unpaid interest, Fees and all other amounts then owing to such Lender (or owing to such Lender with respect to each Tranche which gave rise to the need to obtain such Lender's individual consent) in accordance with said Section 13.01(b), so long as (A) in the case of the repayment of Revolving Loans of any Lender pursuant to this clause (vi), the Revolving Loan Commitment of such Lender is terminated concurrently with such repayment (at which time Schedule I shall be deemed modified to reflect the changed Revolving Loan

Commitments) and (B) the consents required by Section 13.01(b) in connection with the repayment pursuant to this clause (vi) shall have been obtained.

4.02. Mandatory Repayments and Commitment Reductions. (a) (i) If on any date the sum of (x) the aggregate outstanding principal amount of Revolving Loans and Swingline Loans (after giving effect to all other repayments thereof on such date) and (y) the Letter of Credit Outstandings on such date, exceeds the Total Revolving Loan Commitment as then in effect, the Borrower shall repay on such date, the principal of Swingline Loans, and if no Swingline Loans are or remain outstanding, the principal of Revolving Loans in an aggregate amount equal to such excess. If, after giving effect to the prepayment of all outstanding Swingline Loans and all outstanding Revolving Loans, the aggregate amount of Letter of Credit Outstandings exceeds the Total Revolving Loan Commitment as then in effect, the Borrower shall pay to the Administrative Agent at the Payment Office on such date an amount (in U.S. Dollars) in cash and/or Cash Equivalents equal to such excess (up to the aggregate amount of Letter of Credit Outstandings at such time) and the Administrative Agent shall hold such payment as security for the obligations of the Borrower to the Lenders hereunder pursuant to a cash collateral agreement to be entered into in form and substance reasonably satisfactory to the Administrative Agent.

(ii) In addition to any other mandatory repayments pursuant to this Section 4.02, on each date after the Initial Borrowing Date upon which Holdings or any of its Subsidiaries receives any proceeds from any incurrence of any Receivables Indebtedness pursuant to the Accounts Receivable Facility which when aggregated with all other then outstanding Receivables Indebtedness exceeds the Accounts Receivables Facility Threshold Amount as then in effect, the Borrower shall (I) first, prepay principal of Swingline Loans and (II) second, after all the Swingline Loans have been repaid in full, prepay principal of Revolving Loans in an aggregate amount for all such payments under clauses (I) and (II) above equal to the lesser of (x) such excess and (y) the sum of the aggregate principal amount of the Revolving Loans and the Swingline Loans outstanding at such time (immediately prior to giving effect to the payments described above).

(b) In addition to any other mandatory repayments or commitment reductions pursuant to this Section 4.02, on each date set forth below, the Borrower shall be required to repay that principal amount of Term Loans, to the extent then outstanding, as is set forth opposite such date (each such repayment, as the same may be reduced as provided in Sections 4.01 and 4.02(i), a "Scheduled Repayment"):

Scheduled Repayment Date	Amount
June 30, 2004	$ 950,000
September 30, 2004	$ 950,000
December 31, 2004	$ 950,000
March 31, 2005	$ 950,000
June 30, 2005	$ 950,000
September 30, 2005	$ 950,000
December 31, 2005	$ 950,000

Scheduled Repayment Date	Amount
March 31, 2006	$ 950,000
June 30, 2006	$ 950,000
September 30, 2006	$ 950,000
December 31, 2006	$ 950,000
March 31, 2007	$ 950,000
June 30, 2007	$ 950,000
September 30, 2007	$ 950,000
December 31, 2007	$ 950,000
March 31, 2008	$ 950,000
June 30, 2008	$ 950,000
September 30, 2008	$ 950,000
December 31, 2008	$ 950,000
March 31, 2009	$ 950,000
June 30, 2009	$ 950,000
September 30, 2009	$ 950,000
December 31, 2009	$ 950,000
March 31, 2010	$ 950,000
June 30, 2010	$ 950,000
September 30, 2010	$ 950,000
December 31, 2010	$ 950,000

Term Loan Maturity Date	$	354,350,000

(c) In addition to any other mandatory repayments or commitment reductions pursuant to this Section 4.02, on each date on or after the Effective Date upon which Holdings or any of its Subsidiaries receives Net Sale Proceeds from any Asset Sale (other than Accounts Receivable Facility Assets sold pursuant to Sections 9.02(xiii) and (xiv)), an amount equal to 100% of the Net Sale Proceeds from such Asset Sale shall be applied as a mandatory repayment and/or commitment reduction in accordance with the requirements of Sections 4.02(h) and (i); provided that (i) during any fiscal year of Holdings up to $10,000,000 in aggregate Net Sale Proceeds received during such fiscal year may be retained by Holdings and its Subsidiaries without giving rise to a mandatory repayment and/or commitment reduction as otherwise required above, so long as no Default or Event of Default exists at the time such Net Sale Proceeds are received and an Authorized Officer of Holdings has delivered a certificate to the Administrative Agent on or prior to such date stating that such Net Sale Proceeds shall be used to purchase capital assets used or to be used in the businesses permitted pursuant to Section 9.01 (including, without limitation (but only to the extent permitted by Section 8.14), the purchase of the capital stock of a Person engaged in such businesses) within one year following the date of receipt of such Net Sale Proceeds from such Asset Sale (which certificate shall set forth the estimates of the proceeds to be so expended) and (ii) if all or any portion of such Net Sale Proceeds

not required to be so applied as a mandatory repayment and/or commitment reduction are not so used within such one year period, such remaining portion shall be applied on the last day of such period (or such earlier date, if any, as the Board of Directors of Holdings or such Subsidiary, as the case may be, determines not to reinvest the Net Sale Proceeds relating to such Asset Sale as set forth above) as a mandatory repayment and/or commitment reduction as provided above (without regard to this proviso).

(d) In addition to any other mandatory repayments or commitment reductions pursuant to this Section 4.02, on each date on or after the Effective Date on which Holdings or any of its Subsidiaries receives any cash proceeds from (i) any incurrence of Indebtedness (other than Indebtedness permitted to be incurred pursuant to Section 9.04 as in effect on the Effective Date), (ii) any issuance of Equity Interests (other than Holdings Common Stock or options, rights or warrants therefor and Qualified Preferred Stock) by Holdings or (iii) any issuance of capital stock or other Equity Interests by, or cash capital contributions to, any Subsidiary of Holdings (other than (x) issuances of common Equity Interests to Holdings or any other Subsidiary of Holdings by Holdings or any other Subsidiary of Holdings, and (y) cash capital contributions to any Subsidiary of Holdings by Holdings or any Subsidiary of Holdings), an amount equal to 100% of the Net Cash Proceeds of the respective incurrence of Indebtedness, issuance of Equity Interests or cash capital contribution shall be applied as a mandatory repayment and/or commitment reduction in accordance with the requirements of Sections 4.02(h) and (i).

(e) In addition to any other mandatory repayments and/or commitment reductions pursuant to this Section 4.02, on each date on or after the Effective Date on which Holdings or any of its Subsidiaries receives any cash proceeds from any sale or issuance of Qualified Preferred Stock or Holdings Common Stock (including from the sale or issuance of options, warrants or rights to purchase any such equity) by, or cash capital contributions to, Holdings (excluding (i) proceeds received from the sale or issuance by Holdings of shares of its common stock (including as a result of the exercise of any options or warrants with regard thereto), or options or warrants to purchase shares of its common stock, to any employee, officer or director of Holdings or any of its Subsidiaries in an aggregate amount (for all such sales and issuances) not to exceed $5,000,000 in any fiscal year of Holdings and (ii) Excluded IPO Proceeds), an amount equal to 50% of such cash proceeds (net of all underwriting discounts, fees and commissions and other costs and expenses associated therewith) of the respective equity issuance or capital contribution shall be applied as a mandatory repayment and/or commitment reduction in accordance with the requirements of Sections 4.02(h) and (i).

(f) In addition to any other mandatory repayments or commitment reductions pursuant to this Section 4.02, within 10 days following each date on or after the Effective Date on which Holdings or any of its Subsidiaries receives any proceeds from any Recovery Event (other than proceeds from Recovery Events in an amount less than $1,000,000 per Recovery Event), an amount equal to 100% of the proceeds of such Recovery Event (net of reasonable costs (including, without limitation, legal costs and expenses) and taxes incurred in connection with such Recovery Event and the amount of such proceeds required to be used to repay any Indebtedness (other than Indebtedness of the Lenders pursuant to this Agreement) which is secured by the respective assets subject to such Recovery Event) shall be applied as a mandatory repayment and/or commitment reduction in accordance with the requirements of Sections 4.02(h) and (i); provided that (x) so long as no Default or Event of Default then exists and such proceeds

do not exceed $8,000,000, such proceeds shall not be required to be so applied on such date to the extent that an Authorized Officer of Holdings has delivered a certificate to the Administrative Agent on or prior to such date stating that such proceeds shall be used or shall be committed to be used to replace or restore any properties or assets in respect of which such proceeds were paid within one year following the date of such Recovery Event (which certificate shall set forth the estimates of the proceeds to be so expended), and (y) so long as no Default or Event of Default then exists and to the extent that (a) the amount of such proceeds exceeds $8,000,000, (b) the amount of such proceeds, together with other cash available to Holdings and its Subsidiaries and permitted to be spent by them on Capital Expenditures during the relevant period, equals at least 100% of the cost of replacement or restoration of the properties or assets in respect of which such proceeds were paid as determined by Holdings and as supported by such estimates or bids from contractors or subcontractors or such other supporting information as the Administrative Agent may reasonably accept, (c) an Authorized Officer of Holdings has delivered to the Administrative Agent a certificate on or prior to the date the application would otherwise be required pursuant to this Section 4.02(f) in the form described in clause (x) above and also certifying its determination as required by preceding clause (b) and certifying the sufficiency of business interruption insurance as required by succeeding clause (d), and (d) an Authorized Officer of Holdings has delivered to the Administrative Agent such evidence as the Administrative Agent may reasonably request in form and substance reasonably satisfactory to the Administrative Agent establishing that Holdings and its Subsidiaries has sufficient business interruption insurance and that Holdings or the respective Subsidiary will receive payment thereunder in such amounts and at such times as are necessary to satisfy all obligations and expenses of Holdings or the respective Subsidiary (including, without limitation, all debt service requirements, including pursuant to this Agreement), without any delay or extension thereof, for the period from the date of the respective casualty, condemnation or other event giving rise to the Recovery Event and continuing through the completion of the replacement or restoration of the respective properties or assets, then the entire amount of the proceeds of such Recovery Event and not just the portion in excess of $8,000,000 shall be deposited with the Administrative Agent pursuant to a cash collateral arrangement reasonably satisfactory to the Administrative Agent whereby such proceeds shall be disbursed to Holdings or the respective Subsidiary from time to time as needed to pay or reimburse Holdings or the respective Subsidiary in connection with the replacement or restoration of the respective properties or assets (pursuant to such certification requirements as may be established by the Administrative Agent), provided further, that at any time while an Event of Default has occurred and is continuing, the Required Lenders may direct the Administrative Agent (in which case the

Administrative Agent shall, and is hereby authorized by the Borrower to, follow said directions) to apply any or all proceeds then on deposit in such collateral account to the repayment of Obligations hereunder in the same manner as proceeds would be applied pursuant to the Security Agreement, and provided further, that if all or any portion of such proceeds not required to be applied as a mandatory repayment and/or commitment reduction pursuant to the second preceding proviso (whether pursuant to clause (x) or (y) thereof) are either (A) not so used or committed to be so used within one year after the date of the respective Recovery Event or (B) if committed to be used within one year after the date of receipt of such net proceeds and not so used within 18 months after the date of respective Recovery Event then, in either such case, such remaining portion not used or committed to be used in the case of preceding clause (A), and not used in the case of preceding clause (B), shall be applied on the date occurring one year after the date of the respective Recovery Event in the

case of clause (A) above, or the date occurring 18 months after the date of the respective Recovery Event in the case of clause (B) above, as a mandatory repayment and/or commitment reduction in accordance with the requirements of Sections 4.02(h) and (i).

(g) In addition to any other mandatory repayments or commitment reductions pursuant to this Section 4.02, on each Excess Cash Payment Date, an amount equal to the Applicable Excess Cash Flow Percentage of the Excess Cash Flow for the relevant Excess Cash Flow Payment Period shall be applied as a mandatory repayment and/or commitment reduction in accordance with the requirements of Sections 4.02(h) and (i).

(h) Each amount required to be applied pursuant to Sections 4.02(c), (d), (e), (f) and (g) in accordance with this Section 4.02(h) shall be applied on and after the Effective Date (i) first to repay the outstanding principal amount of Term Loans and (ii) second, to the extent in excess of the amounts required to be applied pursuant to preceding clause (i), to permanently reduce the Total Revolving Loan Commitment. For purposes of the foregoing provisions of this Section 4.02(h), it is understood and agreed that (A) the amount of any reduction to the Total Revolving Loan Commitment pursuant to the immediately preceding sentence shall be deemed to be an application of proceeds for purposes of this Section 4.02(h) even though cash is not actually applied, (B) in connection with any reduction to the Total Revolving Loan Commitment as provided above, any cash received by Holdings or any of its Subsidiaries in connection with the event giving rise to such reduction will be retained by such Person except to the extent that such cash is otherwise required to be applied as provided in Section 4.02(a) as a result of such reduction and (C) each reduction to the Total Revolving Loan Commitment shall apply to reduce the respective underlying Revolving Loan Commitments of the Lenders with such Commitments on a pro rata basis as provided in Section 3.03(e). All repayments of outstanding Term Loans pursuant to Sections 4.02(c), (d), (e), (f) and (g) shall be applied to reduce the then remaining Scheduled Repayments on a pro rata basis (based upon the then remaining Scheduled Repayments after giving effect to all prior reductions thereto); provided that, at the Borrower's option, any prepayment of Term Loans may be applied (x) first, to reduce the first four immediately succeeding Term Loan Scheduled Repayments as of the date of the respective payment pursuant to this Section 4.02 in direct order of maturity and (y), second, to the extent in excess thereof, as otherwise provided above without regard to this proviso.

(i) With respect to each repayment of Loans required by this Section 4.02, the Borrower may designate the Types of Loans of the respective Tranche which are to be repaid and, in the case of Eurodollar Loans, the specific Borrowing or Borrowings of the respective Tranche pursuant to which made, provided that: (i) repayments of Eurodollar Loans pursuant to this Section 4.02 may only be made on the last day of an Interest Period applicable thereto unless all Eurodollar Loans of the respective Tranche with Interest Periods ending on such date of required repayment and all Base Rate Loans of the respective Tranche have been paid in full; (ii) if any repayment of Eurodollar Loans made pursuant to a single Borrowing shall reduce the outstanding Eurodollar Loans made pursuant to such Borrowing to an amount less than the Minimum Borrowing Amount applicable thereto, such Borrowing shall be converted at the end of the then current Interest Period into a Borrowing of Base Rate Loans; and (iii) each repayment of any Tranche of Loans made pursuant to a Borrowing shall be applied pro rata among such Tranche of Loans. In the absence of a designation by the Borrower as described in the preceding

sentence, the Administrative Agent shall, subject to the above, make such designation in its sole discretion with a view, but no obligation, to minimize breakage costs owing under Section 1.11. Notwithstanding the foregoing provisions of this Section 4.02, if at any time the mandatory repayment of Loans pursuant to Section 4.02(c), (d), (e), (f) or (g) would result, after giving effect to the procedures set forth in this clause (i) above, in the Borrower incurring breakage costs under Section 1.11 as a result of Eurodollar Loans being repaid other than on the last day of an Interest Period applicable thereto (any such Eurodollar Loans, "Affected Loans"), the Borrower may elect, by written notice to the Administrative Agent, to have the provisions of the following sentence be applicable so long as no Default or Event of Default is then in existence. At the time any Affected Loans are otherwise required to be prepaid the Borrower may elect, so long as no Default or Event of Default is then in existence, to deposit 100% (or such lesser percentage elected by the Borrower as not being repaid) of the principal amounts that otherwise would have been paid in respect of the Affected Loans with the Administrative Agent to be held as security for the obligations of the Borrower hereunder pursuant to a cash collateral agreement to be entered into in form and substance satisfactory to the Administrative Agent, with such cash collateral to be released from such cash collateral account (and applied to repay the principal amount of such Eurodollar Loans) upon each occurrence thereafter of the last day of an Interest Period applicable to Eurodollar Loans of the respective Tranche (or such earlier date or dates as shall be requested by the Borrower), with the amount to be so released and applied on the last day of each Interest Period to be the amount of such Eurodollar Loans to which such Interest Period applies (or, if less, the amount remaining in such cash collateral account).

(j) Notwithstanding anything to the contrary contained elsewhere in this Agreement, (i) all then outstanding Swingline Loans shall be repaid in full on the Swingline Expiry Date, (ii) all other then outstanding Loans shall be repaid in full on the respective Maturity Date for such Loans and (iii) unless the Required Lenders shall otherwise agree in writing in their sole discretion, all outstanding Loans shall be repaid in full upon the occurrence of a Change of Control.

4.03. Method and Place of Payment. Except as otherwise specifically provided herein, all payments under this Agreement or any Note shall be made to the Administrative Agent for the ratable account of the Lender or Lenders entitled thereto not later than 12:00 Noon (New York time) on the date when due and shall be made in immediately available funds and in U.S. Dollars at the Payment Office. Any payments under this Agreement or under any Note which are made later than 12:00 Noon (New York time) shall be deemed to have been made on the next succeeding Business Day. Whenever any payment to be made hereunder or under any Note shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest shall be payable during such extension at the applicable rate in effect immediately prior to such extension.

4.04. Net Payments. (a) All payments made by any Credit Party hereunder or under any Credit Document or under any Note will be made without setoff, counterclaim or other defense. Except as provided in Section 4.04(b), all such payments will be made free and clear of, and without deduction or withholding for, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein with respect to such

payments (but excluding, except as provided in the second succeeding sentence, any tax imposed on, measured by or determined by reference to the net income or net profits of a Lender or franchise taxes imposed in lieu thereof pursuant to the laws of the jurisdiction in which it is organized or the jurisdiction in which the principal office or applicable lending office of such Lender is located or any political subdivision of any such jurisdiction) and all interest, penalties or similar liabilities with respect to such nonexcluded taxes, levies, imposts, duties, fees, assessments or other charges (all such nonexcluded taxes, levies, imposts, duties, fees, assessments or other charges being referred to collectively as "Taxes"). If any Taxes are so levied, imposed or collected through withholding or deduction, the Borrower (or any other Credit Party making the payment) agrees to pay the full amount of such Taxes, and such additional amounts as may be necessary so that every payment of all amounts due under this Agreement or under any Note, after withholding or deduction for or on account of any Taxes, will not be less than the amount provided for herein or in such Note. If any amounts are payable in respect of Taxes pursuant to the preceding sentence, the Borrower (or any other Credit Party making the payment) agrees to reimburse each Lender, upon the written request of such Lender, for taxes imposed on or measured by the net income or net profits of such Lender pursuant to the laws of the jurisdiction in which such Lender is organized or in which the principal office or applicable lending office of such Lender is located or under the laws of any political subdivision or taxing authority of any such jurisdiction in which such Lender is organized or in which the principal office or applicable lending office of such Lender is located and for any withholding of taxes as such Lender shall determine are payable by, or withheld from, such Lender in respect of such amounts so paid to or on behalf of such Lender pursuant to the preceding sentence and in respect of any amounts paid to or on behalf of such Lender pursuant to this sentence. The Borrower (or the respective Credit Party) will furnish to the Administrative Agent within 45 days after the date the payment of any Taxes is due pursuant to applicable law certified copies of tax receipts or other documentation evidencing such payment by the Borrower (or such Credit Party). The Credit Agreement Parties jointly and severally agree (and each Subsidiary Guarantor pursuant to its Subsidiary Guaranty, and the incorporation by reference therein of the provisions of this Section 4.04, shall agree) to indemnify and hold harmless each Lender, and reimburse such Lender upon its written request, for the amount of any Taxes so levied or imposed and paid by such Lender; provided that such Lender shall have provided the Credit Agreement Party (or respective Subsidiary Guarantor) with evidence, reasonably satisfactory to such Credit Agreement Party (or such Subsidiary Guarantor), of the payment of such Taxes.

(b) Each Lender that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for U.S. Federal income tax purposes agrees to deliver to the Borrower and the Administrative Agent on or prior to the Effective Date, or in the case of a Lender that is an assignee or transferee of an interest under this Agreement pursuant to Section 1.13 or 13.07 (unless the respective Lender was already a Lender hereunder immediately prior to such assignment or transfer), on the date of such assignment or transfer to such Lender, (i) two accurate and complete original signed copies of Internal Revenue Service Form W-8ECI or W-8BEN (with respect to a complete exemption under an income tax treaty) (or successor forms) certifying to such Lender's entitlement as of such date to a complete exemption from United States withholding tax with respect to payments to be made under this Agreement and under any Note, or (ii) if the Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code and cannot deliver either Internal Revenue Service Form W-8ECI or W-8BEN (with respect to a complete exemption under an income tax treaty) pursuant to clause (i) above, (x) a

certificate substantially in the form of Exhibit D (any such certificate, a "Section 4.04(b)(ii) Certificate") and (y) two accurate and complete original signed copies of Internal Revenue Service Form W-8BEN (with respect to the portfolio interest exemption) (or successor form) certifying to such Lender's entitlement as of such date to a complete exemption from United States withholding tax with respect to payments of interest to be made under this Agreement and under any Note. In addition, each Lender agrees that from time to time after the Effective Date, when a lapse in time or change in circumstances renders the previous certification obsolete or inaccurate in any material respect, it will deliver to the Borrower and the Administrative Agent two new accurate and complete original signed copies of Internal Revenue Service Form W-8ECI or Form W-8BEN (with respect to the benefits of an income tax treaty), or Form W-8BEN (with respect to the portfolio interest exemption) and a Section 4.04(b)(ii) Certificate, as the case may be, and such other forms as may be required in order to confirm or establish the entitlement of such Lender to a continued complete exemption from or reduction in United States withholding tax with respect to payments under this Agreement and any Note, or it shall immediately notify the Borrower and the Administrative Agent of its inability to deliver any such Form or Certificate in which case such Lender shall not be required to deliver any such Form or Certificate pursuant to this Section 4.04(b). Notwithstanding anything to the contrary contained in Section 4.04(a), but subject to Section 13.07(b) and the immediately succeeding sentence, (x) the Borrower shall be entitled, to the extent it is required to do so by law, to deduct or withhold income or similar taxes imposed by the United States (or any political subdivision or taxing authority thereof or therein) from interest, fees or other amounts payable hereunder for the account of any Lender which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for U.S. Federal income tax purposes to the extent that such Lender has not provided to the Borrower U.S. Internal Revenue Service Forms that establish a complete exemption from such deduction or withholding and (y) the Borrower shall not be obligated pursuant to Section 4.04(a) hereof to gross-up payments to be made to a Lender in respect of income or similar taxes imposed by the United States if (I) such Lender has not provided to the Borrower the Internal Revenue Service Forms required to be provided to the Borrower pursuant to this Section 4.04(b) or (II) in the case of a payment, other than interest, to a Lender described in clause (ii) above, to the extent that such Forms do not establish a complete exemption from withholding of such taxes. Notwithstanding anything to the contrary contained in the preceding sentence or elsewhere in this Section 4.04 and except as set forth in Section 13.07(b), the Borrower agrees to pay additional amounts and to indemnify each Lender in the manner set forth in Section 4.04(a) (without regard to the identity of the jurisdiction requiring the deduction or withholding) in respect of any amounts deducted or withheld by it as described in the immediately preceding sentence as a result of any changes that are effective after the Effective Date in any applicable law, treaty, governmental rule, regulation, guideline or order, or in the interpretation thereof, relating to the deducting or withholding of such Taxes (or, if later, the date such Lender became party to this Agreement).

(c) If the Borrower pays any additional amount under this Section 4.04 to a Lender and such Lender determines in its sole discretion that it has actually received or realized in connection therewith any refund or any reduction of, release or remission for or credit against, its Tax liabilities in or with respect to the taxable year in which the additional amount is paid (a "Tax Benefit"), such Lender shall pay to the Borrower an amount that the Lender shall, in its sole discretion, determine is equal to the net benefit, after tax, which was obtained by the Lender in such year as a consequence of such refund, reduction, release or remission for or credit;

provided that (i) any Lender may determine in its sole discretion consistent with the policies of such Lender whether to seek a Tax Benefit, (ii) any Taxes that are imposed on a Lender as a result of a disallowance or reduction (including through the expiration of any tax carryover or carryback of such Lender that otherwise would not have expired) of any Tax Benefit with respect to which such Lender has made a payment to the Borrower pursuant to this Section 4.04(c) shall be treated as a Tax for which the Borrower is obligated to indemnify such Lender pursuant to this Section 4.04 without any exclusions or defenses, (iii) nothing in this Section 4.04(c) shall require a Lender to disclose any confidential information to the Borrower (including, without limitation, its tax returns), and (iv) no Lender shall be required to pay any amounts pursuant to this Section 4.04(c) at any time a Default or Event of Default then exists.

(d) The provisions of this Section 4.04 shall be subject to the provisions of Section 13.18 (to the extent applicable).

SECTION 5. Conditions Precedent to Initial Credit Events. The obligation of each Lender to make each Loan hereunder, and the obligation of the Letter of Credit Issuer to issue each Letter of Credit hereunder, in either case on the Initial Borrowing Date, is subject, at the time of the making of such Loans or the issuance of such Letters of Credit to the satisfaction of the following conditions:

5.01. Execution of Agreement; Notes. On or prior to the Initial Borrowing Date, (i) the Effective Date shall have occurred and (ii) there shall have been delivered to the Administrative Agent for the account of each Lender which has requested the same the appropriate Term Note and Revolving Note and to the Swingline Lender if so requested, the Swingline Note, in each case executed by the Borrower and in the amount, maturity and as otherwise provided herein.

5.02. Officer's Certificate. On the Initial Borrowing Date, the Administrative Agent shall have received a certificate from Holdings, dated such date signed by an Authorized Officer of Holdings, stating that all of the applicable conditions set forth in Sections 5.05 through 5.09, inclusive, and 6.01 (other than such conditions that are expressly subject to the satisfaction of any Agent and/or the Required Lenders), have been satisfied on such date.

5.03. Opinions of Counsel. On the Initial Borrowing Date, the Administrative Agent shall have received opinions, addressed to each Agent, the Collateral Agent and each of the Lenders and dated the Initial Borrowing Date, from (i) Gibson, Dunn & Crutcher LLP, special counsel to the Credit Parties, which opinion shall cover the matters contained in Exhibit E and such other matters incident to the transactions contemplated herein as the Agents and the Required Lenders may reasonably request and be in form and substance reasonably satisfactory to the Agents and the Required Lenders, and (ii) local counsel to the Credit Parties and/or the Administrative Agent reasonably satisfactory to the Administrative Agent, which opinion or opinions shall be in form, scope and substance reasonably satisfactory to the Administrative Agent.

5.04. Corporate Documents; Proceedings. (a) On the Initial Borrowing Date, the Administrative Agent shall have received from each Credit Party a certificate, dated the Initial Borrowing Date, signed by the chairman, a vice-chairman, the president or any vice-president of

such Credit Party, and attested to by the secretary or any assistant secretary of such Credit Party, in the form of Exhibit F with appropriate insertions, together with copies of the certificate of incorporation, by-laws or equivalent organizational documents of such Credit Party and the resolutions of such Credit Party referred to in such certificate and all of the foregoing (including each such certificate of incorporation, by-laws or other organizational document) shall be reasonably satisfactory to the Administrative Agent.

(b) On the Initial Borrowing Date, all Company proceedings and all instruments and agreements in connection with the transactions contemplated by this Agreement and the other Documents shall be reasonably satisfactory in form and substance to the Administrative Agent, and the Administrative Agent shall have received all information and copies of all certificates, documents and papers, including good standing certificates, bring-down certificates and any other records of Company proceedings and governmental approvals, if any, which the Administrative Agent reasonably may have requested in connection therewith, such documents and papers, where appropriate, to be certified by proper Company or governmental authorities.

5.05. Adverse Change, etc. (a) On or prior to the Initial Borrowing Date, since March 31, 2003, nothing shall have occurred which (i) the Required Lenders or any Agent shall reasonably determine (x) has had (unless same has ceased to exist in all respects) or (y) is reasonably likely to have, a Material Adverse Effect or (ii) has had a material adverse effect on the Transaction.

(b) On the Initial Borrowing Date, there shall not have occurred and be continuing after February 17, 2004 any material adverse change, or material disruption of conditions, in the market for revolving credit facilities generally that would materially impair the syndication of the Revolving Loan Commitments or related Obligations.

5.06. Litigation. On the Initial Borrowing Date, there shall be no actions, suits, proceedings or investigations pending or threatened (a) with respect to this Agreement or any other Document or the Transaction, (b) with respect to any material Existing Indebtedness or (c) which any Agent or the Required Lenders shall determine (x) have had (unless same has ceased to exist in all respects) or (y) are reasonably likely to have (i) a Material Adverse Effect or (ii) a material adverse effect on the Transaction.

5.07. Approvals. On or prior to the Initial Borrowing Date, (i) all necessary governmental (domestic and foreign), regulatory and third party approvals in connection with any Existing Indebtedness, the Transaction, the transactions contemplated by the Documents and otherwise referred to herein or therein shall have been obtained and remain in full force and effect and evidence thereof shall have been provided to the Administrative Agent, and (ii) all applicable waiting periods shall have expired without any action being taken by any competent authority which restrains, prevents or imposes materially adverse conditions upon the consummation of the Transaction, the making of the Loans and the transactions contemplated by the Documents or otherwise referred to herein or therein. Additionally, there shall not exist any judgment, order, injunction or other restraint issued or filed or a hearing seeking injunctive relief or other restraint pending or notified prohibiting or imposing materially adverse conditions upon,

or materially delaying, or making economically unfeasible, the consummation of the Transaction or the making of the Loans.

5.08. Recapitalization. (a) On the Initial Borrowing Date (and concurrently with the incurrence of Second-Lien Loans hereunder), (i) the Borrower shall have made a one-time cash payment to Holdings (in the form of a Dividend, intercompany loan and/or intercompany loan repayment) and to certain of its Subsidiaries (in the form of an intercompany loan and/or contribution to capital) in an aggregate amount of $270.0 million, and (ii) Holdings shall, in turn, have utilized the full amount of the proceeds of such payment received by it to make a one-time cash Dividend and/or other payment to the Sponsor and certain other shareholders of Holdings previously identified to the Agents and the relevant Subsidiaries shall have set aside the remaining portion of such $270.0 million for the payment to certain members of their management or for payment to their respective Subsidiaries (for ultimate payment to members of management of the Subsidiaries receiving such payments), with such payments to be made as promptly as practicable after the Initial Borrowing Date) (collectively, the "Sponsor Distribution").

(b) On or prior to the Initial Borrowing Date, all commitments under the Existing Credit Agreement shall have been terminated, all loans outstanding thereunder shall have been repaid in full, together with all accrued and unpaid interest thereon, all accrued and unpaid fees thereon shall have been paid in full, all letters of credit issued thereunder shall have been terminated (or incorporated as Letters of Credit under this Agreement pursuant to Section 2.01(e)) and all other amounts owing pursuant to the Existing Credit Agreement shall have been repaid in full.

(c) On or prior to the Initial Borrowing Date, the Existing Accounts Receivable Facility shall have been terminated, all Receivables Indebtedness outstanding thereunder shall have been repaid in full and all other amounts owing pursuant to the Existing Accounts Receivable Facility shall have been repaid in full.

(d) On the Initial Borrowing Date, all security interests in respect of, and Liens securing, the Indebtedness To Be Refinanced relating to Holdings and its Subsidiaries shall have been terminated and released to the satisfaction of the Agents, and the Administrative Agent shall have received all such releases as may have been requested by the Agents, which releases shall be in form and substance satisfactory to the Agents. Without limiting the foregoing, there shall have been delivered (i) proper termination statements (Form UCC-3 or the appropriate equivalent) for filing under the UCC of each jurisdiction where a financing statement (Form UCC-1 or the equivalent) was filed with respect to Holdings or any of its Subsidiaries in connection with the security interests securing the Indebtedness To Be Refinanced and the documentation related thereto, (ii) a termination or reassignment of any security interest in, or Lien on, any patents, trademarks, copyrights or similar interests of Holdings or any of its Subsidiaries on which filings have been made to secure obligations under the Existing Credit Agreement, fully executed by the appropriate parties, (iii) terminations of all mortgages, leasehold mortgages, deeds of trust and leasehold deeds of trust created with respect to property of Holdings or any of its Subsidiaries, in each case, to secure the obligations in respect of the Existing Credit Agreement, all of which shall be in form, scope and substance reasonably satisfactory to each of the Agents and (iv) all collateral owned by Holdings or any of its

Subsidiaries in the possession of any of the creditors in respect of the Indebtedness To Be Refinanced or any collateral agent or trustee under any related security document shall have been returned to Holdings or such Subsidiary.

(e) On the Initial Borrowing Date and after giving effect to the Transaction, Holdings and its Subsidiaries shall not have outstanding any Indebtedness other than Indebtedness permitted pursuant to Section 9.04, and all such Indebtedness which is to remain outstanding after the Initial Borrowing Date shall not be subject to any default or event of default existing thereunder or arising as a result of the Transaction and the other transactions contemplated hereby.

5.09. Second-Lien Credit Agreement. (a) On or prior to the Initial Borrowing Date, (i) the Borrower shall have (x) received gross cash proceeds of at least $120,000,000 from the incurrence of loans by it under the Second-Lien Credit Agreement and (y) utilized the full amount of the net proceeds of such loans to make a one-time cash payment (in the form of a Dividend, intercompany loan and/or repayment of intercompany loans) to Holdings and (ii) Holdings shall have utilized the full amount of the cash proceeds received by it as provided in preceding clause (i) to make payments owing in connection with the Transaction prior to the utilization by the Borrower or Holdings of any proceeds of Loans for such purpose.

(b) On the Initial Borrowing Date, (i) the incurrence of Indebtedness pursuant to the Second-Lien Credit Agreement shall have been consummated in accordance with the terms and conditions of the applicable Documents therefor and all applicable law, (ii) the Administrative Agent shall have received true and correct copies of all Second-Lien Credit Documents, certified as such by an appropriate officer of Holdings, (ii) all such Second-Lien Credit Documents and all terms and conditions thereof (including, without limitation, amortization, maturities, interest rates, covenants, defaults, remedies, guaranties and guarantors) shall be in form and substance reasonably satisfactory to each Agent and the Required Lenders, (iii) all such Second-Lien Credit Documents shall be in full force and effect and (iv) all conditions precedent to the consummation of the incurrence of loans pursuant to the Second-Lien Credit Agreement as set forth therein shall have been satisfied, and not waived unless consented to by each Agent and the Required Lenders, to the reasonable satisfaction of each Agent and the Required Lenders.

5.10. Intercreditor Agreement. On the Initial Borrowing Date, each Credit Party, the Administrative Agent, the Second-Lien Administrative Agent and the Collateral Agent shall have duly authorized, executed and delivered the Intercreditor Agreement in the form of Exhibit N hereto (as amended, modified, restated and/or supplemented from time to time, the "Intercreditor Agreement"), and the Intercreditor Agreement shall be in full force and effect.

5.11. Subsidiaries Guaranties. On the Initial Borrowing Date, each Subsidiary Guarantor shall have duly authorized, executed and delivered the Subsidiaries Guaranty in the form of Exhibit G (as amended, modified, restated and/or supplemented from time to time, the "Subsidiaries Guaranty"), guaranteeing all of the obligations of the Borrower as more fully provided therein, and the Subsidiaries Guaranty shall be in full force and effect.

5.12. Security Documents; etc. (a) On the Initial Borrowing Date, each Credit Party shall have duly authorized, executed and delivered a Pledge Agreement in the form of Exhibit H (as amended, modified, restated and/or supplemented from time to time in accordance with the terms thereof and hereof, the "Pledge Agreement") and shall have delivered to the Collateral Agent, as pledgee thereunder, all of the certificated Pledge Agreement Collateral referred to therein then owned by such Credit Party and required to be pledged pursuant to the terms thereof, (x) endorsed in blank in the case of promissory notes or (y) accompanied by executed and undated transfer powers in the case of certificated Equity Interests, along with evidence that all other actions

necessary or, in the reasonable opinion of the Collateral Agent, desirable, to perfect the security interests purported to be created by the Pledge Agreement have been taken, and the Pledge Agreement shall be in full force and effect.

(b) On the Initial Borrowing Date, each Credit Party shall have duly authorized, executed and delivered a Security Agreement in the form of Exhibit I (as amended, modified, restated and/or supplemented from time to time in accordance with the terms thereof and hereof, the "Security Agreement") covering all of the Security Agreement Collateral, together with:

(i) executed copies of Financing Statements (Form UCC-1) or appropriate local equivalent in appropriate form for filing under the UCC or appropriate local equivalent of each jurisdiction as may be necessary or, in the reasonable opinion of the Collateral Agent, desirable to perfect the security interests purported to be created by the Security Agreement;

(ii) certified copies of Requests for Information or Copies (Form UCC-11), or equivalent reports, each of a recent date listing all effective financing statements that name Holdings or any of its Subsidiaries as debtor and that are filed in the jurisdictions referred to in clause (i) above, together with copies of such financing statements (none of which shall cover the Collateral except (x) those with respect to which appropriate termination statements executed by the secured lender thereunder have been delivered to the Administrative Agent and (y) to the extent evidencing Permitted Liens);

(iii) evidence of the completion of all other recordings and filings of, or with respect to, the Security Agreement as may be necessary or, in the reasonable opinion of the Collateral Agent, desirable, to perfect the security interests purported to be created by the Security Agreement; and

(iv) evidence that all other actions necessary or, in the reasonable opinion of the Collateral Agent, desirable, to perfect the security interests purported to be created by the Security Agreement have been taken.

and the Security Agreement shall be in full force and effect.

(c) On the Initial Borrowing Date, the Collateral Agent shall have received:

(A) fully executed counterparts of Mortgages in form and substance satisfactory to the Collateral Agent, which Mortgages shall cover such of the Real Property

owned or leased by Holdings or any of its Subsidiaries (after giving effect to the Transaction) as are designated on Schedule III as a Mortgaged Property, together with evidence that counterparts of the Mortgages have been delivered to the title insurance company insuring the lien of such Mortgage for recording in all places to the extent necessary or, in the reasonable opinion of the Collateral Agent, desirable to effectively create a valid and enforceable first priority mortgage lien on each Mortgaged Property in favor of the Collateral Agent (or such other trustee as may be required or desirable under local law) for the benefit of the Secured Creditors, subject to Permitted Encumbrances;

(B) Title insurance policies issued by a reputable title insurer satisfactory to the Collateral Agent ("Mortgage Policies") on each Mortgaged Property in amounts satisfactory to the Administrative Agent and the Required Lenders assuring the Collateral Agent that the Mortgages on such Mortgaged Properties are valid and enforceable first priority mortgage liens on the respective Mortgaged Properties, free and clear of all defects and encumbrances except Permitted Encumbrances and such Mortgage Policies shall otherwise be in form and substance satisfactory to the Administrative Agent and the Required Lenders and shall include, as appropriate, an endorsement for future advances under this Agreement and the Notes and for any other matter that the Collateral Agent may request, shall not include an exception for mechanics' liens or creditors' rights, and shall provide for affirmative insurance and such reinsurance (including direct access agreements) as the Collateral Agent may request; and

(C) surveys of each Mortgaged Property designated as a "Surveyed Property" on Schedule III hereto.

5.13. Employee Benefit Plans; Shareholders' Agreements; Management Agreements; Collective Bargaining Agreements; Existing Indebtedness Agreements; Tax Allocation Agreements. On or prior to the Initial Borrowing Date, there shall have been made available for inspection and copying to the Administrative Agent, at its request, true and correct copies, certified (in the case of the agreements referred to in clause (ii), (iii), (vi) and (vii) below) as true and complete by the President or Vice-President of Holdings of:

(i) all Plans (and for each Plan that is required to file an annual report on Internal Revenue Service Form 5500-series, a copy of the most recent such report (including, to the extent required, the related financial and actuarial statements and opinions and other supporting statements, certifications, schedules and information), and for each Plan that is a "single-employer plan," as defined in Section 4001(a)(15) of ERISA, the most recently prepared actuarial valuation therefor) and any other "employee benefit plans," as defined in Section 3(3) of ERISA, and any other material agreements, plans or arrangements, with or for the benefit of current or former employees of Holdings or any of its Subsidiaries or any ERISA Affiliate (provided that the foregoing shall apply in the case of any multiemployer plan, as defined in 4001(a)(3) of ERISA, only to the extent that any document described therein is in the possession of Holdings or any Subsidiary of Holdings or any ERISA Affiliate or reasonably available thereto from the sponsor or trustee of any such plan) (collectively, the "Employee Benefit Plans");

(ii) all agreements (including, without limitation, shareholders' agreements, subscription agreements and registration rights agreements) entered into by Holdings or any of its Subsidiaries governing the terms and relative rights of the capital stock of the entity that is a party to such agreement and any agreements entered into by shareholders relating to any such entity with respect to its capital stock to which such entity is also a party (collectively, the "Shareholders' Agreements");

(iii) all material agreements entered into by Holdings or any of its Subsidiaries with respect to the management of Holdings or any of its Subsidiaries after giving effect to the Transaction (including consulting agreements and other management advisory agreements but

excluding employment agreements) (collectively, the "Management Agreements");

(iv) all collective bargaining agreements applying or relating to any employee of Holdings or any of its Subsidiaries after giving effect to the Transaction (collectively, the "Collective Bargaining Agreements");

(v) all agreements evidencing or relating to any Existing Indebtedness of Holdings or any of its Subsidiaries (collectively, the "Existing Indebtedness Agreements");

(vi) any tax sharing or tax allocation agreements entered into by Holdings or any of its Subsidiaries (collectively, the "Tax Allocation Agreements"); and

(vii) all material employment agreements entered into by Holdings or any of its Subsidiaries (collectively, the "Employment Agreements").

all of which Employee Benefit Plans, Shareholders' Agreements, Management Agreements, Collective Bargaining Agreements, Existing Indebtedness Agreements, Tax Allocation Agreements and Employment Agreements shall be in full force and effect on the Initial Borrowing Date.

5.14. Solvency Certificate; Insurance Certificates. On or before the Initial Borrowing Date, the Administrative Agent shall have received:

(a) a solvency certificate in the form of Exhibit J from the chief financial officer of Holdings, dated the Initial Borrowing Date, and supporting the conclusion that, after giving effect to the Transaction and the incurrence of all financings contemplated herein, the Borrower (on a stand-alone basis), Holdings and its Subsidiaries (on a consolidated basis) and the Borrower and its Subsidiaries (on a consolidated basis), in each case, are not insolvent and will not be rendered insolvent by the indebtedness incurred in connection herewith, will not be left with unreasonably small capital with which to engage in its or their respective businesses and will not have incurred debts beyond its or their ability to pay such debts as they mature and become due; and

(b) evidence of insurance complying with the requirements of Section 8.03 for the business and properties of Holdings and its Subsidiaries, in scope, form and substance reasonably satisfactory to the Administrative Agent and the Required Lenders and

naming the Collateral Agent as an additional insured and/or loss payee, and stating that such insurance shall not be canceled or materially revised without at least 30 days' prior written notice by the insurer to the Collateral Agent.

5.15. Financial Statements; Pro Forma Financial Statements; Projections. On or prior to the Initial Borrowing Date, there shall have been delivered to the Administrative Agent (i) true and correct copies of the financial statements referred to in Section 7.10(b), (ii) an unaudited pro forma (calculated as if the Transaction had occurred on such date) consolidated balance sheet of Holdings and its Subsidiaries as of the January, 2004 fiscal month end, after giving effect to the Transaction and the incurrence of all Indebtedness (including the Loans) contemplated herein and prepared in accordance with GAAP (the "Pro Forma Balance Sheet"), and (iii) a reasonably satisfactory funds flow statement related to the Transaction.

5.16. Payment of Fees. On the Initial Borrowing Date, all costs, fees and expenses, and all other compensation due to the Agents and the Lenders (including, without limitation, legal fees and expenses) shall have been paid to the extent then due.

SECTION 6. Conditions Precedent to All Credit Events. The obligation of each Lender to make Loans (including Loans made on the Initial Borrowing Date, but excluding Mandatory Borrowings made after the Initial Borrowing Date, which shall be made as provided in Section 1.01(d)), and the obligation of a Letter of Credit Issuer to issue any Letter of Credit, is subject, at the time of each such Credit Event (except as hereinafter indicated), to the satisfaction of the following conditions:

6.01. No Default; Representations and Warranties. At the time of each such Credit Event and immediately after giving effect thereto (i) there shall exist no Default or Event of Default and (ii) all representations and warranties contained herein or in any other Credit Document shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on the date of such Credit Event (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date).

6.02. Notice of Borrowing; Letter of Credit Request. (a) Prior to the making of each Loan (excluding Swingline Loans and Mandatory Borrowings), the Administrative Agent shall have received a Notice of Borrowing meeting the requirements of Section 1.03(a). Prior to the making of any Swingline Loan, the Swingline Lender shall have received the notice required by Section 1.03(b)(i).

(b) Prior to the issuance of each Letter of Credit, the Administrative Agent and the respective Letter of Credit Issuer shall have received a Letter of Credit Request meeting the requirements of Section 2.02(a).

The occurrence of the Initial Borrowing Date and the acceptance of the benefits or proceeds of each Credit Event shall constitute a representation and warranty by each of Holdings and the Borrower to each Agent and each of the Lenders that all the conditions specified in Section 5 (with respect to Credit Events occurring on the Initial Borrowing Date) and in this

Section 6 (with respect to each Credit Event) (other than such conditions that are expressly subject to the satisfaction of the Agents and/or the Required Lenders) exist as of that time. All of the Notes, certificates, legal opinions and other documents and papers referred to in Section 5 and in this Section 6, unless otherwise specified, shall be delivered to the Administrative Agent at the Notice Office for the account of each of the Lenders and, except for the Notes, in sufficient counterparts or copies for each of the Lenders and shall be in form and substance satisfactory to the Lenders.

SECTION 7. Representations and Warranties. In order to induce the Lenders to enter into this Agreement and to make the Loans and issue and/or participate in the Letters of Credit provided for herein, each of Holdings and the Borrower makes the following representations and warranties with the Lenders, in each case after giving effect to the Transaction, all of which shall survive the execution and delivery of this Agreement, the making of the Loans and the issuance of the Letters of Credit (with the occurrence of the Initial Borrowing Date and each Credit Event on or after the Initial Borrowing Date being deemed to constitute a representation and warranty that the matters specified in this Section 7 are true and correct in all material respects on and as of the date of each such Credit Event, unless stated to relate to a specific earlier date in which case such representations and warranties shall be true and correct in all material respects as of such earlier date):

7.01. Company Status. Each of Holdings and its Subsidiaries (i) is a duly organized and validly existing Company in good standing under the laws of the jurisdiction of its organization, (ii) has the Company power and authority to own its property and assets and to transact the business in which it is engaged and presently proposes to engage and (iii) is duly qualified and is authorized to do business and is in good standing in all jurisdictions where it is required to be so qualified and where the failure to be so qualified (x) has had (unless same has ceased to exist in all respects) or (y) is reasonably likely to have, a Material Adverse Effect.

7.02. Company Power and Authority. Each of Holdings and its Subsidiaries has the Company power and authority to execute, deliver and carry out the terms and provisions of the Documents to which it is a party and has taken all necessary Company action to authorize the execution, delivery and performance of the Documents to which it is a party. Each of Holdings and its Subsidiaries has duly executed and delivered each Document to which it is a party and each such Document constitutes the legal, valid and binding obligation of such Person enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws generally affecting creditors' rights and by equitable principles (regardless of whether enforcement is sought in equity or at law).

7.03. No Violation. Neither the execution, delivery or performance by Holdings or any of its Subsidiaries of the Documents to which it is a party, nor compliance by Holdings or any of its Subsidiaries with the terms and provisions thereof, nor the consummation of the transactions contemplated herein or therein, (i) will contravene any material provision of any material applicable law, statute, rule or regulation, or any order, writ, injunction or decree of any court or governmental instrumentality, (ii) will conflict or be inconsistent with or result in any breach of, any of the terms, covenants, conditions or provisions of, or constitute a default under, or (other than pursuant to the Security Documents) result in the creation or imposition of (or the

obligation to create or impose) any Lien upon any of the property or assets of Holdings or any of its Subsidiaries pursuant to the terms of any indenture, mortgage, deed of trust, loan agreement, credit agreement or any other material agreement or instrument to which Holdings or any of its Subsidiaries is a party or by which it or any of its property or assets are bound or to which it may be subject (including, without limitation, the Existing Indebtedness Agreements) or (iii) will violate any provision of the certificate of incorporation, by-laws, certificate of partnership, partnership agreement, certificate of limited liability company, limited liability company agreement or equivalent organizational document, as the case may be, of Holdings or any of its Subsidiaries.

7.04. Litigation. There are no actions, suits, proceedings or investigations pending or threatened (i) with respect to any Document, (ii) with respect to the Transaction, or (iii) with respect to Holdings or any of its Subsidiaries that (x) have had (unless same has ceased to exist in all respects) or (y) are reasonably likely to have a Material Adverse Effect. Additionally, there does not exist any judgment, order or injunction prohibiting or imposing material adverse conditions upon the occurrence of any Credit Event.

7.05. Use of Proceeds; Margin Regulations. (a) The proceeds of the Term Loans shall be utilized by the Borrower and its Subsidiaries on the Initial Borrowing Date to finance, in part, the Recapitalization and to pay fees and expenses (not to exceed $15,000,000) incurred in connection with the Transaction.

(b) The proceeds of all Revolving Loans and Swingline Loans shall be utilized for the general corporate and working capital purposes of the Borrower and its Subsidiaries (including financing of Permitted Acquisitions but excluding payments in connection with the Transaction (except as provided in the proviso below)); provided, however, that proceeds of Revolving Loans in an aggregate amount not to exceed $15,000,000 may be utilized by the Borrower for the purposes described in Section 7.05(a).

(c) Except as otherwise permitted by Sections 9.06(ii) and (x), no part of any Credit Event (or the proceeds thereof) will be used to purchase or carry any Margin Stock or to extend credit for the purpose of purchasing or carrying any Margin Stock. Neither the making of any Loan nor the use of the proceeds thereof nor the occurrence of any other Credit Event will violate or be inconsistent with the provisions of Regulation T, U or X of the Board of Governors of the Federal Reserve System.

(d) At the time of each Credit Event, not more than 25% of the value of the assets of Holdings and its Subsidiaries taken as a whole (including all capital stock of Holdings held in treasury) will constitute Margin Stock.

7.06. Governmental Approvals. Except as may have been obtained or made on or prior to the Initial Borrowing Date (and which remain in full force and effect on the Initial Borrowing Date), no order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by, any foreign or domestic governmental or public body or authority, or any subdivision thereof, is required to authorize or is required in connection with (i) the execution, delivery and performance of any Document or (ii) the legality, validity, binding effect or enforceability of any Document.

7.07. Investment Company Act. None of Holdings or any of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

7.08. Public Utility Holding Company Act. None of Holdings or any of its Subsidiaries is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, as amended.

7.09. True and Complete Disclosure. All factual information (taken as a whole) heretofore or contemporaneously furnished by or on behalf of Holdings or any of its Subsidiaries in writing to the Administrative Agent or any Lender (including, without limitation, all information contained in the Documents) for purposes of or in connection with this Agreement or any transaction contemplated herein or therein is, and all other such factual information (taken as a whole) hereafter furnished by or on behalf of any such Persons in writing to any Agent or any Lender will be, true and accurate in all material respects on the date as of which such information is dated or certified and not incomplete by omitting to state any material fact necessary to make such information (taken as a whole) not misleading at such time in light of the circumstances under which such information was provided. It is understood that the Projections do not constitute factual information for purposes of this Section 7.09.

7.10. Financial Condition; Financial Statements. (a) On and as of the Initial Borrowing Date, on a pro forma basis after giving effect to the Transaction, and to all Indebtedness (including the Loans) incurred, and to be incurred, and Liens created, and to be created, by each Credit Party in connection therewith, with respect to the Borrower (on a stand-alone basis), Holdings and its Subsidiaries (on a consolidated basis) and the Borrower and its Subsidiaries (on a consolidated basis) (x) the sum of the assets, at a fair valuation, of the Borrower (on a stand-alone basis), Holdings and its Subsidiaries (on a consolidated basis) and the Borrower and its Subsidiaries (on a consolidated basis) will exceed its or their debts, (y) it has or they have not incurred nor intended to, nor believes or believe that it or they will, incur debts beyond its or their ability to pay such debts as such debts mature and (z) it or they will have sufficient capital with which to conduct its or their business. For purposes of this Section 7.10, "debt" means any liability on a claim, and "claim" means (i) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (ii) right to an equitable remedy for breach of performance if such breach gives rise to a payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

(b) (i) The audited consolidated statements of financial condition of Holdings and its Subsidiaries at March 31, 2001, March 31, 2002 and March 31, 2003, and the related consolidated statements of income and cash flow and changes in shareholders' equity of Holdings and its Subsidiaries for the fiscal years ended on such dates, (ii) the unaudited consolidated balance sheet of Holdings and its Subsidiaries as of the end of the fiscal quarter of Holdings ended December 28, 2003, and the related consolidated statements of earnings, shareholders' equity and cash flows of Holdings and its Subsidiaries for the nine-month period then ended, (iii) the interim statements of income and cash flows for Holdings and its

Subsidiaries for each calendar month ended after December 28, 2003 through and including the latest calendar month ending at least 25 days prior to the Initial Borrowing Date and (iv) the Pro Forma Balance Sheet, all furnished to the Lenders prior to the Initial Borrowing Date, in each case present fairly in all material respects the financial condition of Holdings and its Subsidiaries at the date of such statements of financial condition and the results of operations of Holdings and its Subsidiaries for the periods covered thereby (or, in the case of the Pro Forma Balance Sheet, presents a good faith estimate of the consolidated pro forma financial condition of Holdings as at the date of the preparation thereof (in each case, after giving effect to the Transaction at the date thereof or for the period covered thereby)), subject, in the case of unaudited financial statements, to normal year-end adjustments. All such financial statements (other than the aforesaid Pro Forma Balance Sheet) have been prepared in accordance with GAAP and practices consistently applied, except, in the case of the quarterly and monthly statements, for the omission of footnotes and ordinary end of period adjustments and accruals (all of which are of a recurring nature and none of which individually, or in the aggregate, would be material) and the aforesaid Pro Forma Balance Sheet has been prepared on a basis consistent with the historical financial statements of Holdings set forth in foregoing clause (i) of this Section 7.10(b).

(c) After giving effect to the Transaction, since March 31, 2003 (but assuming the Transaction had occurred immediately prior to such date), nothing has occurred that (x) has had a Material Adverse Effect (unless same has ceased to exist in all respects) or (y) is reasonably likely to have a Material Adverse Effect.

(d) Except as fully reflected in the financial statements described in Sections 7.10(b) and as otherwise permitted by Section 9.04, (i) there were as of the Initial Borrowing Date (and after giving effect to any Loans made, and transactions occurring, on such date), no liabilities or obligations with respect to Holdings or any of its Subsidiaries of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) which, either individually or in the aggregate, (x) have had a Material Adverse Effect (unless same has ceased to exist in all respects) or (y) are reasonably likely to have a Material Adverse Effect and (ii) neither Holdings nor the Borrower knows of any basis for the assertion against Holdings or any of its Subsidiaries of any such liability or obligation which, either individually or in the aggregate, (x) have had a Material Adverse Effect (unless same has ceased to exist in all respects) or (y) are reasonably likely to have a Material Adverse Effect.

(e) The Projections have been prepared on a basis consistent with the financial statements referred to in Section 7.10(b), and are based on good faith estimates and assumptions made by the management of Holdings, which assumptions such management believed were reasonable on the Initial Borrowing Date, it being recognized by the Lenders that such projections of future events are not to be viewed as facts and that actual results during the period or periods covered by any such Projections may differ from the projected results contained therein and such differences may be material. There is no fact known to Holdings, the Borrower or any of their respective Subsidiaries which (x) has had a Material Adverse Effect (unless same has ceased to exist in all respects) or (y) is reasonably likely to have a Material Adverse Effect, which has not been disclosed herein or in such other documents, certificates and statements furnished to the Lenders for use in connection with the transactions contemplated hereby.

7.11. Security Interests. On and after the Initial Borrowing Date, each of the Security Documents creates (or after the execution and delivery thereof will create), as security for the Obligations, a valid and enforceable perfected security interest in and Lien on all of the Collateral subject thereto, superior to and prior to the rights of all third Persons, and subject to no other Liens (except that (i) the Security Agreement Collateral may be subject to Permitted Liens, (ii) the Pledge Agreement Collateral may be subject to the Liens described in clauses (i) and (v) of Section 9.03 and (iii) the security interest and mortgage lien created on any Mortgaged Property may be subject to the Permitted Encumbrances related thereto), in favor of the Collateral Agent. No filings or recordings are required in order to perfect the security interests created under any Security Document except for filings or recordings required in connection with any such Security Document which shall have been made on or prior to the Initial Borrowing Date as contemplated by Section 5.12 or on or prior to the execution and delivery thereof as contemplated by Sections 8.11 and 9.15.

7.12. Compliance with ERISA. (a) Schedule V sets forth, as of the Initial Borrowing Date, each Plan and each Multiemployer Plan of Holdings. Each Plan (and each related trust, insurance contract or fund) is in material compliance with its terms and with all applicable laws, including, without limitation, ERISA and the Code; each Plan (and each related trust, if any) which is intended to be qualified under Section 401(a) of the Code has

received a determination letter or an opinion letter since January 1, 2001 from the Internal Revenue Service to the effect that it meets the requirements of Sections 401(a) and 501(a) of the Code; no Reportable Event has occurred that could reasonably be expected to result in any material liability for Holdings, any Subsidiary of Holdings or any ERISA Affiliate; no Multiemployer Plan is insolvent or in reorganization; except as set forth on Schedule V with respect to the three plans set forth therein, no Plan has an Unfunded Current Liability which, when added to the aggregate amount of Unfunded Current Liabilities with respect to all other Plans (after taking into account the amount of Unfunded Current Liabilities set forth on Schedule V with respect to the three plans set forth thereon), exceeds $10,000,000; no Plan which is subject to Section 412 of the Code or Section 302 of ERISA has an accumulated funding deficiency, within the meaning of such sections of the Code or ERISA, or has applied for or received a waiver of an accumulated funding deficiency or an extension of any amortization period, within the meaning of Section 412 of the Code or Section 303 or 304 of ERISA; all contributions required to be made with respect to a Plan and a Multiemployer Plan have been timely made, except to the extent that any failure to make such contribution would not result in a material liability; neither Holdings nor any Subsidiary of Holdings nor any ERISA Affiliate has incurred any material liability (including any indirect, contingent or secondary liability) to or on account of a Plan or a Multiemployer Plan pursuant to Section 409, 502(i), 502(l), 515, 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or Section 401(a)(29), 4971 or 4975 of the Code or, to the knowledge of Holdings or the Borrower, reasonably expects to incur any such material liability under any of the foregoing sections with respect to any Plan or a Multiemployer Plan; no condition exists which presents a material risk to Holdings or any Subsidiary of Holdings or any ERISA Affiliate of incurring a material liability to or on account of a Plan or a Multiemployer Plan pursuant to the foregoing provisions of ERISA and the Code; no proceedings have been instituted to terminate or appoint a trustee to administer any Plan which is subject to Title IV of ERISA; no action, suit, proceeding, hearing, audit or investigation with respect to the administration, operation or the investment of assets of any Plan (other than routine claims for benefits) is pending, expected or, to the knowledge of Holdings or the Borrower, threatened that could reasonably

be expected to result in any material liability for Holdings, any Subsidiary of Holdings or any ERISA Affiliate; using actuarial assumptions and computation methods consistent with Part 1 of subtitle E of Title IV of ERISA, Holdings and its Subsidiaries and ERISA Affiliates would not have any material liabilities to any Multiemployer Plan in the event of a withdrawal therefrom, as of the close of the most recent fiscal year of each such Multiemployer Plan ended prior to the date of the most recent Credit Event; each group health plan (as defined in Section 607(1) of ERISA or Section 4980B(g)(2) of the Code) which covers or has covered employees or former employees of Holdings, any Subsidiary of Holdings, or any ERISA Affiliate has at all times been operated in compliance with the provisions of Part 6 of subtitle B of Title I of ERISA and Section 4980B of the Code except to the extent that such noncompliance would not result in a material liability; each group health plan (as defined in 45 Code of Federal Regulations Section 160.103) which covers or has covered employees or former employees of Holdings, any Subsidiary of Holdings or any ERISA Affiliate has at all times been operated in compliance with the provisions of the Health Insurance Portability and Accountability Act of 1996 and the regulations promulgated thereunder, except to the extent that any such failure could reasonably be expected to result in a material liability; no lien imposed under the Code or ERISA on the assets of Holdings or any Subsidiary of Holdings or any ERISA Affiliate exists or to the knowledge of Holdings or the Borrower, is reasonably likely to arise on account of any Plan or any Multiemployer Plan; and Holdings and its Subsidiaries do not maintain or contribute to any employee welfare benefit plan (as defined in Section 3(1) of ERISA) which provides benefits to retired employees or other former employees (other than as required by Section 601 of ERISA) the obligations with respect to which could reasonably be expected to have a Material Adverse Effect.

(b) Each Foreign Pension Plan, if any, has been maintained in material compliance with its terms and with the requirements of any and all applicable laws, statutes, rules, regulations and orders and has been maintained, where required, in good standing with applicable regulatory authorities. All contributions required to be made with respect to a Foreign Pension Plan, if any, have been timely made. Except as could not reasonably be expected to have a Material Adverse Effect (i) neither Holdings nor any of its Subsidiaries has incurred any material obligation in connection with the termination, of or withdrawal from, any Foreign Pension Plan, and (ii) there are no accrued benefit liabilities (whether or not vested) under any Foreign Pension Plan that are unfunded or that have not been adequately reserved for in accordance with generally accepted accounting principles in the applicable jurisdiction.

7.13. Capitalization. (a) On the Initial Borrowing Date and after giving effect to the Transaction and the other transactions contemplated hereby, the authorized capital stock of Holdings shall consist of (i) 1,000,000 shares of Class A common stock, $.01 par value per share, 386,471 shares of which are issued and outstanding, (ii) 1,000,000 shares of Class B common stock, $.01 par value per share, none of which shares are issued and outstanding (such authorized shares of common stock described in clauses (i) and (ii), together with any subsequently authorized shares of common stock of Holdings, collectively, the "Holdings Common Stock") and (iii) 1,000,000 shares of Series A convertible preferred stock, par value $.01 per share, 665,883 shares of which are issued and outstanding (the "Convertible Preferred Stock"). All outstanding shares of Holdings Common Stock and Convertible Preferred Stock have been duly and validly issued, are fully paid and nonassessable and free of preemptive rights. As of the Initial Borrowing Date, except as set forth on Schedule X hereto, Holdings does

not have outstanding any securities convertible into or exchangeable for its capital stock or outstanding any rights to subscribe for or to purchase, or any options for the purchase of, or any agreement providing for the issuance (contingent or otherwise) of, or any calls, commitments or claims of any character relating to, its capital stock.

(b) On the Initial Borrowing Date and after giving effect to the Transaction, the authorized capital stock of the Borrower shall consist of 3,000 shares of common stock, $.01 par value per share, 100 of which shares are issued and outstanding. All such outstanding shares have been duly and validly issued, are fully paid and nonassessable and free of preemptive rights. The Borrower does not have outstanding any securities convertible into or exchangeable for its capital stock or outstanding any rights to subscribe for or to purchase, or any options for the purchase of, or any agreement providing for the issuance (contingent or otherwise) of, or any calls, commitments or claims of any character to, its capital stock.

7.14. Subsidiaries. On and as of the Initial Borrowing Date and after giving effect to the Transaction, Holdings has no Subsidiaries other than the Borrower and its Subsidiaries, and the Borrower has no Subsidiaries other than those Subsidiaries listed on Schedule VII. Schedule VII correctly sets forth, as of the Initial Borrowing Date and after giving effect to the Transaction, the percentage ownership (direct and indirect) of the Borrower in each class of capital stock or other Equity Interests of each of its Subsidiaries and also identifies the direct owner thereof. All outstanding shares of Equity Interests of each Subsidiary of the Borrower have been duly and validly issued, are fully paid and non-assessable and have been issued free of preemptive rights. No Subsidiary of the Borrower has outstanding any securities convertible into or exchangeable for its Equity Interests or outstanding any right to subscribe for or to purchase, or any options or warrants for the purchase of, or any agreement providing for the issuance (contingent or otherwise) of or any calls, commitments or claims of any character relating to, its Equity Interests or any stock appreciation or similar rights.

7.15. Intellectual Property, etc. Each of Holdings and each of its Subsidiaries owns or has the rights to use all patents, trademarks, permits, service marks, trade names, technology copyrights, licenses, franchises and formulas, or other rights with respect to the foregoing, reasonably necessary for the conduct of its business, without any known conflict with the rights of others which, or the failure to obtain which, as the case may be, (x) has had (unless same has ceased to exist in all respects) or (y) is reasonably likely to have, a Material Adverse Effect.

7.16. Compliance with Statutes; Agreements, etc. Each of Holdings and each of its Subsidiaries is in compliance with (i) all applicable statutes, regulations, rules and orders of, and all applicable restrictions imposed by, all governmental bodies, domestic or foreign, in respect of the conduct of its business and the ownership of its property and (ii) all contracts and agreements to which it is a party, except such non-compliance as (x) has not (unless same has ceased to exist in all respects) and (y) is not reasonably likely to, individually or in the aggregate, have a Material Adverse Effect.

7.17. Environmental Matters. (a) Each of Holdings and each of its Subsidiaries has complied with, and on the date of each Credit Event is in compliance with, all applicable Environmental Laws and the requirements of any permits issued under such Environmental Laws

and neither Holdings nor any of its Subsidiaries is liable for any material penalties, fines or forfeitures for failure to comply with any of the foregoing. There are no pending or past or, to the best knowledge of Holdings or the Borrower, threatened Environmental Claims against Holdings or any of its Subsidiaries or any Real Property owned or operated by Holdings or any of its Subsidiaries. There are no facts, circumstances, conditions or occurrences on any Real Property owned or operated by Holdings or any of its Subsidiaries or on any property adjoining or in the vicinity of any such Real Property that would reasonably be expected (i) to form the basis of an Environmental Claim against Holdings or any of its Subsidiaries or any such Real Property or (ii) to cause any such Real Property to be subject to any restrictions on the ownership, occupancy, use or transferability of such Real Property by Holdings or any of its Subsidiaries under any applicable Environmental Law.

(b) Hazardous Materials have not at any time been generated, used, treated or stored on, or transported to or from, any Real Property owned or operated by Holdings or any of its Subsidiaries except in compliance with all applicable Environmental Laws and reasonably required in connection with the operation, use and maintenance of such Real Property by Holdings' or such Subsidiary's business. Hazardous Materials have not at any time been Released on or from any Real Property owned or operated by Holdings or any of its Subsidiaries or by any person acting for or under contract to Holdings or any of its Subsidiaries, or to the knowledge of Holdings, by any other Person in respect of Real Property owned or operated by Holdings or any of its Subsidiaries, except in compliance with all applicable Environmental Laws.

(c) Notwithstanding anything to the contrary in this Section 7.17, the representations made in this Section 7.17 shall only be untrue if the aggregate effect of all conditions, failures, noncompliances, Environmental Claims, Hazardous Materials, Releases and presence of underground storage tanks, in each case of the types described above, (x) has had (unless same has ceased to exist in all respects) or (y) is reasonably likely to have, a Material Adverse Effect.

7.18. Properties. All Real Property owned by Holdings or any of its Subsidiaries and all material Leaseholds leased by Holdings or any of its Subsidiaries, in each case as of the Initial Borrowing Date and after giving effect to the Transaction, and the nature of the interest therein, is correctly set forth in Schedule III. Each of Holdings and each of its Subsidiaries has good and marketable title to, or a validly subsisting leasehold interest in, all material properties owned or leased by it, including all Real Property reflected in Schedule III and in the financial statements (including the Pro Forma Financial Statements) referred to in Section 7.10(b) (except such properties sold in the ordinary course of business since the dates of the respective financial statements referred to therein), free and clear of all Liens, other than Permitted Liens.

7.19. Labor Relations. Neither Holdings nor any of its Subsidiaries is engaged in any unfair labor practice that (x) has had (unless same has ceased to exist in all respects) or (y) is reasonably likely to have, a Material Adverse Effect. There is (i) no unfair labor practice complaint pending against Holdings or any of its Subsidiaries or threatened against any of them, before the National Labor Relations Board, and no grievance or arbitration proceeding arising out of or under any collective bargaining agreement is so pending against Holdings or any of its Subsidiaries or threatened against any of them, (ii) no strike, labor dispute, slowdown or

stoppage pending against Holdings or any of its Subsidiaries or threatened against Holdings or any of its Subsidiaries and (iii) no union representation question existing with respect to the employees of Holdings or any of its Subsidiaries and no union organizing activities are taking place, except (with respect to any matter specified in clause (i), (ii) or (iii) above, either individually or in the aggregate) such as (x) has not had (unless same has ceased to exist in all respects) and (y) is not reasonably likely to have, a Material Adverse Effect.

7.20. Tax Returns and Payments. Each of Holdings and each of its Subsidiaries has timely filed all federal income tax returns and all other material tax returns, domestic and foreign, required to be filed by it and has paid all material taxes and assessments payable by it which have become due, except for those contested in good faith and adequately disclosed and fully provided for on the financial statements of Holdings and its Subsidiaries in accordance with generally accepted accounting principles. Each of Holdings and each of its Subsidiaries has at all times paid, or has provided adequate reserves (in the good faith judgment of the management of Holdings) for the payment of, all federal, state and foreign income taxes applicable for all prior fiscal years and for the current fiscal year to date. There is no material action, suit, proceeding, investigation, audit, or claim now pending or, to the knowledge of Holdings or any of its Subsidiaries, threatened by any authority regarding any taxes relating to Holdings or any of its Subsidiaries. Neither Holdings nor any of its Subsidiaries has entered into an agreement or waiver or been requested to enter into an agreement or waiver extending any statute of limitations relating to the payment or collection of taxes of Holdings or any of its Subsidiaries, or is aware of any circumstances that would cause the taxable years or other taxable periods of Holdings or any of its Subsidiaries not to be subject to the normally applicable statute of limitations.

7.21. Existing Indebtedness. Part A of Schedule IV sets forth a true and complete list of all Indebtedness of Holdings and its Subsidiaries as of the Initial Borrowing Date and which is to remain outstanding after giving effect to the Transaction (excluding (i) the Obligations, (ii) the Indebtedness pursuant to the Second-Lien Credit Documents and (iii) Indebtedness under Existing Overdraft Facilities) (the "Existing Indebtedness"), in each case showing the aggregate principal amount thereof and the name of the respective borrower and any other entity which directly or indirectly guaranteed such debt.

7.22. Insurance. Set forth on Schedule VIII hereto is a true, correct and complete summary of all insurance carried by each Credit Party on and as of the Initial Borrowing Date (immediately after giving effect to the Transaction), with the amounts insured set forth therein.

7.23. Transaction. At the time of consummation thereof, each element of the Transaction shall have been consummated in all material respects in accordance with the terms of the relevant Documents therefor and all applicable laws. At the time of consummation thereof, all consents and approvals of, and filings and registrations with, and all other actions in respect of, all governmental agencies, authorities or instrumentalities required in order to make or consummate each element of the Transaction in all material respects in accordance with the terms of the relevant Documents therefor and all applicable laws have been obtained, given, filed or taken and are or will be in full force and effect (or effective judicial relief with respect thereto has been obtained). All applicable waiting periods with respect thereto have or, prior to the time when required, will have, expired without, in all such cases, any action being taken by any

competent authority which restrains, prevents, or imposes material adverse conditions upon the Transaction. Additionally, there does not exist any judgment, order or injunction prohibiting or imposing material adverse conditions upon any element of the Transaction, the occurrence of any Credit Event, or the performance by Holdings or any of its Subsidiaries of their respective obligations under the Documents and all applicable laws.

7.24. Special Purpose Corporation. (a) Holdings has no significant assets (other than the Equity Interests of the Borrower, any Intercompany Note evidencing an Intercompany Loan permitted to be made by it pursuant to Section 9.05(vi), cash and Cash Equivalents held prior to the on-lending, contribution, dividend and/or other application for purposes not otherwise prohibited by this Agreement and the assets used for the performance of those activities permitted to be performed by it pursuant to Section 9.01(b)) or liabilities (other than under this Agreement and the other Documents to which it is a party and those liabilities permitted to be incurred by it pursuant to Section 9.01(b)).

(b) Cayman Partnership Shareholder #1 has no significant assets (other than the Equity Interests of Cayman Partnership Shareholder #2, Cayman Partnership Shareholder #3, the Cayman Partnership and the immaterial assets used for the performance of those activities permitted to be performed by it pursuant to Section 9.01(d)) or liabilities (other than under this Agreement and the other Credit Documents to which it is a party and those liabilities permitted to be incurred by it pursuant to Section 9.01(d)); provided that notwithstanding the foregoing, it is understood and agreed that Cayman Partnership Shareholder #1 may (x) temporarily hold cash and/or Cash Equivalents loaned and/or contributed to it by its parent company, so long as same is promptly contributed and/or on-loaned to one or more of its Subsidiaries, (y) temporarily hold cash and/or Cash Equivalents on-loaned and/or dividended to it by one or more of its Subsidiaries, so long as same is promptly on-loaned and/or dividended to its parent company and (z) hold intercompany receivables resulting from loans made as contemplated above in preceding clauses (x) and (y).

(c) Cayman Partnership Shareholder #2 has no significant assets (other than the Equity Interests of the Cayman Partnership (and the underlying assets of the Cayman Partnership which it may be deemed to own under the laws of the Cayman Islands) and the immaterial assets used for the performance of those activities permitted to be performed by it pursuant to Section 9.01(e)) or liabilities (other than under this Agreement and the other Credit Documents to which it is a party and those liabilities permitted to be incurred by it pursuant to Section 9.01(e)); provided that notwithstanding the foregoing, it is understood and agreed that Cayman Partnership Shareholder #2 may (x) temporarily hold cash and/or Cash Equivalents loaned and/or contributed to it by its parent company, so long as same is promptly contributed and/or on-loaned to one or more of its Subsidiaries, (y) temporarily hold cash and/or Cash Equivalents on-loaned and/or dividended to it by one or more of its Subsidiaries, so long as same is promptly on-loaned and/or dividended to its parent company, and (z) hold intercompany receivables resulting from loans made as contemplated above in preceding clauses (x) and (y).

(d) Cayman Partnership Shareholder #3 has no significant assets (other than the Equity Interests of the Cayman Partnership and the immaterial assets used for the performance of those activities permitted to be performed by it pursuant to Section 9.01(f)) or liabilities (other than under this Agreement and the other Credit Documents to which it is a party

and those liabilities permitted to be incurred by it pursuant to Section 9.01(f)); provided that notwithstanding the foregoing, it is understood and agreed that Cayman Partnership Shareholder #3 may (x) temporarily hold cash and/or Cash Equivalents loaned and/or contributed to it by its parent company, so long as same is promptly contributed and/or on-loaned to one or more of its Subsidiaries, (y) temporarily hold cash and/or Cash Equivalents on-loaned and/or dividended to it by one or more of its Subsidiaries, so long as same is promptly on-loaned and/or dividended to its parent company, and (z) hold intercompany receivables resulting from loans made as contemplated above in preceding clauses (x) and (y).

7.25. Subordination. (a) On and after the execution and delivery of the Refinancing Senior Subordinated Notes Documents, the subordination provisions contained therein are enforceable against the Borrower, the Subsidiary Guarantors and the holders of such Indebtedness, and all Obligations hereunder and all obligations of the Credit Parties under the other Credit Documents (including without limitation, the Subsidiaries Guaranty) are within the definitions of "Senior Debt" or "Guarantor Senior Debt" (or analogous term or terms) and "Designated Senior Debt" (or analogous term) included in such subordination provisions.

(b) The subordination provisions contained in each of the Shareholders Subordinated Notes are enforceable against Holdings and the holders of such Indebtedness, and all Obligations of Holdings hereunder and under the other Credit Documents to which it is a party are within the definition of "Senior Debt" included in such subordination provisions.

SECTION 8. Affirmative Covenants. Each of Holdings and the Borrower hereby covenants and agrees that as of the Effective Date and thereafter for so long as this Agreement is in effect and until the Total Commitment and all Letters of Credit have terminated, and the Loans, Notes and Unpaid Drawings, together with interest, Fees and all other Obligations (other than any indemnities described in Section 13.13(b) which are not then due and payable) incurred hereunder, are paid in full:

8.01. Information Covenants. Holdings will furnish, or will cause to be furnished, to the Administrative Agent and each Lender:

(a) Quarterly Financial Statements. Within 45 days after the close of the first three quarterly accounting periods in each fiscal year of Holdings, the consolidated balance sheet of Holdings and its Subsidiaries as at the end of such quarterly accounting period and the related

consolidated statements of income and retained earnings and of cash flows for such quarterly accounting period and for the elapsed portion of the fiscal year ended with the last day of such quarterly accounting period and the budgeted figures for such quarterly period as set forth in the respective budget delivered pursuant to Section 8.01(c) (unless such quarterly period occurs prior to the delivery (or required delivery) of the first budget pursuant to Section 8.01(c) which includes such quarterly accounting period), all of which shall be in reasonable detail and certified by the senior financial officer or other Authorized Officer of Holdings that they fairly present in all material respects the financial condition of Holdings and its Subsidiaries as of the dates indicated and the results of their operations and changes in their cash flows for the periods indicated, subject to normal year-end audit adjustments and the absence of footnotes.

(b) Annual Financial Statements. Within 90 days after the close of each fiscal year of Holdings, the consolidated balance sheet of Holdings and its Subsidiaries as at the end of such fiscal year and the related consolidated statements of income and retained earnings and of cash flows for such fiscal year and setting forth comparative consolidated figures for the preceding fiscal year and (except in the case of the fiscal year ending March 31, 2004) comparable budgeted figures for such fiscal year as set forth in the respective budget delivered pursuant to Section 8.01(c) and (except for such comparable budgeted figures) certified by Ernst & Young LLP or such other independent certified public accountants of recognized national standing as shall be reasonably acceptable to the Administrative Agent, in each case to the effect that such statements fairly present in all material respects the financial condition of Holdings and its Subsidiaries as of the dates indicated and the results of their operations and changes in financial position for the periods indicated in conformity with GAAP applied on a basis consistent with prior years, together with a certificate of such accounting firm stating that in the course of its regular audit of the business of Holdings and its Subsidiaries, which audit was conducted in accordance with generally accepted auditing standards, no Default or Event of Default which has occurred and is continuing has come to their attention or, if such a Default or an Event of Default has come to their attention, a statement as to the nature thereof.

(c) Budgets, etc. Not more than 60 days after the commencement of each fiscal year of Holdings (commencing with the fiscal year of Holdings ending nearest to March 31, 2005), consolidated budgets of Holdings and its Subsidiaries in reasonable detail for each of the four fiscal quarters of such fiscal year, in each case as customarily prepared by management for its internal use setting forth the principal assumptions upon which such budgets are based. Together with each delivery of financial statements pursuant to Sections 8.01(a) and (b), a comparison of the current year to date financial results against the budgets required to be submitted pursuant to this clause (c) shall be presented.

(d) Officer's Certificates. At the time of the delivery of the financial statements provided for in Sections 8.01(a) and (b), a certificate of the senior financial officer or other Authorized Officer of Holdings to the effect that no Default or Event of Default exists or, if any Default or Event of Default does exist, specifying the nature and extent thereof, which certificate shall, if delivered in connection with the financial statements in respect of a period ending on the last day of a fiscal quarter or fiscal year of Holdings, set forth (x) the calculations required to establish whether Holdings and its Subsidiaries were in compliance with the provisions of Sections 4.02(a) through (g), inclusive, Sections 9.02(iv), (v), (xi) and (xvi), Sections 9.03(vi), (xviii) and (xix), Sections 9.04(iv), (v), (vi), (vii), (viii), (ix), (x) and (xiii) through (xviii), inclusive, Sections 9.05(vi), (vii), (xi), (xiv) and (xxi), Sections 9.06(ii), (iv), (ix) and (x) and Sections 9.08 through and including 9.11, inclusive, as at the end of such fiscal quarter or year, as the case may be, and (y) the calculation of the Leverage Ratio as at the last day of the respective fiscal quarter or fiscal year of Holdings, as the case may be.

(e) Notice of Default or Litigation. Promptly, and in any event within five Business Days after an officer of Holdings or any of its Subsidiaries obtains actual knowledge thereof, notice of (i) the occurrence of any event which constitutes a Default

or an Event of Default, which notice shall specify the nature and period of existence thereof and what action Holdings or the Borrower proposes to take with respect thereto, (ii) any litigation or proceeding pending or threatened (x) against Holdings or any of its Subsidiaries which (x) has had (unless same has ceased to exist in all respects) or (y) is reasonably likely, to have a Material Adverse Effect, (y) with respect to any material Indebtedness of Holdings or any of its Subsidiaries or (z) with respect to any Document, (iii) any material governmental investigation pending or threatened against Holdings or any of its Subsidiaries and (iv) any other event which (x) has had (unless same has ceased to exist in all respects) or (y) is reasonably likely to have, a Material Adverse Effect.

(f) Management Letters. Promptly upon receipt thereof, a copy of any "management letter" submitted to Holdings or any of its Subsidiaries by its independent accountants in connection with any annual, interim or special audit made by them of the books of Holdings or any of its Subsidiaries and management's responses thereto.

(g) Environmental Matters. Promptly after any officer of Holdings or any of its Subsidiaries obtains actual knowledge of any of the following (but only to the extent that any of the following, either individually or in the aggregate, (x) has had (unless same has ceased to exist in all respects) or (y) is reasonably likely to have, (a) a Material Adverse Effect or (b) a remedial cost to Holdings or any of its Subsidiaries in excess of $5,000,000), written notice of:

(i) any pending or threatened Environmental Claim against Holdings or any of its Subsidiaries or any Real Property owned or operated by Holdings or any of its Subsidiaries;

(ii) any condition or occurrence on any Real Property owned or operated by Holdings or any of its Subsidiaries that (x) results in noncompliance by Holdings or any of its Subsidiaries with any applicable Environmental Law or (y) could reasonably be anticipated to form the basis of an Environmental Claim against Holdings or any of its Subsidiaries or any such Real Property;

(iii) any condition or occurrence on any Real Property owned or operated by Holdings or any of its Subsidiaries that could reasonably be anticipated to cause such Real Property to be subject to any restrictions on the ownership, occupancy, use or transferability by Holdings or such Subsidiary, as the case may be, of its interest in such Real Property under any Environmental Law; and

(iv) the taking of any removal or remedial action in response to the actual or alleged presence of any Hazardous Material on any Real Property owned or operated by Holdings or any of its Subsidiaries.

All such notices shall describe in reasonable detail the nature of the claim, investigation, condition, occurrence or removal or remedial action and Holdings' response or proposed response thereto. In addition, Holdings agrees to provide the Lenders with copies of such

detailed reports relating to any of the matters set forth in clauses (i)-(iv) above as may reasonably be requested by the Administrative Agent or the Required Lenders.

(h) Reports. Promptly upon transmission thereof, (i) copies of any filings and registrations with, and reports to, the SEC by Holdings or any of its Subsidiaries, (ii) copies of all financial information, notices and reports as Holdings or any of its Subsidiaries shall send to the holders of Indebtedness under the Second-Lien Credit Documents and (after the execution and delivery thereof) the Accounts Receivable Facility Documents and and any other material Indebtedness in their capacity as such holders (to the extent not theretofore delivered to the Lenders pursuant to this Agreement and, in the case of the Accounts Receivable Facility Documents, excluding regular monthly reports as to payments on, and the performance of, the related Accounts Receivables Related Assets), (iii) following any public issuance of debt or equity securities of Holdings or any of its Subsidiaries, copies of all financial statements, proxy statements, notices and reports as Holdings or any of its Subsidiaries shall send generally to analysts and the holders of their capital stock or Indebtedness in their capacity as such holders (to the extent not theretofore delivered to the Lenders pursuant to this Agreement) and (iv) with reasonable promptness, such other information or documents (financial or otherwise) as the Administrative Agent on its own behalf or on behalf of the Required Lenders may reasonably request from time to time.

(i) Other Information. From time to time, such other information or documents (financial or otherwise) with respect to Holdings or its Subsidiaries as the Administrative Agent or any Lender (through the Administrative Agent) may reasonably request.

8.02. Books, Records and Inspections. Holdings will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries in conformity with GAAP and all material requirements of law shall be made of all dealings and transactions in relation to its business and activities. Holdings will, and will cause each of its Subsidiaries to, permit, upon reasonable prior notice to the senior financial officer or other Authorized Officer of Holdings or the Borrower, officers and designated representatives of the Administrative Agent or the Required Lenders, at their expense unless an Event of Default has occurred, to visit and inspect under the guidance of officers of Holdings or the Borrower any of the properties or assets of Holdings or any of its Subsidiaries in whomsoever's possession, and to examine the books of account of Holdings and any of its Subsidiaries and discuss the affairs, finances and accounts of Holdings and of any of its Subsidiaries with, and be advised as to the same by, their officers and independent accountants, all at such reasonable times and intervals and to such reasonable extent as the Administrative Agent or the Required Lenders may desire.

8.03. Insurance. (a) Holdings will, and will cause each of its Subsidiaries to (i) maintain, with financially sound and reputable insurance companies, insurance on all its property in at least such amounts and against at least such risks as is consistent and in accordance with industry practice and (ii) furnish to the Administrative Agent and each of the Lenders, upon request, full information as to the insurance carried. In addition to the requirements of the immediately preceding sentence, Holdings will at all times cause insurance of the types described in Schedule VIII to be maintained (with the same scope of coverage as that described

in Schedule VIII) at levels which are consistent with its practices immediately before the Initial Borrowing Date, or otherwise in form, scope and amount acceptable to the Administrative Agent. Such insurance shall include physical damage insurance on all real and personal property (whether now owned or hereafter acquired) on an all risk basis and business interruption insurance. The provisions of this Section 8.03 shall be deemed supplemental to, but not duplicative of, the provisions of any Security Documents that require the maintenance of insurance.

(b) Holdings will, and will cause each of the Subsidiary Guarantors to, at all times keep the respective property of the Credit Parties (except real or personal property leased or financed through third parties in accordance with this Agreement) insured in favor of the Collateral Agent, and all policies or certificates with respect to such insurance (and any other insurance maintained by, or on behalf of, any Credit Party) (i) shall be endorsed to the Collateral Agent's satisfaction for the benefit of the Collateral Agent (including, without limitation, by naming the Collateral Agent as certificate holder, mortgagee and loss payee with respect to real property, certificate holder and loss payee with respect to personal property, additional insured with respect to general liability and umbrella liability coverage and certificate holder with respect to workers' compensation insurance), (ii) shall state that such insurance policies shall not be canceled or materially changed without at least 30 days' prior written notice thereof by the respective insurer to the Collateral Agent and (iii) shall be deposited with the Collateral Agent.

(c) If Holdings or any of its Subsidiaries shall fail to maintain all insurance in accordance with this Section 8.03, or if Holdings or any of its Subsidiaries shall fail to so name the Collateral Agent as an additional insured, mortgagee or loss payee, as the case may be, or so deposit all certificates with respect thereto, the Administrative Agent and/or the Collateral Agent shall have the right (but shall be under no obligation), upon five Business Days notice to the Borrower, to procure such insurance, and the Credit Parties agree jointly and severally to reimburse the Administrative Agent or the Collateral Agent, as the case may be, for all costs and expenses of procuring such insurance.

8.04. Payment of Taxes. Holdings will pay and discharge, and will cause each of its Subsidiaries to pay and discharge, all material taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, in each case on a timely basis, and all lawful claims for material sums that have become due and payable which, if unpaid, might become a Lien not otherwise permitted under Section 9.03(i); provided that neither Holdings nor any of its Subsidiaries shall be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by proper proceedings if it has maintained and continues to maintain adequate reserves with respect thereto in accordance with GAAP.

8.05. Corporate Franchises. Holdings will do, and will cause each of its Subsidiaries to do, or cause to be done, all things necessary to preserve and keep in full force and effect its existence and its material rights, franchises, authority to do business, licenses, certifications, accreditations and patents, except for rights, franchises, authority to do business, licenses, certifications, accreditations and patents the loss of which (individually and in the aggregate) (x) have not had (unless same has ceased to exist in all respects) and (y) are not reasonably likely to have, a Material Adverse Effect; provided, however, that any transaction permitted by Section 9.02

(including, without limitation, the dissolution of any Subsidiary of the Borrower permitted pursuant to said Section) will not constitute a breach of this Section 8.05.

8.06. Compliance with Statutes; etc. Holdings will, and will cause each of its Subsidiaries to, comply with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental bodies, domestic or foreign, in respect of the conduct of its business and the ownership of its property, except for such noncompliance as (x) have not had (unless same has ceased to exist in all respects) and (y) are not reasonably likely to have, a Material Adverse Effect.

8.07. Compliance with Environmental Laws. (a) (i) Holdings will comply, and will cause each of its Subsidiaries to comply, in all material respects with all Environmental Laws applicable to the ownership or use of its Real Property now or hereafter owned or operated by Holdings or any of its Subsidiaries, will promptly pay or cause to be paid all costs and expenses incurred in connection with such compliance, and will keep or cause to be kept all such Real Property free and clear of any Liens imposed pursuant to such Environmental Laws and (ii) neither Holdings nor any of its Subsidiaries will generate, use, treat, store, Release or dispose of, or permit the generation, use, treatment, storage, release or disposal of, Hazardous Materials on any Real Property owned or operated by Holdings or any of its Subsidiaries, or transport or permit the transportation of Hazardous Materials to or from any such Real Property, except in compliance with all applicable Environmental Laws and reasonably required in connection with the operation, use and maintenance of such Real Property by Holdings' or such Subsidiary's business, unless any failures to comply with the requirements specified in clause (i) or (ii) above, either individually or in the aggregate, (x) have not had (unless same has ceased to exist in all respects) and (y) are not reasonably likely to have, a Material Adverse Effect. If Holdings or any of its Subsidiaries, or any tenant or occupant of any Real Property owned or operated by Holdings or any of its Subsidiaries, causes or permits any intentional or unintentional act or omission resulting in the presence or Release of any Hazardous Material (except in compliance with applicable Environmental Laws), Holdings agrees, if required to do so under any final applicable directive or order of any governmental agency, to undertake, and/or to cause any of its Subsidiaries, tenants or occupants to undertake, at their sole expense, any clean up, removal, remedial or other action required pursuant to Environmental Laws to remove and clean up any Hazardous Materials from any Real Property except where the failure to do so (x) has not had (unless same has ceased to exist in all respects) and (y) is not reasonably likely to have, a Material Adverse Effect.

(b) At the written request of the Administrative Agent or the Required Lenders, which request shall specify in reasonable detail the basis therefor, at any time and from time to time, Holdings and the Borrower will provide, at their sole cost and expense, an environmental site assessment report concerning any Real Property now or hereafter owned or operated by Holdings or any of its Subsidiaries, prepared by an environmental consulting firm approved by the Administrative Agent, addressing the matters in clause (i) or (ii) below which gives rise to such request (or, in the case of a request pursuant to following clause (i), addressing such matter as may be requested by the Administrative Agent or the Required Lenders) and estimating the range of the potential costs of any removal, remedial or other corrective action in connection with any such matter; provided that in no event shall such request be made unless (i) a Default or Event of Default has occurred and is continuing or (ii) the Lenders receive notice

under Section 8.01(g) for any event referred to in said Section which, either individually or in the aggregate, (x) has had (unless same has ceased to exist in all respects) or (y) is reasonably likely to have, (a) a Material Adverse Effect or (b) a remedial cost to Holdings or any of its Subsidiaries in excess of $10,000,000. If Holdings and the Borrower fail to provide the same within 60 days after such request was made, the Administrative Agent may order the same, and Holdings and the Borrower shall grant and hereby do grant, to the Administrative Agent and the Lenders and their agents access to such Real Property and specifically grant the Administrative Agent and the Lenders and their agents an irrevocable non-exclusive license, subject to the right of tenants, to undertake such an assessment, all at the Borrower's expense.

8.08. ERISA. As soon as possible and, in any event, within ten (10) Business Days after Holdings, any Subsidiary of Holdings or any ERISA Affiliate knows or has reason to know of the occurrence of any of the following, Holdings will deliver to the Administrative Agent a certificate of the chief financial officer or other Authorized Officer of Holdings setting forth in reasonable detail information as to such occurrence and the action, if any, that Holdings, such Subsidiary or such ERISA Affiliate is required or proposes to take, together with any notices required or proposed to be given to or filed by Holdings, the Subsidiary, the Plan administrator or such ERISA Affiliate to or with, the PBGC or any other governmental agency, or a Plan or Multiemployer Plan participant, and any notices received by Holdings, such Subsidiary or ERISA Affiliate from the PBGC or other governmental agency or a Plan or Multiemployer Plan participant or the Plan administrator with respect thereto: that a Reportable Event has occurred (except to the extent that Holdings has previously delivered to the Administrative Agent a certificate and notices (if any) concerning such event pursuant to the next clause hereof); that a contributing sponsor (as defined in Section 4001(a)(13) of ERISA) of a Plan subject to Title IV of ERISA is subject to the advance reporting requirement of PBGC Regulation Section 4043.61 (without regard to subparagraph (b)(1) thereof), and an event described in subsection .62, .63, .64, .65, .66, .67 or .68 of PBGC Regulation Section 4043 is reasonably expected to occur with respect to such Plan within the following 30 days; that an accumulated funding deficiency, within the meaning of Section 412 of the Code or Section 302 of ERISA, has been incurred or an application may be or has been made for a waiver or modification of the minimum funding standard (including any required installment payments) or an extension of any amortization period under Section 412 of the Code or Section 303 or 304 of ERISA with respect to a Plan; that any contribution required to be made with respect to a Plan or Multiemployer Plan or Foreign Pension Plan has not been timely made, except to the extent that any failure to make such contribution would not result in a material liability; that a Plan or Multiemployer Plan has been or may be terminated, reorganized, partitioned or declared insolvent under Title IV of ERISA; that a Plan has a material Unfunded Current Liability and, to the knowledge of Holdings or the Borrower, that a Multiemployer Plan has a material Unfunded Current Liability (assuming, solely for this purpose, that the term "Unfunded Current Liability" also applies to Multiemployer Plans) not previously disclosed to the Lenders prior to the Initial Borrowing Date; that proceedings may be or have been instituted to terminate or appoint a trustee to administer a Plan which is subject to Title IV of ERISA; that a proceeding has been instituted pursuant to Section 515 of ERISA to collect a delinquent contribution to a Plan or Multiemployer Plan; that Holdings, any Subsidiary of Holdings or any ERISA Affiliate will or may incur any material liability (including any indirect, contingent, or secondary liability) to or on account of the termination of or withdrawal from a Plan or Multiemployer Plan under Section 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or with respect to a Plan or

Multiemployer Plan under Section 401(a)(29), 4971, 4975 or 4980 of the Code or Section 409 or 502(i) or 502(l) of ERISA or with respect to a group health plan (as defined in Section 607(1) of ERISA or Section 4980B(g)(2) of the Code) under Section 4980B of the Code; or that Holdings or any Subsidiary of Holdings may incur any material liability pursuant to any employee welfare benefit plan (as defined in Section 3(1) of ERISA) that provides benefits to retired employees or other former employees (other than as required by Section 601 of ERISA) or any Plan or any Foreign Pension Plan. Holdings and the Borrower will deliver to each of the Lenders copies of any records, documents or other information that must be furnished to the PBGC with respect to any Plan pursuant to Section 4010 of ERISA. Holdings and the Borrower will also deliver to each of the Lenders upon request a complete copy of the annual report (on Internal Revenue Service Form 5500-series) of each Plan (including, to the extent required, the related financial and actuarial statements and opinions and other supporting statements, certifications, schedules and information) required to be filed with the Internal Revenue Service. In addition to any certificates or notices delivered to the Lenders pursuant to the first sentence hereof, copies of annual reports and any records, documents or other information required to be furnished to the PBGC or any other government agency, and any material notices received by Holdings, any Subsidiary of Holdings or any ERISA Affiliate with respect to any Plan or Foreign Pension Plan or received from any government agency or plan administrator or sponsor or trustee with respect to any Multiemployer Plan, shall be delivered to the Lenders no later than ten (10) Business Days after the date such annual report has been filed with the Internal Revenue Service or such records, documents and/or information has been furnished to the PBGC or any other government agency or such notice has been received by Holdings, the Subsidiary or the ERISA Affiliate, as applicable. Holdings and each of its applicable Subsidiaries shall ensure that all Foreign Pension Plans administered by it or into which it makes payments obtain or retain (as applicable) registered status under and as required by applicable law and is administered in a timely manner in all respects in compliance with all applicable laws except where the failure to do any of the foregoing (x) has not had (unless same has ceased to exist in all respects) and (y) is not reasonably likely to have, a Material Adverse Effect. If, at any time after the Initial Borrowing Date, Holdings, any Subsidiary of Holdings or any ERISA Affiliate maintains, or contributes to (or incurs an obligation to contribute to), a pension plan as defined in Section 3(2) of ERISA which is not set forth in Schedule V, as may be updated from time to time, then Holdings shall deliver to the Administrative Agent an updated Schedule V as soon as possible and, in any event, within ten (10) days after Holdings, such Subsidiary or such ERISA Affiliate maintains, or contributes to (or incurs an obligation to contribute to), such pension plan. Such updated Schedule V shall supersede and replace the existing Schedule V.

8.09. Good Repair. Holdings will, and will cause each of its Subsidiaries to, ensure that its material properties and equipment used in its business are kept in good repair, working order and condition, ordinary wear and tear excepted, and that from time to time there are made in such properties and equipment all needful and proper repairs, renewals, replacements, extensions, additions, betterments and improvements thereto, to the extent and in the manner useful or customary for companies in similar businesses.

8.10. End of Fiscal Years; Fiscal Quarters. Holdings will, for financial reporting purposes, cause (i) each of its, and each of its Subsidiaries', fiscal years to end on March 31 of each year and (ii) itself, and each of its Subsidiaries, to maintain fiscal quarters consistent

therewith and with the past practices of Holdings and its Subsidiaries as in effect on the Effective Date.

8.11. Additional Security; Further Assurances. (a) Holdings will, and will cause each of its Wholly-Owned Domestic Subsidiaries (other than the Receivables Entity) to, grant to the Collateral Agent security interests and mortgages in such assets and real property of Holdings and such Wholly-Owned Subsidiaries as are not covered by the original Security Documents, and as may be reasonably requested from time to time by the Administrative Agent or the Required Lenders (collectively, the "Additional Security Documents"), it being understood that no more than 65% of the total combined voting power of all classes of capital stock of any Exempted Foreign Corporation (as defined in the Pledge Agreement) entitled to vote shall be required to be pledged pursuant to such Additional Security Documents. All such security interests and mortgages shall be granted pursuant to documentation reasonably satisfactory in form and substance to the Collateral Agent and shall constitute valid and enforceable perfected security interests and mortgages superior to and prior to the rights of all third Persons and subject to no other Liens except for Permitted Liens. The Additional Security Documents or instruments related thereto shall have been duly recorded or filed in such manner and in such places as are required by law to establish, perfect, preserve and protect the Liens in favor of the Collateral Agent required to be granted pursuant to the Additional Security Documents and all taxes, fees and other charges payable in connection therewith shall have been paid in full. Notwithstanding the foregoing, this Section 8.11(a) shall not apply to (and Holdings and its Subsidiaries shall not be required to grant a security interest or a mortgage in) (i) any Leasehold in respect of a service center or sales office, (ii) any other Leasehold that does not have economic value (*i.e.*, below market rent for a significant remaining term) or strategic value to the business of the lessee (as reasonably determined by the Administrative Agent), (iii) any Real Property the fair market value of which (as determined in good faith by senior management of Holdings or the Borrower) is less than $2,500,000, (iv) personal property consisting of motor vehicles or other property subject to certificate of title laws and (v) any local operating, collection or payroll bank accounts exempted from the perfection requirements pursuant to the Security Agreement.

(b) Holdings will, and will cause each of its Wholly-Owned Subsidiaries, other than the Receivables Entity to, at the expense of the Borrower, make, execute, endorse, acknowledge, file and/or deliver to the Collateral Agent from time to time such vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, real property surveys, reports and other assurances or instruments and take such further steps relating to the Collateral covered by any of the Security Documents as the Collateral Agent may reasonably require. Furthermore, the Borrower shall cause to be delivered to the Collateral Agent such opinions of counsel, title insurance and other related documents as may be reasonably requested by the Collateral Agent to assure itself that this Section 8.11 has been complied with.

(c) The Borrower agrees to cause each Wholly-Owned Domestic Subsidiary of the Borrower (other than the Receivables Entity) established or created in accordance with Section 9.15 to execute and deliver a counterpart of the Subsidiaries Guaranty (and/or an assumption agreement in form and substance satisfactory to the Administrative Agent whereby such Wholly-Owned Domestic Subsidiary shall become a party to the Subsidiaries Guaranty)

and thereby guaranty all Obligations and all obligations under Interest Rate Protection Agreements and Other Hedging Agreements to a Guaranteed Creditor.

(d) The Borrower will cause each Wholly-Owned Domestic Subsidiary of the Borrower (other than the Receivables Entity) established or created in accordance with Section 9.15 to grant to the Collateral Agent a first priority (subject only to Permitted Liens) Lien on property (tangible and intangible) of such Subsidiary upon terms and with exceptions similar to those set forth in the Security Documents, as appropriate, and satisfactory in form and substance to the Administrative Agent and Required Lenders. In connection with the actions required to be taken pursuant to the

immediately preceding sentence, the respective Wholly-Owned Domestic Subsidiary shall become a party to the various existing Security Documents by executing counterparts thereof and/or assumption agreements relating thereto (together with the delivery of updated schedules) in each case pursuant to documentation in form and substance satisfactory to the Administrative Agent, or shall enter into and deliver such new Security Documents as may be requested by the Administrative Agent or the Required Lenders. The Borrower shall cause each such Wholly-Owned Domestic Subsidiary of the Borrower, at its own expense, to execute, acknowledge and deliver, or cause the execution, acknowledgment and delivery of, and thereafter register, file or record in any appropriate governmental office, any document or instrument reasonably deemed by the Collateral Agent to be necessary or desirable for the creation and perfection of the foregoing Liens. The Borrower will cause each of such Wholly-Owned Domestic Subsidiaries to take all actions reasonably requested by the Administrative Agent (including, without limitation, the filing of UCC-1's) in connection with the granting of such security interests. Notwithstanding the foregoing, no Subsidiary shall be required to take any of the actions described in clauses (i) through (v) of the last sentence of Section 8.11(a).

(e) At any time after the Initial Borrowing Date at which the Borrower or any of its Subsidiaries receives or has performed on its behalf any survey of any Mortgaged Property (it being understood that the Borrower and its Subsidiaries shall be under no obligation to obtain any such survey), the Borrower shall promptly thereafter deliver a copy of such survey to the Administrative Agent.

(f) Each of the Credit Parties agrees that each action required above by this Section 8.11 shall be completed as soon as possible, but in no event later than 60 days after such action is either requested to be taken by the Collateral Agent, the Administrative Agent or the Required Lenders or required to be taken by Holdings and its Subsidiaries pursuant to the terms of this Section 8.11; provided that (i) each newly acquired or created Wholly-Owned Domestic Subsidiary of the Borrower shall be required to take the actions specified above concurrently with the creation or acquisition thereof (directly or indirectly) by the Borrower and (ii) in no event will any Credit Agreement Party or any of its Subsidiaries be required to take any action, other than using its commercially reasonable efforts, to obtain consents from third parties with respect to its compliance with this Section 8.11.

8.12. Use of Proceeds. All proceeds of the Loans shall be used as provided in Section 7.05.

8.13. Ownership of Subsidiaries. (a) Except (i) as otherwise expressly permitted pursuant to Section 9.15 in the case of the creation or acquisition of new non-Wholly-Owned

Subsidiaries after the Initial Borrowing Date, (ii) as reflected on Schedule VII or (iii) as contemplated by the definition of "Wholly-Owned Subsidiary", the Borrower will directly or indirectly own 100% of the capital stock of each Subsidiary of the Borrower.

(b) EnerSys shall at all times directly own 100% of the outstanding capital stock of the Receivables Entity.

8.14. Permitted Acquisitions. (a) Subject to the provisions of this Section 8.14 and the requirements contained in the definition of Permitted Acquisition, the Borrower and any of its Wholly-Owned Subsidiaries may from time to time effect Permitted Acquisitions, so long as (in each case except to the extent the Required Lenders otherwise specifically agree in writing in the case of a specific Permitted Acquisition): (i) no Default or Event of Default shall be in existence at the time of the consummation of the proposed Permitted Acquisition or immediately after giving effect thereto; (ii) the Borrower shall have given the Administrative Agent and the Lenders at least 15 Business Days' prior written notice of the proposed Permitted Acquisition; (iii) calculations are made by Holdings of (x) compliance with the covenants contained in Sections 9.08, 9.09 and 9.10 for the period of four consecutive fiscal quarters (taken as one accounting period) most recently ended prior to the date of such Permitted Acquisition (each, a "Calculation Period"), on a Pro Forma Basis as if the respective Permitted Acquisition (as well as all other Permitted Acquisitions theretofore consummated after the first day of such Calculation Period) had occurred on the first day of such Calculation Period, and such recalculations shall show that such financial covenants would have been complied with if the Permitted Acquisition had occurred on the first day of such Calculation Period (for this purpose, if the first day of the respective Calculation Period occurs prior to the Initial Borrowing Date, calculated as if the covenants contained in said Sections 9.08, 9.09 and 9.10 (in each case, giving effect to the last sentence appearing therein) had been applicable from the first day of the Calculation Period) and (y) compliance with Sections 9.09 and 9.10 immediately after giving effect to the consummation of the respective Permitted Acquisition (for this purpose, using the same ratio which will be required to be met on the last day of the first fiscal quarter ended on or after the date upon which the respective Permitted Acquisition is consummated), and Holdings shall be in compliance therewith; (iv) all representations and warranties contained herein and in the other Credit Documents shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date of such Permitted Acquisition (both before and after giving effect thereto), unless stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct in all material respects as of such earlier date; (v) the Borrower provides to the Administrative Agent and the Lenders as soon as available but not later than 5 Business Days after the execution thereof, a copy of any executed purchase agreement or similar agreement with respect to such Permitted Acquisition; (vi) the Aggregate Consideration (excluding consideration consisting of Holdings Common Stock or Qualified Preferred Stock) payable in connection with the proposed Permitted Acquisition does not exceed $25,000,000; (vii) the Aggregate Consideration payable in connection with the proposed Permitted Acquisition does not exceed $75,000,000; (viii) the Aggregate Consideration (excluding consideration consisting of Holdings Common Stock or Qualified Preferred Stock) payable in connection with the proposed Permitted Acquisition, when combined with the Aggregate Consideration (excluding consideration consisting of Holdings Common Stock and Qualified Preferred Stock) paid in connection with all other Permitted Acquisitions consummated prior to the date of the consummation of the proposed Permitted

Acquisition, does not exceed $100,000,000; (ix) the Aggregate Consideration payable in connection with the proposed Permitted Acquisition, when combined with the Aggregate Consideration paid in connection with all other Permitted Acquisitions consummated prior to the date of the consummation of the proposed Permitted Acquisition, does not exceed $200,000,000; (x) after giving effect to such Permitted Acquisition (but, for this purpose calculated as if the payment of all post-closing purchase price adjustments required (in the good faith determination of Holdings) in connection with such Permitted Acquisition (and all other Permitted Acquisitions for which such purchase price adjustments may be required to be made) and all capital expenditures (and the financing thereof) reasonably anticipated by Holdings to be made in the business acquired pursuant to such Permitted Acquisition within the 90-day period (such period for any Permitted Acquisition, a "Post-Closing Period") following such Permitted Acquisition (and in the businesses acquired pursuant to all other Permitted Acquisitions with Post-Closing Periods ended during the Post-Closing Period of such Permitted Acquisition) were then being paid, thereby being deemed to reduce the Total Unutilized Revolving Loan Commitment to the extent Holdings and its Subsidiaries have inadequate available cash on hand for such purposes), the Total Unutilized Revolving Loan Commitment shall equal or exceed $10,000,000; and (xi) Holdings shall have delivered to the Administrative Agent on the date of the consummation of such proposed Permitted Acquisition, an officer's certificate executed by an Authorized Officer of Holdings,

certifying to the best of his knowledge, compliance with the requirements of preceding clauses (i) through (iv), inclusive, and clauses (vi), (vii), (viii), (ix) and (x) and containing the calculations required by the preceding clauses (iii), (vi), (vii), (viii), (ix) and (x) .

(b) At the time of each Permitted Acquisition involving the creation or acquisition of a Subsidiary, or the acquisition of capital stock or other Equity Interest of any Person, all capital stock or other Equity Interests thereof created or acquired in connection with such Permitted Acquisition shall be pledged for the benefit of the Secured Creditors pursuant to, and to the extent required by, the Pledge Agreement in accordance with the requirements of Section 9.15.

(c) The Borrower shall cause each Subsidiary which is formed to effect, or is acquired pursuant to, a Permitted Acquisition to comply with, and to execute and deliver, all of the documentation required by, Sections 8.11 and 9.15, to the satisfaction of the Administrative Agent.

(d) The consummation of each Permitted Acquisition shall be deemed to be a representation and warranty by each Credit Agreement Party that the certifications by a Credit Agreement Party (or by one or more of its respective Authorized Officers) pursuant to Section 8.14(a), are true and correct and that all conditions thereto have been satisfied and that same is permitted in accordance with the terms of this Agreement, which representation and warranty shall be deemed to be a representation and warranty for all purposes hereunder, including, without limitation, Sections 6 and 10.

8.15. Maintenance of Company Separateness. Holdings will, and will cause each of its Subsidiaries to, satisfy customary Company formalities, including, as applicable, the holding of regular board of directors' and shareholders' meetings or action by directors or shareholders without a meeting and the maintenance of Company offices and records. Neither Holdings nor any of its Subsidiaries shall take any action, or conduct its affairs in a manner,

which is likely to result in the Company existence of Holdings or any of its Subsidiaries being ignored, or in the assets and liabilities of Holdings or any of its Subsidiaries being substantively consolidated with those of any other such Person in a bankruptcy, reorganization or other insolvency proceeding (it being understood and agreed that the entering into of the Credit Documents and the Second-Lien Credit Documents by Holdings and its Subsidiaries, and the performance of their respective obligations thereunder, shall not in and of itself be taken into account for purposes of determining compliance with the foregoing covenant).

8.16. Interest Rate Protection. (a) No later than the 60th day after the Initial Borrowing Date, the Borrower shall enter into, and for a minimum period of three years thereafter maintain, Interest Rate Protection Agreements with one or more Lenders or their affiliates reasonably acceptable to the Administrative Agent establishing a fixed or maximum interest rate acceptable to the Administrative Agent for an aggregate amount with respect to no less than $60,000,000 in aggregate principal amount of the Term Loans (it being understood that the Existing Interest Rate Protection Agreements covering $60,000,000 of Indebtedness which shall be maintained from the Initial Borrowing Date until February 22, 2006 shall not be taken account of for purposes of the determining compliance with this Section 8.16(a)).

(b) No later than the 60th day after the consummation of a Qualified IPO, the Borrower shall enter into, and for a minimum period of three years after the Initial Borrowing Date maintain, Interest Rate Protection Agreements with one or more Lenders or their affiliates reasonably acceptable to the Administrative Agent establishing a fixed or maximum interest rate acceptable to the Administrative Agent for an aggregate amount with respect to no less than (after taking into account the protection provided by the Existing Interest Rate Protection Agreements) 35% of the aggregate principal amount of the Term Loans and the term loans under the Second-Lien Credit Agreement outstanding from time to time.

(c) No later than the February 1, 2005 (if a Qualified IPO has not been consummated on or prior to December 31, 2004), the Borrower shall enter into, and for a minimum period of three years after the Initial Borrowing Date maintain, Interest Rate Protection Agreements with one or more Lenders or their affiliates reasonably acceptable to the Administrative Agent establishing a fixed or maximum interest rate acceptable to the Administrative Agent for an aggregate amount with respect to no less than (after taking into account the protection provided by the Existing Interest Rate Protection Agreements) 35% of the aggregate principal amount of the Term Loans and the term loans under the Second-Lien Credit Agreement outstanding from time to time.

8.17. Performance of Obligations. Holdings will, and will cause each of its Subsidiaries to, perform all of its obligations under the terms of each mortgage, deed of trust, indenture, loan agreement or credit agreement and each other material agreement, contract or instrument by which it is bound, except such non-performances as (x) have not caused (unless same has ceased to exist in all respects) and (y) are not reasonably likely to cause, individually or in the aggregate, a Default or Event of Default hereunder or a Material Adverse Effect.

8.18. Margin Regulations. On and after a Qualified IPO, Holdings will take all actions so that at all times the fair market value of all Margin Stock owned by Holdings and its Subsidiaries (other than capital stock of Holdings held in treasury) shall not exceed $500,000.

So long as the covenant contained in the immediately preceding sentence is complied with, all Margin Stock at any time owned by Holdings and its Subsidiaries will not constitute Collateral and no security interest shall be granted therein pursuant to any Credit Document. Without excusing any violation of the first sentence of this Section 8.18, if at any time the fair market value of all Margin Stock owned by Holdings and its Subsidiaries (other than capital stock of Holdings held in treasury) exceeds $500,000, then (x) all Margin Stock owned by the Credit Parties (other than capital stock of Holdings held in treasury) shall be pledged, and delivered for pledge, pursuant to the Pledge Agreement and (y) the Borrower will execute and deliver to the Lenders appropriate completed forms (including, without limitation, Forms G-3 and U-1, as appropriate) establishing compliance with Regulations T, U and X. If at any time any Margin Stock is required to be pledged as a result of the provisions of the immediately preceding sentence, repayments of outstanding Obligations shall be required, and subsequent Credit Events shall be permitted, only in compliance with the applicable provisions of Regulations T, U and X.

8.19. Accounts Receivable Facility Transaction. On the Accounts Receivable Facility Transaction Date, (i) Holdings shall have delivered to the Administrative Agent an officer's certificate executed by an Authorized Officer of Holdings demonstrating compliance with a Leverage Ratio of 3:00:1.00 or less (calculated on a Pro Forma Basis after giving effect to the incurrence of the Receivable Indebtedness under the Accounts Receivables Facility Documents), together with calculations in reasonable detail demonstrating such compliance, (ii) Holdings shall have delivered to the Agents and the

Lenders true and correct copies of all Accounts Receivable Facility Documents, certified as such by an Authorized Officer of Holdings, (iii) the Accounts Receivable Facility Documents (and the terms and conditions thereof) shall satisfy the Initial Accounts Receivable Facility Requirements and otherwise be in form and substance satisfactory to the Agents, (iv) the Receivables Entity designated with respect thereto shall comply in all respects with the definition of "Receivables Entity", (v) all Accounts Receivable Facility Documents shall be in full force and effect, (vi) each of the conditions precedent to the consummation of the Accounts Receivable Facility Transaction shall have been satisfied and not waived except with the consent of the Administrative Agent and the Required Lenders to the reasonable satisfaction of the Administrative Agent and the Required Lenders, (vii) each of the representations and warranties of the Receivables Sellers and the Receivables Entity contained in the Accounts Receivable Facility Documents shall be true and correct in all material respects, and (viii) the Accounts Receivable Facility Transaction shall have been consummated in all material respects in accordance with all applicable law and the Accounts Receivable Facility Documents.

SECTION 9. Negative Covenants. Each of Holdings and the Borrower hereby covenants and agrees that as of the Effective Date and thereafter for so long as this Agreement is in effect and until the Total Commitment has terminated, no Letters of Credit or Notes are outstanding and the Loans, together with interest, Fees and all other Obligations (other than any indemnities described in Section 13.13(b) which are not then due and payable) incurred hereunder, are paid in full:

9.01. Changes in Business; etc. (a) Holdings and its Subsidiaries will not engage in any business other than a Permitted Business.

(b) Notwithstanding the foregoing, Holdings will not itself (I) engage in a Permitted Business, (II) own any significant assets (other than (w) the Equity Interests of the Borrower, (x) any Intercompany Note evidencing an Intercompany Loan permitted to be made by it pursuant to Section 9.05(vi), (y) cash and/or Cash Equivalents to be on-loaned, dividended, contributed and/or otherwise promptly applied for purposes not otherwise prohibited by this Agreement and (z) other assets used or held in connection with the performance of activities permitted to be conducted by Holdings) or (III) have any liabilities (other than those liabilities for which it is responsible under this Agreement, the Documents to which it is a party, any Intercompany Loan permitted to be incurred by it pursuant to Section 9.05(vi), any Shareholder Subordinated Note and any other Indebtedness permitted to be incurred by Holdings pursuant to Section 9.04); provided however, the conduct of business restriction contained in clause (I) above shall not prohibit (or be construed to prohibit) Holdings from conducting administrative and other ordinary course "holding company" activities necessary or desirable in connection with the operation of the Permitted Business through Subsidiaries of Holdings (including, without limitation, intercompany management functions and the provision of umbrella insurance policies).

(c) Notwithstanding anything to the contrary contained in this Agreement, the Receivables Entity will not engage in any business other than purchasing Accounts Receivable Facility Assets from the Receivables Sellers and the related transactions contemplated by the terms of the Accounts Receivable Facility Documents; provided that the Receivables Entity may engage in those activities that are incidental to (x) the maintenance of its corporate existence in compliance with applicable law and (y) tax, legal and accounting matters in connection with the foregoing permitted activities.

(d) Notwithstanding anything to the contrary contained in this Agreement, Cayman Partnership Shareholder #1 will not engage in any business or own any significant assets (other than (x) its ownership of the Equity Interests of Cayman Partnership Shareholder #2, Cayman Partnership Shareholder #3 and the Cayman Partnership and (y) any cash, Cash Equivalents and/or intercompany receivables permitted to be held in accordance with the proviso to Section 7.25(b) or have any material liabilities (other than those liabilities for which it is responsible under the Credit Documents to which it is a party), provided that Cayman Partnership Shareholder #1 may engage in those activities that (i) are incidental to (x) the maintenance of its corporate existence in compliance with applicable law, (y) legal, tax and accounting matters in connection with any of the foregoing activities and (z) the entering into, and performing its obligations under, the Credit Documents to which it is a party and (ii) are otherwise expressly permitted by this Agreement (other than pursuant to preceding Section 9.01(a)) and the other Credit Documents.

(e) Notwithstanding anything to the contrary contained in this Agreement, Cayman Partnership Shareholder #2 will not engage in any business or own any significant assets (other than (x) its ownership of the Equity Interests of the Cayman Partnership and (y) any cash, Cash Equivalents and/or intercompany receivables permitted to be held in accordance with the proviso to Section 7.25(c)) or have any material liabilities (other than those liabilities for which it is responsible under the Credit Documents to which it is a party), provided that Cayman Partnership Shareholder #2 may engage in those activities that (i) are incidental to (x) the maintenance of its corporate existence in compliance with applicable law, (y) legal, tax and

accounting matters in connection with any of the foregoing activities and (z) the entering into, and performing its obligations under, the Credit Documents to which it is a party and (ii) are otherwise expressly permitted by this Agreement (other than pursuant to preceding Section 9.01(a)) and the other Credit Documents.

(f) Notwithstanding anything to the contrary contained in this Agreement, Cayman Partnership Shareholder #3 will not engage in any business or own any significant assets (other than (x) its ownership of the Equity Interests of the Cayman Partnership and (y) any cash, Cash Equivalents and/or intercompany receivables permitted to be held in accordance with the proviso to Section 7.25(d)) or have any material liabilities (other than those liabilities for which it is responsible under the Credit Documents to which it is a party), provided that Cayman Partnership Shareholder #3 may engage in those activities that (i) are incidental to (x) the maintenance of its corporate existence in compliance with applicable law, (y) legal, tax and accounting matters in connection with any of the foregoing activities and (z) the entering into, and performing its obligations under, the Credit Documents to which it is a party and (ii) are otherwise expressly permitted by this Agreement (other than pursuant to preceding Section 9.01(a)) and the other Credit Documents.

9.02. Consolidation; Merger; Sale or Purchase of Assets; etc. Each Credit Agreement Party will not, and will not permit any of its Subsidiaries to, wind up, liquidate or dissolve its affairs or enter into any transaction of merger or consolidation, or convey, sell, lease or otherwise dispose of all or any part of its property or assets (other than inventory in the ordinary course of business), or enter into any partnerships, joint ventures or sale-leaseback transactions, or purchase or otherwise acquire (in one or a series of related transactions) any part of the property or assets (other than purchases or other acquisitions of inventory, materials and equipment in the ordinary course of business) of any Person or agree to do any of the foregoing at any future time, except that the following shall be permitted:

(i) the Borrower and its Subsidiaries (other than the Receivables Entity) may, as lessee, enter into operating leases in the ordinary course of business with respect to real or personal property;

(ii) Capital Expenditures by the Borrower and its Subsidiaries (other than the Receivables Entity) to the extent not in violation of Section 9.11;

(iii) Investments permitted pursuant to Section 9.05;

(iv) the Borrower and its Subsidiaries (other than the Receivables Entity) may, in the ordinary course of business, sell or otherwise dispose of assets (excluding capital stock of Subsidiaries and joint ventures) which, in the reasonable opinion of such Person, are obsolete, uneconomic or worn-out;

(v) the Borrower and its Subsidiaries (other than the Receivables Entity) may sell assets (other than the Equity Interests of any Subsidiary or joint venture), so long as (v) no Default or Event of Default then exists or would result therefrom, (w) each such sale is in an arm's-length transaction and the Borrower or the respective Subsidiary receives at least fair market value (as determined in good faith by the Borrower or such

Subsidiary, as the case may be), (x) the total consideration received by the Borrower or such Subsidiary is at least 70% cash and is paid at the time of the closing of such sale, (y) the Net Sale Proceeds therefrom are applied and/or reinvested as (and to the extent) required by Section 4.02(c) and (z) the aggregate amount of the proceeds received from all assets sold pursuant to this clause (v) shall not exceed $10,000,000 in any fiscal year of the Borrower;

(vi) each of the Borrower and its Subsidiaries (other than the Receivables Entity) may sell or discount, in each case without recourse and in the ordinary course of business, overdue accounts receivable arising in the ordinary course of business, but only in connection with the compromise or collection thereof and not as part of any financing transaction;

(vii) each of the Borrower and its Subsidiaries (other than the Receivables Entity) may grant leases or subleases to other Persons not materially interfering with the conduct of the business of the Borrower or any of its Subsidiaries;

(viii) any Subsidiary of the Borrower (other than the Receivables Entity) may transfer assets to the Borrower or to any Wholly-Owned Domestic Subsidiary of the Borrower (other than the Receivables Entity) which is a Subsidiary Guarantor, so long as the security interests granted to the Collateral Agent for the benefit of the Secured Creditors pursuant to the Security Documents in the assets so transferred shall remain in full force and effect and perfected (to at least the same extent as in effect immediately prior to such transfer);

(ix) any Subsidiary of the Borrower (other than the Receivables Entity) may merge with and into, or be dissolved or liquidated into, the Borrower or any Wholly-Owned Domestic Subsidiary of the Borrower (other than the Receivables Entity) which is a Subsidiary Guarantor, so long as (i) in the case of any such merger, dissolution or liquidation involving the Borrower, the Borrower is the surviving corporation of any such merger, dissolution or liquidation, (ii) in all other cases, a Wholly-Owned Domestic Subsidiary which is a Subsidiary Guarantor is the surviving corporation of any such merger, dissolution or liquidation and (iii) in all cases, the security interests granted to the Collateral Agent for the benefit of the Secured Creditors pursuant to the Security Documents in the assets of such Subsidiary shall remain in full force and effect and perfected (to at least the same extent as in effect immediately prior to such merger, dissolution or liquidation);

(x) the Borrower and its Subsidiaries may sell or exchange specific items of equipment, so long as the purpose of each such sale or exchange is to acquire (and results within 90 days of such sale or exchange in the acquisition of) replacement items of equipment which are the functional equivalent of the item of equipment so sold or exchanged;

(xi) the Borrower and its Wholly-Owned Subsidiaries (other than the Receivables Entity) shall be permitted to make Permitted Acquisitions, so long as such Permitted Acquisitions are effected in accordance with the requirements of Section 8.14;

(xii) the Transaction shall be permitted;

(xiii) on and after the Accounts Receivable Facility Transaction Date, the Receivables Sellers may (x) contribute cash to the Receivables Entity the proceeds of which are used to acquire Accounts Receivable Facility Assets from the Receivables Sellers and (y) transfer and reacquire Accounts Receivable Facility Assets to and from the Receivables Entity, in each case pursuant to, and in accordance with the terms of, the Accounts Receivable Facility Documents;

(xiv) on and after the Accounts Receivable Facility Transaction Date, the Receivables Entity may transfer and reacquire Accounts Receivable Facility Assets (to the extent acquired from the Receivables Sellers as provided in clause (xiii) above) pursuant to, and in accordance with the terms of, the Accounts Receivable Facility Documents;

(xv) any Foreign Subsidiary of the Borrower may be merged into or consolidated with, or be dissolved or liquidated into, or transfer any of its assets to, any other Wholly-Owned Foreign Subsidiary of the Borrower, so long as (i) such Wholly-Owned Foreign Subsidiary is the surviving corporation of any such merger, consolidation, dissolution or liquidation (and remains a Wholly-Owned Subsidiary after giving effect thereto) and (ii) any security interests granted to the Collateral Agent for the benefit of the Secured Creditors pursuant to the Security Documents in the Equity Interests of such Wholly-Owned Foreign Subsidiary shall remain in full force and effect and perfected (to at least the same extent as in effect immediately prior to such merger, consolidation, dissolution, liquidation or transfer) and all actions required to maintain said perfected status have been taken; and

(xvi) the Borrower and its Subsidiaries (other than the Receivables Entity) may sell or otherwise dispose of Designated Assets, so long as (x) no Default or Event of Default then exists or would result therefrom, (y) each such sale is in an arm's-length transaction and the Borrower or the respective Subsidiary receives at least fair market value (as determined in good faith by the Borrower or such Subsidiary, as the case may be) and (z) the aggregate amount of the Net Sale Proceeds received from the sale or other disposition of such Designated Assets does not exceed $5,000,000 (it being understood, however, that if the Net Sale Proceeds from the sale or other disposition of Designated Assets exceeds $5,000,000, such excess may be independently permitted pursuant to Section 9.02(v) above).

To the extent the Required Lenders waive the provisions of this Section 9.02 with respect to the sale or other disposition of any Collateral, or any Collateral is sold or otherwise disposed of as permitted by this Section 9.02, such Collateral (unless transferred to Holdings or a Subsidiary thereof (excluding the Receivables Entity in the case of transfers pursuant to clause (xiii) above)) shall be sold or otherwise disposed of free and clear of the Liens created by the Security Documents and the Administrative Agent shall take such actions (including, without limitation, directing the Collateral Agent to take such actions) as are appropriate in connection therewith.

9.03. Liens. Each Credit Agreement Party will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon or with respect to any property or assets of any kind (real or personal, tangible or intangible) of Holdings or any of its Subsidiaries, whether now owned or hereafter acquired, or sell any such property or assets subject to an understanding or agreement, contingent or otherwise, to repurchase such property or assets (including sales of accounts receivable or notes with recourse to Holdings or any of its Subsidiaries) or assign any right to receive income, except for the following (collectively, the "Permitted Liens"):

(i) inchoate Liens for taxes, assessments or governmental charges or levies not yet due and payable or Liens for taxes, assessments or governmental charges or levies being contested in good faith and by appropriate proceedings for which adequate reserves have been established in accordance with GAAP;

(ii) Liens in respect of property or assets of the Borrower or any of its Subsidiaries imposed by law which were incurred in the ordinary course of business and which have not arisen to secure Indebtedness for borrowed money, such as carriers', warehousemen's and mechanics' Liens, statutory landlord's Liens, and other similar Liens arising in the ordinary course of business, and which either (x) do not in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of the Borrower or any of its Subsidiaries or (y) are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property or asset subject to such Lien;

(iii) Liens created by or pursuant to (x) this Agreement and the Security Documents and (y) the Second-Lien Credit Documents, so long as the Liens created pursuant to the Second-Lien Credit Documents are at all times subordinated to the Liens pursuant to the Security Documents on the terms provided in the Intercreditor Agreement;

(iv) Liens in existence on the Initial Borrowing Date which are listed, and the property subject thereto described, in Schedule IX, plus any extensions or renewals of such Liens, provided that (x) the aggregate principal amount of the Indebtedness, if any, secured by such Liens does not increase from that amount outstanding at the time of any such renewal, replacement or extension and (y) any such renewal, replacement or extension does not encumber any additional assets or properties of Holdings or any of its Subsidiaries;

(v) Liens arising from judgments, decrees or attachments in circumstances not constituting an Event of Default under Section 10.09, provided that no cash or other property shall be pledged by Holdings or any of its Subsidiaries as security therefor;

(vi) Liens (other than any Lien imposed by ERISA) (x) incurred or deposits made in the ordinary course of business of the Borrower and its Subsidiaries in connection with workers' compensation, unemployment insurance and other types of social security, (y) to secure the performance by the Borrower and its Subsidiaries of

tenders, statutory obligations (other than excise taxes), surety, stay and customs bonds, statutory bonds, bids, leases, government contracts, trade contracts, performance and return of money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money) or (z) to secure the performance by the Borrower and its Subsidiaries of leases of Real Property, to the extent incurred or made in the ordinary course of business consistent with past practices, provided that the aggregate amount of deposits at any time pursuant to preceding sub-clause (y) and sub-clause (z) shall not exceed $7,500,000 in the aggregate;

(vii) licenses, leases or subleases granted to third Persons in the ordinary course of business not interfering in any material respect with the business of Holdings or any of its Subsidiaries;

(viii) Permitted Encumbrances;

(ix) Liens arising from or related to precautionary UCC financing statements regarding operating leases entered into by the Borrower and its Subsidiaries (other than the Receivables Entity);

(x) Liens created pursuant to Capital Leases permitted pursuant to Section 9.04(iv), provided that (x) such Liens only serve to secure the payment of Indebtedness arising under such Capitalized Lease Obligation and (y) the Lien encumbering the asset giving rise to the Capitalized Lease Obligation does not encumber any other asset of Holdings or any of its Subsidiaries;

(xi) Liens arising pursuant to purchase money mortgages or security interests securing Indebtedness representing the purchase price (or financing of the purchase price within 30 days after the respective purchase) of assets acquired after the Initial Borrowing Date by the Borrower and its Subsidiaries (other than the Receivables Entity), provided that (i) any such Liens attach only to the assets so purchased, (ii) the Indebtedness secured by any such Lien does not exceed 100%, nor is less than 80% (unless the Secured Creditors have a fully perfected second subordinated lien

on such property pursuant to the Security Documents), of the lesser of the fair market value or the purchase price of the property being purchased at the time of the incurrence of such Indebtedness and (iii) the Indebtedness secured thereby is permitted to be incurred pursuant to Section 9.04(iv);

(xii) Liens on property or assets acquired pursuant to a Permitted Acquisition, or on property or assets of a Subsidiary of the Borrower in existence at the time such Subsidiary is acquired pursuant to a Permitted Acquisition, provided that (i) any Indebtedness that is secured by such Liens is permitted to exist under Section 9.04(vi), and (ii) such Liens are not incurred in connection with, or in contemplation or anticipation of, such Permitted Acquisition and do not attach to any other asset of Holdings or any of its Subsidiaries;

(xiii) restrictions imposed in the ordinary course of business and consistent with past practices on the sale or distribution of designated inventory pursuant to agreements

with customers under which such inventory is consigned by the customer or such inventory is designated for sale to one or more customers;

(xiv) Liens in favor of customs or revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(xv) Liens on the assets of a Foreign Subsidiary which is not a Subsidiary Guarantor securing Indebtedness incurred by such Foreign Subsidiary in accordance with the terms of Section 9.04;

(xvi) on and after the Accounts Receivable Facility Transaction Date, Liens (x) granted by the Receivables Sellers in favor of the Receivables Entity consisting of UCC-1 financing statements filed to effect the sale of Accounts Receivable Facility Assets pursuant to the Replacement Receivables Facility Documents, (y) granted by the Receivables Entity on those Accounts Receivable Facility Assets acquired by it pursuant to the Accounts Receivable Facility Documents to the extent that such Liens are created by the Accounts Receivable Facility Documents and (z) consisting of the right of setoff granted by the Receivables Entity to any financial institution acting as a lockbox bank in connection with the Accounts Receivable Facility;

(xvii) Liens securing Permitted Refinancing Indebtedness permitted pursuant to Section 9.04(xv) to the extent such Liens comply with clause (b)(ii) of the definition of Permitted Refinancing Indebtedness;

(xviii) Liens on assets (x) owned by Foreign Subsidiaries of the Borrower securing permitted secured Indebtedness of such Foreign Subsidiaries of the Borrower pursuant to Section 9.04(xviii) and/or (y) consisting of equipment, receivables, inventory and Real Property (other than any Mortgaged Property) owned by the Borrower and/or one or more of its Subsidiaries which are not Foreign Subsidiaries securing permitted secured Indebtedness of such Persons pursuant to Section 9.04(xviii), provided that the aggregate fair market value of all such assets as described in preceding clause (y) securing Indebtedness pursuant to Section 9.04(xviii) of the Persons described in preceding clause (y) shall at no time exceed 150% of the outstanding principal amount of the Indebtedness secured by such assets (which shall at no time exceed $35,000,000); and

(xix) other Liens incidental to the conduct of the business or the ownership of the assets of the Borrower or any Subsidiary of the Borrower that (x) were not incurred in connection with borrowed money, (y) do not encumber any Collateral or any Real Property owned by Holdings or any Subsidiary of Holdings and do not in the aggregate materially detract from the value of the assets subject thereto or materially impair the use thereof in the operation of such business and (z) do not secure obligations in excess of $5,000,000 in the aggregate for all such Liens.

9.04. Indebtedness. No Credit Agreement Party will, nor will permit any of its Subsidiaries to, contract, create, incur, assume or suffer to exist any Indebtedness, except:

(i) (x) Indebtedness of the Credit Parties incurred pursuant to this Agreement and the other Credit Documents and (y) Indebtedness of the Credit Parties

incurred pursuant to the Second-Lien Credit Documents in an aggregate outstanding principal amount not to exceed $120,000,000 at any time (as from time to time reduced by principal repayments thereof);

(ii) (x) Existing Indebtedness outstanding on the Initial Borrowing Date and listed on Part A of Schedule IV, without giving effect to any subsequent extension, renewal or refinancing thereof except to the extent expressly permitted by Part A of Schedule IV (or otherwise permitted by Section 9.04(xv)); provided that any intercompany Indebtedness among Holdings or any of its Subsidiaries set forth on Part A of Schedule IV shall be subject to the requirements applicable to Intercompany Loans as set forth in the proviso appearing in Section 9.05(vi) as if such intercompany Indebtedness were an "Intercompany Loan" and (y) Indebtedness of Foreign Subsidiaries of the Borrower under the Existing Overdraft Facilities in an aggregate outstanding principal amount not to exceed at any time the aggregate commitments under such Existing Overdraft Facilities as set forth on Part B of Schedule IV, together with any extension, renewal or refinancing of any Existing Overdraft Facility (or extension, renewal or refinancing thereof permitted hereby) to the extent such extension, renewal or refinancing does not (I) increase the amount of available commitments (or maximum Indebtedness permitted to be incurred) under the respective Existing Overdraft Facility (or extension, renewal or refinancing thereof permitted hereby) to be so extended, renewed or refinanced or (II) add guarantors, obligors or security from that which applied to such Indebtedness being extended, renewed or refinanced;

(iii) Indebtedness under Interest Rate Protection Agreements entered into to protect the Borrower against fluctuations in interest rates in respect of Indebtedness otherwise permitted under this Agreement;

(iv) Capitalized Lease Obligations and Indebtedness of the Borrower and its Subsidiaries representing purchase money Indebtedness secured by Liens permitted pursuant to Section 9.03(xi), provided that (i) all such Capitalized Lease Obligations are permitted under

Section 9.11 and (ii) the sum of (x) the aggregate Capitalized Lease Obligations outstanding at any time plus (y) the aggregate principal amount of such purchase money Indebtedness outstanding at such time shall not exceed $20,000,000;

(v) (x) Indebtedness of Holdings and its Subsidiaries (other than the Receivables Entity) constituting Intercompany Loans permitted by Section 9.05(vi) and (y) intercompany Indebtedness of Wholly-Owned Foreign Subsidiaries permitted pursuant to Section 9.05(xi);

(vi) Indebtedness of a Subsidiary acquired pursuant to a Permitted Acquisition (or Indebtedness assumed at the time of a Permitted Acquisition of an asset securing such Indebtedness), provided that (i) such Indebtedness was not incurred in connection with, or in anticipation or contemplation of, such Permitted Acquisition and (ii) at the time of such Permitted Acquisition, such Indebtedness does not exceed 25% of the total value of the assets of the Subsidiary so acquired, or of the assets so acquired, as

the case may be (such Indebtedness described above in this Section 9.04(vi) being "Permitted Acquired Debt");

(vii) on and after the Accounts Receivable Facility Transaction Date, Indebtedness which may be deemed to exist pursuant to the Accounts Receivable Facility, so long as the aggregate amount of Receivables Indebtedness attributable thereto at any time does not exceed $50,000,000 at any time outstanding;

(viii) Indebtedness of Foreign Subsidiaries of the Borrower under lines of credit to any such Foreign Subsidiary from Persons other than Holdings or any of its Subsidiaries, the proceeds of which Indebtedness are used for such Foreign Subsidiary's working capital and other general corporate purposes, provided that the aggregate principal amount of all such Indebtedness outstanding at any time for all such Foreign Subsidiaries shall not exceed $40,000,000;

(ix) Indebtedness of Holdings under Shareholder Subordinated Notes issued pursuant to Section 9.06(ii);

(x) guaranties by the Borrower and the Subsidiary Guarantors of each other's Indebtedness (other than any Receivables Indebtedness) to the extent that such Indebtedness is otherwise permitted under this Section 9.04;

(xi) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business so long as such Indebtedness is extinguished within three Business Days of the incurrence thereof;

(xii) Indebtedness in respect of Other Hedging Agreements to the extent permitted by Section 9.05(xiii) and forward commodities purchases to the extent permitted by Section 9.05(xv);

(xiii) Indebtedness of the Borrower or any of its Subsidiaries evidenced by completion guarantees, performance bonds and surety bonds incurred in the ordinary course of business for purposes of insuring the performance of the Borrower or such Subsidiary in an aggregate amount not to exceed at any time outstanding $30,000,000;

(xiv) Indebtedness of the Borrower or any Subsidiary of the Borrower arising from agreements of the Borrower or a Subsidiary of the Borrower providing for indemnification, adjustment of purchase price, earn out or other similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or a Subsidiary of the Borrower permitted under this Agreement, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition, provided that the maximum assumable liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Borrower and its Subsidiaries in connection with such disposition;

(xv) Permitted Refinancing Indebtedness, so long as no Default or Event of Default is in existence at the time of the incurrence of such Permitted Refinancing Indebtedness and immediately after giving effect thereto;

(xvi) unsecured subordinated Indebtedness of the Borrower incurred under the Refinancing Senior Subordinated Notes and of the Subsidiary Guarantors (and so long as same remain Subsidiary Guarantors) under subordinated guarantees of the obligations of the Borrower provided under the Refinancing Senior Subordinated Notes Documents to which they are a party, in the aggregate principal amount permitted by the definition of Refinancing Senior Subordinated Notes at the time of issuance thereof (less the amount of any repayments of principal thereof), so long as (A) such Indebtedness is incurred in accordance with the requirements of the definition of Refinancing Senior Subordinated Notes and (B) promptly following the incurrence thereof, Net Cash Proceeds of such Indebtedness shall have been applied to repay Indebtedness under the Second-Lien Credit Documents;

(xvii) unsecured Indebtedness of the Borrower evidenced by a guaranty of the Indebtedness of Foreign Subsidiaries permitted pursuant to Sections 9.04(ii)(y) and (viii); and

(xviii) additional Indebtedness of the Borrower and its Subsidiaries not otherwise permitted hereunder not exceeding $35,000,000 in aggregate principal amount at any time outstanding, provided that not more than $35,000,000 of such Indebtedness outstanding at any time may be secured and any such security shall be granted in accordance with Section 9.03(xviii).

9.05. Advances; Investments; Loans. No Credit Agreement Party will, nor will permit any of its Subsidiaries to, lend money or extend credit or make advances to any Person, or purchase or acquire any stock, obligations or securities of, or any other interest in, or make any capital contribution to, any Person, or purchase or own a futures contract or otherwise become liable for the purchase or sale of currency or other commodities at a future date in the nature of a futures contract, or hold any cash or Cash Equivalents (each of the foregoing an "Investment" and, collectively, "Investments"), except:

(i) Holdings and its Subsidiaries (other than the Receivables Entity) may hold or invest in cash and Cash Equivalents;

(ii) the Borrower and its Subsidiaries (other than the Receivables Entity) may acquire and hold receivables owing to it, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms (including the dating of receivables) of the Borrower or such Subsidiary;

(iii) the Borrower and its Subsidiaries (other than the Receivables Entity) may acquire and own investments (including debt obligations) received in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;

(iv) Interest Rate Protection Agreements entered into in compliance with Section 9.04(iii) shall be permitted;

(v) Investments in existence on the Initial Borrowing Date and listed on Schedule VI shall be permitted, without giving effect to any additions thereto or replacements thereof;

(vi) (u) Holdings may make intercompany loans and advances to the Borrower, (v) the Borrower may make intercompany loans and advances to any Subsidiary Guarantor (other than the Receivables Entity), (w) any Subsidiary Guarantor (other than the Receivables Entity) may make intercompany loans and advances to the Borrower or any other Subsidiary Guarantor (other than the Receivables Entity), (x) Foreign Subsidiaries of the Borrower may make intercompany loans and advances to the Borrower or any Subsidiary Guarantor (other than the Receivables Entity), (y) Wholly-Owned Foreign Subsidiaries of the Borrower may make intercompany loans and advances to each other and (z) the Borrower may make intercompany loans and advances to Holdings (in lieu of the payment of Dividends) for the purpose of making payments permitted pursuant to Sections 9.06(iii), (iv), (v) and (x) (loans pursuant to clauses (u), (v), (w), (x), (y) and (z) of this clause (vi) collectively, "Intercompany Loans"), provided that (I) each Intercompany Loan shall be evidenced by an Intercompany Note (or, in the case of an intercompany loan between Foreign Subsidiaries of the Borrower, such other instrument or loan agreement as may be reasonably acceptable to the Administrative Agent) and, to the extent made by a Credit Party, be pledged to the Collateral Agent pursuant to the Pledge Agreement, (II) each intercompany loan made pursuant to clauses (u) and (x) above shall be subject to the subordination provisions set forth on Annex A to Exhibit L hereto and (III) intercompany loans made by the Borrower to Holdings pursuant to preceding clause (z) shall be made as an alternative to (and not in addition to) Dividends otherwise permitted pursuant to Sections 9.06(iii), (iv), (v) and (x) and shall be limited in amount by the Dividend limitations set forth in said Sections;

(vii) loans and advances by the Borrower and its Subsidiaries (other than the Receivables Entity) to officers and employees of Holdings and its Subsidiaries, in each case incurred in the ordinary course of business, in an aggregate outstanding principal amount not to exceed $3,000,000 at any time (determined without regard to any write-downs or write-offs of such loans and advances) shall be permitted;

(viii) Holdings, the Borrower and the Subsidiary Guarantors (other than the Receivables Entity) may make cash equity contributions to their respective direct Wholly-Owned Subsidiaries (other than the Receivables Entity) which are Credit Parties;

(ix) the Borrower and its Wholly-Owned Subsidiaries (other than the Receivables Entity) may make Permitted Acquisitions in accordance with the relevant requirements of Section 8.14 and the component definitions therein;

(x) the Borrower and its Subsidiaries may own the capital stock of their respective Subsidiaries in existence on the Effective Date or thereafter created or acquired in accordance with the terms of this Agreement;

(xi) the Borrower and the Subsidiary Guarantors (other than the Receivables Entity) may make cash Investments in Wholly-Owned Foreign Subsidiaries not to exceed $30,000,000 in the aggregate (determined without giving effect to any write-downs or write-offs thereof), net of any repayments to the Borrower or any such Subsidiary Guarantor, provided that any such Investment pursuant to this Section 9.05(xi) in the form of an intercompany loan shall be evidenced by an Intercompany Note and such Intercompany Note shall be pledged to the Collateral Agent pursuant to the Pledge Agreement;

(xii) the Borrower and its Subsidiaries (other than the Receivables Entity) may acquire and hold non-cash consideration issued by the purchaser of assets in connection with a sale of such assets to the extent permitted by Section 9.02(v) or (xvi);

(xiii) the Borrower and its Subsidiaries (other than the Receivables Entity) may enter into Other Hedging Agreements in the ordinary course of business providing protection against fluctuations in currency values in connection with the operations of the Borrower or any of its Subsidiaries (other than the Receivables Entity) so long as management of the Borrower or such Subsidiary, as the case may be, has determined in good faith that the entering into of such Other Hedging Agreements are bona fide hedging activities and are not for speculative purposes;

(xiv) so long as no Default or Event of Default exists or would exist immediately after giving effect to the respective Investment, the Borrower and its Wholly-Owned Subsidiaries shall be permitted to make Investments in any Joint Venture on any date in an amount not to exceed the Available JV Basket Amount on such date (after giving effect to all prior and contemporaneous adjustments thereto, except as a result of such Investment), it being understood and agreed that to the extent the Borrower or one or more other Wholly-Owned Subsidiaries (after the respective Investment has been made) receives a cash return from the respective Joint Venture of amounts previously invested pursuant to this clause (xiv) (which cash return may be made by way of repayment of principal in the case of loans and cash equity returns (whether as a distribution, dividend or redemption) in the case of equity investments) or a return in the form of an asset distribution from the respective Joint Venture of any asset previously contributed pursuant to this clause (xiv), then the amount of such cash return of investment or the fair market value of such distributed asset (as determined in good faith by senior management of the Borrower), as the case may be, shall, upon the Administrative Agent's receipt of a certification of the amount of the return of investment from an Authorized Officer, apply to increase the Available JV Basket Amount, provided that the aggregate amount of increases to the Available JV Basket Amount described above shall not exceed the amount of returned

investment and, in no event, shall the amount of the increases made to the Available JV Basket Amount in respect of any Investment exceed the amount previously invested pursuant to this clause (xiv);

(xv) the Borrower and its Subsidiaries may (I) make Investments consisting of forward purchases (of not more than two years' duration) of commodities used in a Permitted Business in connection with the hedging of prices of such commodities and (II) purchase options to buy commodities used in a Permitted Business,

and purchase and sell options to purchase commodities used in a Permitted Business, in each case in connection with the hedging of prices of such commodities; provided that (x) the aggregate amount of such forward purchases of any such commodity and option purchases in respect of any such commodity shall at no time exceed 75% of the estimated purchases by the Borrower and its Subsidiaries of the respective commodity subject thereto over the two year period following each date on which an Investment is made pursuant to this Section 9.05(xv) and (y) management of the Borrower shall have determined in good faith that such forward and/or option purchases are bona fide hedging activities and not for speculative purposes;

(xvi) on and after the Accounts Receivable Facility Transaction Date, the Receivables Sellers may make Investments in the Receivables Entity as provided in the Accounts Receivable Facility Documents, so long as the Receivables Entity uses all of the proceeds of any such Investments on the date of receipt thereof to purchase Accounts Receivable Facility Assets from the Receivables Sellers, provided that no such Investment shall be made to the extent the application of the proceeds thereof in accordance with this Section 9.05(xvi) would cause the aggregate amount of Receivables Indebtedness of the Borrower and its Subsidiaries to exceed the amount permitted by Section 9.04(vii);

(xvii) on and after the Accounts Receivable Facility Transaction Date, (A) the Receivables Entity may invest cash and Accounts Receivable Facility Assets pursuant to, and in accordance with the terms of, the Accounts Receivable Facility Documents, and (B) the Borrower and its Subsidiaries may invest cash in the Receivables Entity; provided that the Receivables Entity shall immediately apply the proceeds of such Investment exclusively to remitting cash to the "receivables purchaser(s)" pursuant to the provision of the Accounts Receivable Facility Documents analogous to section 2.3(b) of the Purchase Agreement referred to in the definition of "Existing Accounts Receivable Facility"; provided, further, that no Investment pursuant to this clause (B) shall be permitted at any time that (x) any Default or Event of Default exists or would result therefrom or (y) any Revolving Loans or Swingline Loans are outstanding;

(xviii) the Borrower and its Subsidiaries (other than the Receivables Entity) may make Investments in an aggregate amount equal to the Excess Proceeds Amount at such time;

(xix) Wholly-Owned Foreign Subsidiaries of the Borrower may make cash common equity contributions to their respective Wholly-Owned Foreign Subsidiaries; and

(xx) the Borrower and its Subsidiaries may make Investments not otherwise permitted by clauses (i) through (xix) of this Section 9.05 in an aggregate amount not to exceed $10,000,000 (determined without regard to any write-downs or write-offs thereof), net of cash payments of principal in the case of loans and cash equity returns (whether as a dividend or redemption) in the case of equity investments.

9.06. Dividends; etc. Holdings will not, and will not permit any of its Subsidiaries to, declare or pay any dividends (other than dividends payable solely in common stock of Holdings or any such Subsidiary, as the case may be) or return any capital to, its stockholders, partners or other equity holders or authorize or make any other distribution, payment or delivery of property or cash to its stockholders, partners or other equity holders as such, or redeem, retire, purchase or otherwise acquire, directly or indirectly, for a consideration, any shares of any class of its capital stock or other Equity Interests, now or hereafter outstanding (or any warrants for or options or stock appreciation rights in respect of any of such shares), or set aside any funds for any of the foregoing purposes, and Holdings will not permit any of its Subsidiaries to purchase or otherwise acquire for consideration any shares of any class of the capital stock or other Equity Interests of Holdings or any other Subsidiary, as the case may be, now or hereafter outstanding (or any options or warrants or stock appreciation rights issued by such Person with respect to its capital stock or other Equity Interests) (all of the foregoing "Dividends") or make any payments in respect of any outstanding Shareholder Subordinated Notes, except that:

(i) (x) any Subsidiary of the Borrower may pay Dividends to the Borrower or any Wholly-Owned Subsidiary of the Borrower and (y) any non-Wholly-Owned Subsidiary of the Borrower may pay cash Dividends to its shareholders generally so long as the Borrower or its respective Subsidiary which owns the Equity Interest in the Subsidiary paying such Dividends receives at least its proportionate share thereof (based upon its relative holding of the Equity Interest in the Subsidiary paying such Dividends and taking into account the relative preferences, if any, of the various classes of Equity Interests of such Subsidiary);

(ii) Holdings may redeem or purchase shares of Holdings Common Stock or options to purchase Holdings Common Stock, as the case may be, held by former officers or employees of Holdings or any of its Subsidiaries (or corporations owned by former officers or employees) following the termination of their employment and may make payments to former officers or employees of Holdings or any of its Subsidiaries in respect of certain tax liabilities arising from the exercise of options to purchase Holdings Common Stock, provided that (w) the only consideration paid by Holdings in respect of such redemptions, purchases and/or payments shall be cash and Shareholder Subordinated Notes, (x) no payments shall be made in respect of any Shareholder Subordinated Notes, (y) the aggregate amount paid by Holdings in cash in respect of all such redemptions, purchases and/or payments shall not exceed $5,000,000 in any fiscal year of Holdings, provided that in the event that the amount of cash permitted to be spent pursuant to this clause (y) in any fiscal year of Holdings (before giving effect to any increase in such permitted amount pursuant to this proviso) is greater than the amount of cash actually expended by Holdings and its Subsidiaries during any fiscal year of Holdings, 50% of such excess may be carried forward and used to make cash redemptions and repurchases of Holdings' Common Stock in the immediately succeeding fiscal year of Holdings, provided further that no amount once carried forward pursuant to the immediately preceding proviso may be carried forward to any fiscal year thereafter and such amounts carried forward in any fiscal year may only be utilized after Holdings has spent its full $5,000,000 allotment for such cash redemptions or repurchases in such fiscal year of Holdings, provided further that notwithstanding the foregoing

provisions of this Section 9.06(ii) (but subject to following clause (z)) Holdings may redeem or repurchase shares of Holdings' Common Stock owned by former officers or employees of Holdings or any of its Subsidiaries upon the death or permanent disability of such officer or employee with cash in excess of amounts permitted above in this clause (y) not to exceed $4,000,000 in any fiscal year of Holdings and with the proceeds of any key man life insurance carried by Holdings and/or its Subsidiaries in respect of such deceased or permanently disabled officer or employee and (z) at the time of any cash payment permitted to be made pursuant to this Section 9.06(ii), no Default or Event of Default shall then exist or result therefrom;

(iii) so long as no Default or Event of Default then exists or would result therefrom, the Borrower may pay cash Dividends to Holdings so long as the cash proceeds thereof are promptly used by Holdings for the purposes described in Section 9.06(ii);

(iv) cash Dividends may be paid to Holdings so long as the proceeds thereof are promptly used by Holdings to pay operating expenses in the ordinary course of business (including, without limitation, professional fees and expenses, insurance premiums and corporate management fees) and other similar corporate overhead costs and expenses, so long as the aggregate amount of cash Dividends paid pursuant to this Section 9.06(iv) shall at no time during any fiscal year of the Borrower exceed $15,000,000;

(v) the Borrower may pay cash Dividends to Holdings in the amounts and at the times of any payment by Holdings in respect of its taxes (or taxes of its consolidated group), provided that (x) the amount of cash Dividends paid pursuant to this clause (v) to enable Holdings to pay taxes at any time shall not exceed the amount of such taxes owing by Holdings at such time for the respective period and (y) any refunds received by Holdings attributable to the Borrower or any of its Subsidiaries shall be promptly returned by Holdings to the Borrower;

(vi) repurchases of capital stock of Holdings deemed to occur upon the exercise of stock options if such capital stock represents a portion of the exercise price thereof and so long as no cash is otherwise paid or distributed by Holdings or any of its Subsidiaries in connection therewith;

(vii) Holdings may pay Dividends on its Qualified Preferred Stock solely through the issuance of additional shares of Qualified Preferred Stock and not in cash;

(viii) the Sponsor Distribution may be consummated in accordance with the requirements of Section 5.08(a);

(ix) Hawker SA FA (Poland) may redeem or repurchase shares of its capital stock held by its employees, so long as the aggregate amount of cash paid in respect of such redemptions or repurchases shall not exceed $1,000,000;

(x) Holdings may pay cash Dividends on Holdings Common Stock, and the Borrower may pay cash Dividends to Holdings to enable Holdings to pay such Dividends, in each case so long as (I) no Default or Event of Default then exists or would exist after giving effect to the respective Dividend, (II) calculations are made by Holdings of compliance with a Leverage Ratio not to exceed 3.0:1.0, determined on a Pro Forma Basis after giving effect to the incurrence of any Indebtedness to finance such Dividend, (III) Holdings shall have satisfied the Minimum Ratings Condition on such date, (IV) the aggregate amount of cash paid pursuant to this clause (x) in any fiscal year of Holdings shall not exceed $20,000,000, (V) Holdings shall have utilized the proceeds of the cash Dividend paid to it by the Borrower described above promptly (and, in any event, within two Business Days following receipt thereof) to pay the cash Dividends on Holdings Common Stock described above and (VI) Holdings shall furnish to the Administrative Agent a certificate from an Authorized Officer of Holdings certifying to the best of his or her knowledge as to compliance with the requirements of this Section 9.06(x) and, if applicable, containing the calculations (in reasonable detail) required by the preceding clause (y)(II).

(xi) Holdings may make Dividends in the form of the issuance of additional capital stock to effectuate the Shareholders Rights Plan, so long as no Change of Control would result therefrom; and

(xii) Convertible Preferred Stock may be converted into shares of Holdings Common Stock in accordance with the terms of the certificate of designation governing the same.

In the event the Borrower elects to make Intercompany Loans to Holdings as contemplated by Section 9.05(vi)(z) in lieu of making Dividends permitted pursuant to Sections 9.06(iii), (iv), (v) and (x), the Dividend baskets set forth in said Sections (if any) shall be proportionally reduced by the principal amount of any such Intercompany Loans made for the corresponding purpose during the relevant period.

9.07. Transactions with Affiliates. No Credit Agreement Party will, nor will permit any of its Subsidiaries to, enter into any transaction or series of transactions with any Affiliate of Holdings or any of its Subsidiaries other than on terms and conditions substantially as favorable to Holdings or such Subsidiary as would be reasonably expected to be obtainable by Holdings or such Subsidiary at the time in a comparable arm's-length transaction with a Person other than an Affiliate; provided that the following shall in any event be permitted: (i) the Transaction; (ii) intercompany transactions among Holdings and its Subsidiaries to the extent expressly permitted by Sections 9.02, 9.04, 9.05 and 9.06 shall be permitted (including the payment of interest and principal on intercompany Indebtedness permitted by Section 9.04); (iii) the payment of consulting or other fees to the Borrower by any of its Subsidiaries in the ordinary course of business; (iv) customary fees to non-officer directors of Holdings and its Subsidiaries; (v) the Borrower and its Subsidiaries perform their respective obligations under the Employment Agreements in effect on the Effective Date and other employment arrangements with respect to the procurement of services with their respective officers and employees, and enter into and perform their respective obligations under renewals or replacements of such arrangements, in each case so long as such employment arrangements or renewals and

replacements thereof are entered into in the ordinary course of business; (vi) Dividends may be paid by Holdings to the extent permitted by Section 9.06; (vii) payments may be made pursuant to any Tax Allocation Agreement; (viii) the payment of customary fees (excluding management fees) to Morgan Stanley, the

Sponsors and their respective Affiliates for services (including, without limitation, any underwriting discounts and commissions) shall be permitted; (ix) the reimbursement of Morgan Stanley and its Affiliates for reasonable out-of-pocket expenses payable in accordance with the Preferred Stock Subscription Agreement and (x) Holdings and its Subsidiaries may enter into transactions with employees and/or officers of Holdings and its Subsidiaries in the ordinary course of business so long as any such material transaction has been approved by the Board of Directors of Holdings or such Subsidiary. In no event shall any management, consulting or similar fee be paid or payable by Holdings or any of its Subsidiaries to any Affiliate, except as specifically provided in this Section 9.07.

9.08. Consolidated Interest Coverage Ratio. Holdings will not permit the Consolidated Interest Coverage Ratio for any Test Period ended on the last day of a fiscal quarter set forth below to be less than the ratio set forth opposite such fiscal quarter below:

Fiscal Quarter Ended Closest to	Ratio
September 30, 2004	3.10:1.00
December 31, 2004	3.10:1.00
March 31, 2005	3.10:1.00
June 30, 2005	3.10:1.00
September 30, 2005	3.10:1.00
December 31, 2005	3.10:1.00
March 31, 2006	3.20:1.00
June 30, 2006	3.20:1.00
September 30, 2006	3.20:1.00
December 31, 2006	3.20:1.00
March 31, 2007	3.30:1.00
June 30, 2007	3.30:1.00
September 30, 2007	3.30:1.00
December 31, 2007	3.30:1.00
March 31, 2008	3.40:1.00
June 30, 2008	3.40:1.00
September 30, 2008	3.40:1.00
December 31, 2008	3.40:1.00

Fiscal Quarter Ended Closest to	Ratio
March 31, 2009 and each fiscal quarter thereafter	3.50:1.00

For purposes of making determinations pursuant to (x) this Section 9.08 for any Test Period ended prior to (but not after) the first anniversary of the Initial Borrowing Date and (y) Section 8.14, the Consolidated Interest Coverage Ratio shall be calculated on a Pro Forma Basis (it being understood that this sentence shall not affect any adjustments required pursuant to the definitions of Consolidated Net Interest Expense or Consolidated EBITDA).

9.09. Leverage Ratio. Holdings will not permit the Leverage Ratio on the last day of a fiscal quarter set forth below to be greater than the ratio set forth opposite such fiscal quarter below:

Fiscal Quarter Ended Closest to	Ratio
September 30, 2004	5.00:1.00
December 31, 2004	5.00:1.00
March 31, 2005	5.00:1.00
June 30, 2005	4.80:1.00
September 30, 2005	4.80:1.00
December 31, 2005	4.80:1.00
March 31, 2006	4.40:1.00
June 30, 2006	4.40:1.00
September 30, 2006	4.40:1.00
December 31, 2006	4.40:1.00
March 31, 2007	3.90:1.00
June 30, 2007	3.90:1.00
September 30, 2007	3.90:1.00
December 31, 2007	3.90:1.00

Fiscal Quarter Ended Closest to	Ratio

March 31, 2008	3.30:1.00
June 30, 2008	3.30:1.00
September 30, 2008	3.30:1.00
December 31, 2008	3.30:1.00
March 31, 2009 and each fiscal quarter thereafter	2.70:1.00

Notwithstanding anything to the contrary contained in this Agreement, all determinations of the Leverage Ratio for purposes of this Section 9.09 shall include Consolidated EBITDA as calculated on a Pro Forma Basis to give effect to all Permitted Acquisitions, if any, effected during the respective Test Period for which Consolidated EBITDA is being determined, as provided in the first sentence of the definition of Leverage Ratio contained herein (with the second sentence of the definition of Leverage Ratio being inapplicable to determinations pursuant to this Section 9.09).

9.10. Senior Secured Leverage Ratio. Holdings will not permit the Senior Secured Leverage Ratio on the last day of a fiscal quarter set forth below to be greater than the ratio set forth opposite such fiscal quarter below:

Fiscal Quarter Ended Closest to	**Ratio**
September 30, 2004	3.90:1.00
December 31, 2004	3.90:1.00
March 31, 2005	3.90:1.00
June 30, 2005	3.70:1.00
September 30, 2005	3.70:1.00
December 31, 2005	3.70:1.00
March 31, 2006	3.40:1.00
June 30, 2006	3.40:1.00
September 30, 2006	3.40:1.00
December 31, 2006	3.40:1.00
March 31, 2007	3.00:1.00
June 30, 2007	3.00:1.00
September 30, 2007	3.00:1.00
December 31, 2007	3.00:1.00

Fiscal Quarter Ended Closest to	**Ratio**
March 31, 2008	2.40:1.00
June 30, 2008	2.40:1.00
September 30, 2008	2.40:1.00
December 31, 2008	2.40:1.00
March 31, 2009 and each fiscal quarter thereafter	2.00:1.00

Notwithstanding anything to the contrary contained in this Agreement, all determinations of the Senior Secured Leverage Ratio for purposes of this Section 9.10 shall include Consolidated EBITDA as calculated on a Pro Forma Basis to give effect to all Permitted Acquisitions, if any, effected during the respective Test Period for which Consolidated EBITDA is being determined, as provided in the first sentence of the definition of Senior Secured Leverage Ratio contained herein.

9.11. Capital Expenditures. (a) Holdings will not, and will not permit any of its Subsidiaries to, make any Capital Expenditures, except that (i) prior to a Qualified IPO, during any fiscal year of Holdings set forth below (taken as one accounting period), the Borrower and its Subsidiaries may make Capital Expenditures so long as the aggregate amount of such Capital Expenditures does not exceed the amount set forth below opposite such fiscal year under the heading "Pre-IPO Amount" and (ii) after the occurrence of a Qualified IPO, during any fiscal year of Holdings set forth below (taken as one accounting period), the Borrower and its Subsidiaries may make Capital Expenditures so long as the aggregate amount of such Capital Expenditures does not exceed the amount set forth below opposite such fiscal year under the heading "Post-IPO Amount":

Period	**Pre-IPO Amount**	**Post-IPO Amount**
Fiscal year ending closest to March 31, 2004	$ 35,000,000	N/A
Fiscal year ended closest to March 31, 2005	$ 40,000,000	$ 45,000,000
Fiscal year ended closest to March 31, 2006	$ 50,000,000	$ 60,000,000
Fiscal year ended closest to March 31, 2007	$ 55,000,000	$ 60,000,000
Fiscal year ended closest to March 31, 2008	$ 50,000,000	$ 60,000,000
Fiscal year ended closest to March 31, 2009	$ 50,000,000	$ 60,000,000
Fiscal year ended closest to March 31, 2010	$ 50,000,000	$ 60,000,000

Fiscal year ended closest to March 31, 2011	$	50,000,000	$	60,000,000

(b) Notwithstanding the foregoing, in the event that the amount of Capital Expenditures permitted to be made by the Borrower and its Subsidiaries pursuant to clause (a) above during any fiscal year of Holdings commencing after the fiscal year of Holdings ended March 31, 2004 (before giving effect to any increase in such permitted Capital Expenditure amount pursuant to this clause (b)) is greater than the amount of Capital Expenditures actually made by the Borrower and its Subsidiaries during such fiscal year, such excess may be carried forward and utilized to make Capital Expenditures in the immediately succeeding fiscal year, provided that no amounts once carried forward pursuant to this Section 9.11(b) may be carried forward to any subsequent fiscal year thereafter and such amounts may only be utilized after the Borrower and its Subsidiaries have utilized in full the permitted Capital Expenditure amount for such fiscal year as set forth in the table in clause (a) above (without giving effect to any increase in such amount pursuant to this clause (b)).

(c) In addition to the foregoing, the Borrower and its Subsidiaries may make additional Capital Expenditures (which Capital Expenditures will not be included in any determination under Section 9.11(a)) with the Net Sale Proceeds of Asset Sales to the extent such proceeds are not required to be applied to repay Term Loans and/or reduce the Total Revolving Loan Commitment pursuant to Section 4.02(c).

(d) In addition to the foregoing, the Borrower and its Subsidiaries may make additional Capital Expenditures (which Capital Expenditures will not be included in any determination under Section 9.11(a)) with the insurance proceeds received by the Borrower or any of its Subsidiaries from any Recovery Event so long as such Capital Expenditures are to replace or restore any properties or assets in respect of which such proceeds were paid within one year (or, to the extent permitted by Section 4.02(f), 18 months) following the date of the receipt of such insurance proceeds to the extent such insurance proceeds are not required to be applied to repay Term Loans and/or reduce the Total Revolving Loan Commitment pursuant to Section 4.02(f).

(e) In addition to the foregoing, the Borrower and the Subsidiaries may make additional Capital Expenditures (which Capital Expenditures will not be included in any determination under Section 9.11(a)) constituting Permitted Acquisitions effected in accordance with the requirements of Section 8.14.

(f) In addition to the foregoing, the Borrower and its Subsidiaries may make Capital Expenditures at any time in an aggregate amount equal to the Excess Proceeds Amount at such time (which Capital Expenditures will not be included in any determination under Section 9.11(a)).

9.12. Limitation on Voluntary Payments and Modifications of Indebtedness; Modifications of Certificate of Incorporation, By-Laws and Certain Other Agreements; Issuances of Capital Stock; etc. No Credit Agreement Party will, nor will permit any of its Subsidiaries to:

(i) amend or modify, or permit the amendment or modification of, any provision of any Qualified Preferred Stock or of any agreement (including, without limitation, certificate of designation) relating thereto in a manner that is inconsistent with the requirements therefor set forth in the definition "Qualified Preferred Stock" or that could reasonably be expected to be adverse in any material respect to the interests of the Lenders;

(ii) make (or give any notice in respect of) any voluntary or optional payment or prepayment on or redemption, repurchase or acquisition for value of (including, without limitation, by way of depositing with the trustee with respect thereto or any other Person money or securities before due for the purpose of paying when due), or any prepayment or redemption (except as expressly required under the terms of the relevant agreement) as a result of any asset sale, change of control or similar event of any Indebtedness pursuant to the Second-Lien Credit Documents or any Existing Indebtedness, or, after the incurrence or issuance thereof, any Permitted Refinancing Indebtedness, Shareholder Subordinated Notes (except to the extent expressly permitted under Section 9.06(ii)), Permitted Acquired Debt, Refinancing Senior Subordinated Notes or any Qualified Preferred Stock; provided that so long as no Default or Event of Default then exists or would result therefrom, (i) any Existing Indebtedness, any Permitted Acquired Debt and any Permitted Refinancing Indebtedness incurred to refinance same may be refinanced with Permitted Refinancing Indebtedness in accordance with the requirements of this Agreement, (ii) Indebtedness under the Second-Lien Credit Documents may be repaid with (x) the proceeds of Refinancing Senior Subordianted Notes incurred in accordance with the requirements of Section 9.04, (y) Excluded IPO Proceeds and (y) the proceeds of a Qualified IPO not constituting Excluded IPO Proceeds, to the extent (and only to the extent) such proceeds are not required to be applied as a mandatory repayment and/or commitment reduction pursuant to Section 4.02(e) , (iii) shares of Convertible Preferred Stock may be converted into shares of Holdings Common Stock in accordance with the certificate of designation governing the same and (iv) the Refinancing Senior Subordinated Notes may be exchanged for Permanent Exchange Refinancing Senior Subordinated Notes in accordance with the requirements of the respective definitions thereof and the relevant provisions of this Agreement;

(iii) amend, modify or change any Second-Lien Credit Document or any Refinancing Senior Subordinated Notes Document; or

(iv) amend, modify or change in a way adverse to the interests of the Lenders in any material respect any Accounts Receivable Facility Document (it being understood that the Accounts Receivable Facility may be extended, amended, modified or replaced in accordance with the proviso to the definition thereof), any Existing Indebtedness, any Permitted Acquired Debt, any Permitted Refinancing Indebtedness, any Tax Allocation Agreement, any Management Agreement, its certificate of

incorporation (including, without limitation, by the filing or modification of any certificate of designation other than any certificates of designation relating to Qualified Preferred Stock issued as permitted herein), by-laws, certificate of partnership, partnership agreement, certificate of limited liability company, limited liability company agreement or any agreement entered into by it, with respect to its capital stock or other Equity Interests (including any Shareholders' Agreement), or enter into any new Tax Allocation Agreement, Management Agreement or agreement with respect to its

capital stock or other Equity Interests which could reasonably be expected to be adverse in any material respect to the interests of the Lenders or, in the case of any Management Agreement, which involves the payment by Holdings or any of its Subsidiaries of any amount which could give rise to a violation of this Agreement; provided that the foregoing clause shall not restrict (x) the ability of Holdings and its Subsidiaries to amend their respective certificates of incorporation to authorize the issuance of capital stock otherwise permitted to be issued pursuant to the terms of this Agreement, (y) the ability of Holdings to enter into, amend or otherwise modify the Shareholders Rights Plan or (z) the ability of Holdings to amend its organizational documents to adopt customary takeover defenses for a public company, such as classification of its board of directors, requirements for notice of acquisition of shares and other similar measures.

9.13. Limitation on Issuance of Capital Stock and Other Equity Interests. (a) No Credit Agreement Party will, nor will permit any of its Subsidiaries to, issue (i) any Preferred Stock (or any options, warrants or rights to purchase Preferred Stock), other than issuances by Holdings of Qualified Preferred Stock or Preferred Stock pursuant to the Shareholders Right Plan or (ii) any redeemable common Equity Interests.

(b) The Borrower shall not, and shall not permit any of its Subsidiaries to, issue any Equity Interests (including by way of sales of treasury stock), except (i) for transfers and replacements of then outstanding shares of capital stock or other Equity Interests, (ii) for stock splits, stock dividends and additional issuances which do not decrease the percentage ownership of Holdings or any of its Subsidiaries in any class of the Equity Interests of such Subsidiaries, (iii) to qualify directors to the extent required by applicable law and (iv) Subsidiaries formed after the Effective Date pursuant to Section 9.15 may issue Equity Interests in accordance with the requirements of Section 9.15. All Equity Interests issued in accordance with this Section 9.13(b) shall, to the extent required by the Pledge Agreement, be delivered to the Collateral Agent for pledge pursuant to the Pledge Agreement.

9.14. Limitation on Certain Restrictions on Subsidiaries. (a) Holdings will not, and will not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective, any encumbrance or restriction on the ability of any such Subsidiary to (x) pay dividends or make any other distributions on its capital stock or any other Equity Interest or participation in its profits owned by the Borrower or any Subsidiary of the Borrower, or pay any Indebtedness owed to the Borrower or a Subsidiary of the Borrower, (y) make loans or advances to the Borrower or any Subsidiary of the Borrower or (z) transfer any of its properties or assets to the Borrower or any of its Subsidiaries, except for such encumbrances or restrictions existing under or by reason of (i) applicable law, (ii) this Agreement and the other Credit Documents, (iii) on and after the Accounts Receivables Transaction Date, the provisions applicable to the Receivables Sellers and Receivables Entity contained in the Accounts

Receivable Facility, (iv) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of the Borrower or a Subsidiary of the Borrower, (v) customary provisions restricting assignment of any contract entered into by the Borrower or any Subsidiary of the Borrower in the ordinary course of business, (vi) any agreement or instrument governing Permitted Acquired Debt, which encumbrance or restriction is not applicable to any Person or the properties or assets of any Person, other than the Person or the properties or assets of the Person acquired pursuant to the respective Permitted Acquisition and so long as the respective encumbrances or restrictions were not created (or made more restrictive) in connection with or in anticipation of the respective Permitted Acquisition, (vii) restrictions applicable to any joint venture that is a Subsidiary existing at the time of the acquisition thereof as a result of an Investment pursuant to Section 9.05 or a Permitted Acquisition effected in accordance with Section 8.14; provided that the restrictions applicable to such joint venture are not made more burdensome, from the perspective of the Borrower and its Subsidiaries, than those as in effect immediately before giving effect to the consummation of the respective Investment or Permitted Acquisition, (viii) any restriction or encumbrance with respect to assets subject to Liens permitted by Sections 9.03(iv), (x), (xi), (xii) and (xvii), (ix) the Second-Lien Credit Documents and (x) the Refinancing Senior Subordinated Notes Documents.

(b) Holdings will not, and will not permit any of its Subsidiaries to, directly or indirectly agree to any consensual encumbrance or restriction on the ability of any non-Subsidiary joint venture to (x) pay dividends or make other distributions on its capital stock or other Equity Interests or participations in its profits owned by the Borrower or any Subsidiary of the Borrower or (y) make loans or advances to the Borrower or any Subsidiary of the Borrower, except for such encumbrances or restrictions existing under or by reason of (i) applicable law, (ii) this Agreement and the other Credit Documents, (iii) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of such non-Subsidiary joint venture, (iv) customary provisions restricting assignment of any contract entered into by such non-Subsidiary joint venture in the ordinary course of business, (v) normal restrictions (as determined in good faith by the Borrower) applicable to any non-Subsidiary joint venture at the time of the establishment thereof (so long as not in connection with a Permitted Acquisition), (vi) restrictions applicable to any non-Subsidiary joint venture existing at the time of the acquisition thereof as a result of an Investment pursuant to Section 9.05 or a Permitted Acquisition effected in accordance with Section 8.14; provided that the restrictions applicable to the respective non-Subsidiary joint venture are not made more burdensome, from the perspective of the Borrower and its Subsidiaries, than those as in effect immediately before giving effect to the consummation of the respective Investment or Permitted Acquisition and (vi) the Second-Lien Credit Documents.

9.15. Limitation on the Creation of Subsidiaries and Joint Ventures. (a) Notwithstanding anything to the contrary contained in this Agreement, Holdings will not, and will not permit any of its Subsidiaries to, establish, create or acquire after the Effective Date any Subsidiary; provided that the Borrower and its Wholly-Owned Subsidiaries shall be permitted to establish, create and, to the extent permitted by Section 8.14, acquire Subsidiaries (which, except as expressly permitted by Section 8.14, shall be Wholly-Owned Subsidiaries) so long as, in each case, (i) at least 10 Business Days' prior written notice thereof is given to the Administrative Agent (or such lesser prior written notice as may be agreed to by the Administrative Agent in any given case), (ii) the Equity Interests of such new Subsidiary are promptly pledged pursuant

to, and to the extent required by, this Agreement and the Pledge Agreement and the certificates, if any, representing such Equity Interests, together with appropriate transfer powers duly executed in blank, are delivered to the Collateral Agent, (iii) such new Subsidiary (other than a Foreign Subsidiary) promptly executes a counterpart of the Subsidiaries Guaranty, the Pledge Agreement and the Security Agreement, and (iv) to the extent requested by the Administrative Agent or the Required Lenders, takes all actions required pursuant to Section 8.11. In addition, each new Subsidiary that is required to execute any Credit Document shall execute and deliver, or cause to be executed and delivered, all other relevant documentation of the type described in Section 5 as such new Subsidiary would have had to deliver if such new Subsidiary were a Credit Party on the Initial Borrowing Date.

(b) Holdings will not, and will not permit any of its Subsidiaries to, enter into any partnerships (except to the extent that such partnership is a Wholly-Owned Subsidiary of the Borrower) or joint ventures; provided that the Borrower and its Subsidiaries may establish, acquire or

create, and make Investments in, partnerships and joint ventures after the Initial Borrowing Date as a result of Permitted Acquisitions (subject to the limitations contained in the definition thereof) and Investments expressly permitted to be made pursuant to Section 9.05, so long as (x) all Equity Interests of each such partnership or joint venture shall be pledged by any Credit Party which owns same to the extent required by the Pledge Agreement, and (y) any actions required to be taken pursuant to Section 8.11 in connection with the establishment of, or Investments in, the respective Subsidiaries are taken in accordance with the requirements of said Section 8.11.

SECTION 10. Events of Default. Upon the occurrence of any of the following specified events (each, an "Event of Default"):

10.01. Payments. The Borrower shall (i) default in the payment when due of any principal of the Loans or (ii) default, and such default shall continue for three or more Business Days, in the payment when due of any Unpaid Drawing, any interest on the Loans or any Fees or any other amounts owing hereunder or under any other Credit Document; or

10.02. Representations, etc. Any representation, warranty or statement made by any Credit Party herein or in any other Credit Document or in any statement or certificate delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made; or

10.03. Covenants. Any Credit Party shall (a) default in the due performance or observance by it of any term, covenant or agreement contained in Section 8.01(e)(i), 8.10, 8.14, 8.19 or 9 (other than Section 9.07 and, to the extent (and only to the extent) the respective default relates to a Subsidiary established, created or acquired after the Effective Date the book value of the gross assets of which does not exceed $500,000, Section 9.15), or (b) default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in Section 10.01, 10.02 or clause (a) of this Section 10.03) contained in this Agreement and such default shall continue unremedied for a period of at least 30 days after notice to the defaulting party by the Administrative Agent or the Required Lenders; or

10.04. Default Under Other Agreements. (a) Holdings or any of its Subsidiaries shall (i) default in any payment with respect to any Indebtedness (other than the Obligations) beyond the period of grace, if any, provided in the instrument or agreement under which Indebtedness was created or (ii) default in the observance or performance of any agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause (determined without regard to whether any notice is required), any such Indebtedness to become due prior to its stated maturity (it being understood that a default or other event or condition described above in this clause (ii) shall cease to constitute an Event of Default if and when same has been cured or otherwise ceases to exist, in each case prior to the taking of any action by the Administrative Agent or the Required Lenders pursuant to the last paragraph of this Section 10); or (b) any Indebtedness (other than the Obligations) of Holdings or any of its Subsidiaries shall be declared to be due and payable, or shall be required to be prepaid other than by a regularly scheduled required prepayment or as a mandatory prepayment (unless such required prepayment or mandatory prepayment results from a default thereunder or an event of the type that constitutes an Event of Default), prior to the stated maturity thereof; provided that it shall not constitute an Event of Default pursuant to clause (a) or (b) of this Section 10.04 unless the principal amount of any one issue of such Indebtedness, or the aggregate amount of all such Indebtedness referred to in clauses (a) and (b) above, exceeds $5,000,000 at any one time; or

10.05. Bankruptcy, etc. Holdings or any of its Subsidiaries shall commence a voluntary case concerning itself under Title 11 of the United States Code entitled "Bankruptcy," as now or hereafter in effect, or any successor thereto (the "Bankruptcy Code"); or an involuntary case is commenced against Holdings or any of its Subsidiaries and the petition is not controverted within 20 days, or is not dismissed within 90 days, after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or substantially all of the property of Holdings or any of its Subsidiaries; or Holdings or any of its Subsidiaries commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to Holdings or any of its Subsidiaries; or there is commenced against Holdings or any of its Subsidiaries any such proceeding which remains undismissed for a period of 90 days; or Holdings or any of its Subsidiaries is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or Holdings or any of its Subsidiaries suffers any appointment of any custodian or the like for it or any substantial part of its property to continue undischarged or unstayed for a period of 90 days; or Holdings or any of its Subsidiaries makes a general assignment for the benefit of creditors; or any corporate action is taken by Holdings or any of its Subsidiaries for the purpose of effecting any of the foregoing; or

10.06. ERISA. (a) Any Plan shall fail to satisfy the minimum funding standard required for any plan year or part thereof under Section 412 of the Code or Section 302 of ERISA or a waiver of such standard or extension of any amortization period is sought or granted under Section 412 of the Code or Section 303 or 304 of ERISA, a Reportable Event shall have occurred, a contributing sponsor (as defined in Section 4001(a)(13) of ERISA) of a Plan subject to Title IV of ERISA shall be subject to the advance reporting requirement of PBGC Regulation

Section 4043.61 (without regard to subparagraph (b)(1) thereof) and an event described in subsection .62, .63, .64, .65, .66, .67 or .68 of PBGC Regulation Section 4043 shall be reasonably expected to occur with respect to such Plan within the following 30 days, any Plan which is subject to Title IV of ERISA shall have had or is reasonably likely to have a trustee appointed to administer such Plan, any Plan or, to the knowledge of Holdings or the Borrower, Multiemployer Plan which is subject to Title IV of ERISA is, shall have been or is reasonably likely to be terminated or to be the subject of termination proceedings under ERISA, any Plan shall have an Unfunded Current Liability, a contribution required to be made with respect to a Plan or Multiemployer Plan or a Foreign Pension Plan has not been timely made, Holdings or any Subsidiary of Holdings or any ERISA Affiliate has incurred or is reasonably likely to incur any liability to or on account of a Plan or Multiemployer Plan under Section 409, 502(i), 502(l), 515, 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or Section 401(a)(29), 4971 or 4975 of the Code or on account of a group health plan (as defined in Section 607(1) of ERISA or Section 4980B(g)(2) of the Code) under Section 4980B of the Code and/or the Health Insurance Portability and Accountability Act of 1996, as amended, or Holdings or any Subsidiary of Holdings has incurred or is reasonably likely to incur liabilities pursuant to one or more employee welfare benefit plans (as defined in Section 3(1) of ERISA) that provide benefits to retired employees or other former employees (other than as required by Section 601 of ERISA) or Plans or Foreign Pension Plans, a "default" within the meaning of Section 4219(c)(5) of ERISA, shall occur with respect to any Plan or Multiemployer Plan, any applicable law, rule or regulation is adopted, changed or interpreted, or the interpretation or administration thereof is changed, in each case after the date hereof, by any governmental authority or agency or by any court (a "Change of Law"), or, as a result of a Change in Law, an event occurs following a Change

in Law, with respect to or otherwise affecting any Plan or Multiemployer Plan; (b) there shall result from any such event or events described above in this Section 10.06 the imposition of a lien, the granting of a security interest, or a liability or a material risk of incurring a liability resulting from any event described in clause (a) above; and (c) such lien, security interest or liability, individually and/or in the aggregate, in the reasonable opinion of the Required Lenders, (x) has had (unless same has ceased to exist in all respects) or (y) is reasonably likely to have, a Material Adverse Effect; or

10.07. Security Documents. (a) Any Security Document shall cease to be in full force and effect, or shall cease to give the Collateral Agent for the benefit of the Secured Creditors the Liens, rights, powers and privileges purported to be created thereby (including, without limitation, a perfected security interest in, and Lien on, all of the Collateral, other than Collateral with an aggregate value of less than or equal to $1,000,000), in favor of the Collateral Agent, superior to and prior to the rights of all third Persons (except as permitted by Section 9.03), and subject to no other Liens (except as permitted by Section 9.03), or (b) any Credit Party shall default in the due performance or observance of any term, covenant or agreement on its part to be performed or observed pursuant to any such Security Document and such default (except to the extent that same will adversely affect the continued perfection or priority of the Liens created by any such Security Document in Collateral with an aggregate value in excess of $1,000,000, in which case clause (a) of this Section 10.07 will be applicable) shall continue beyond any cure or grace period specifically applicable thereto pursuant to the terms of any such Security Document; or

10.08. Guaranty. Any Guaranty or any provision thereof shall cease to be in full force and effect, or any Guarantor or any Person acting by or on behalf of such Guarantor shall deny or disaffirm such Guarantor's obligations under the relevant Guaranty or any Guarantor shall default in the due performance or observance of any term, covenant or agreement on its part to be performed or observed pursuant to its Guaranty; or

10.09. Judgments. One or more judgments or decrees shall be entered against Holdings or any of its Subsidiaries involving a liability (to the extent not paid or covered by insurance (with any portion of any judgment or decree not so covered to be included in any determination hereunder)) in excess of $5,000,000 for all such judgments and decrees and all such judgments or decrees shall not have been vacated, discharged or stayed or bonded pending appeal within 60 days from the entry thereof; or

10.10. Ownership. A Change of Control shall have occurred; or

10.11. Accounts Receivables Replacement Facility. The "termination date" under the Accounts Receivable Facility Documents (or any analogous event under any replacement Accounts Receivable Facility) shall have occurred, any termination (whether at or before the scheduled final maturity) of any Accounts Receivable Facility (or portion thereof) shall have occurred, or as a result of the occurrence of any event, default or condition, new financing ceases to be provided pursuant to any Accounts Receivable Facility (whether because the respective purchasers cease to purchase Accounts Receivable Related Assets thereunder or otherwise), in each case except in connection with a concurrent replacement of an existing Accounts Receivable Facility with a replacement facility as contemplated by the proviso to the definition of Accounts Receivable Facility contained herein pursuant to which financing shall be provided in approximately the same amount as that provided under the facility being replaced, if at the time of the occurrence of any event or circumstance described above in this Section 10.11, the Total Unutilized Revolving Loan Commitment shall be less than 100% of the aggregate outstanding amount of Receivables Indebtedness under the respective Accounts Receivable Facility immediately prior to the date of the respective occurrence or circumstance described above; provided that, in addition to the foregoing provisions of this Section 10.11, it shall constitute an Event of Default pursuant to this Section 10.11 if either (i) prior to any permitted extension of the final maturity of the Accounts Receivable Facility as in effect on the Initial Borrowing Date, on the date which occurs three months prior to the final maturity of the Accounts Receivable Facility (as at any time in effect), the Total Unutilized Revolving Loan Commitment (after giving effect to any Borrowings made on such date) shall be less than 100% of the aggregate outstanding amount of Receivables Indebtedness pursuant to the Accounts Receivable Facility on such date or (ii) after any extension of the final maturity of an Accounts Receivable Facility (whether by amendment or by any replacement, refinancing or provision of a successor Accounts Receivable Facility), on any date which occurs four months prior to the final maturity of an Accounts Receivable Facility (as at any time in effect) or at any time which occurs within four months of the final maturity of the Accounts Receivable Facility as then in effect, the Total Unutilized Revolving Loan Commitment shall be less than 100% of the aggregate outstanding Receivables Indebtedness under the Accounts Receivable Facility; or

10.12. Intercreditor Agreement. The Intercreditor Agreement or any provision thereof shall cease to be in full force and effect, or any Lien securing or purporting to secure

Indebteness or other obligations owing under the Second-Lien Credit Document shall, for any reason, cease to be subordinated to the Lien created under the Security Documents securing the First-Lien Obligations under, and as defined in, the Intercreditor Agreement;

then, and in any such event, and at any time thereafter, if any Event of Default shall then be continuing, the Administrative Agent shall, upon the written request of the Required Lenders, by written notice to the Borrower, take any or all of the following actions, without prejudice to the rights of the Administrative Agent or any Lender to enforce its claims against any Credit Party, except as otherwise specifically provided for in this Agreement (provided that if an Event of Default specified in Section 10.05 shall occur, the result which would occur upon the giving of written notice by the Administrative Agent as specified in clauses (i) and (ii) below shall occur automatically without the giving of any such notice): (i) declare the Total Commitment terminated, whereupon the Commitment of each Lender shall forthwith terminate immediately and any Commitment Fees shall forthwith become due and payable without any other notice of any kind; (ii) declare the principal of and any accrued interest in respect of all Loans and all Obligations owing hereunder (including Unpaid Drawings) to be, whereupon the same shall become, forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; (iii) enforce, as Collateral Agent (or direct the Collateral Agent to enforce), any or all of the Liens and security interests created pursuant to the Security Documents; (iv) terminate any Letter of Credit which may be terminated in accordance with its terms; (v) direct the Borrower to pay (and the Borrower hereby agrees upon receipt of such notice, or upon the occurrence of any Event of Default specified in Section 10.05, to pay) to the Collateral Agent at the Payment Office such additional amounts of cash, to be held as security for the Borrower's reimbursement obligations in respect of Letters of Credit then outstanding, equal to the aggregate Stated Amount of all Letters of Credit then outstanding; and (vi) apply any cash collateral as provided in Section 4.02.

SECTION 11. Definitions. As used herein, the following terms shall have the meanings herein specified unless the context otherwise requires. Defined terms in this Agreement shall include in the singular number the plural and in the plural the singular:

"Accounts Receivable Facility" shall mean the receivables facility created pursuant to the Accounts Receivable Facility Documents; provided that the Accounts Receivable Facility may be extended, amended, modified, refinanced or replaced, or successively extended, amended, modified, refinanced or replaced after the Accounts Receivable Facility Transaction Date, so long as the Accounts Receivables Facility Amendment Conditions are satisfied (in which event the Accounts Receivable Facility, as so extended, amended, modified, refinanced or replaced, shall be deemed to be the Accounts Receivable Facility hereunder).

"Accounts Receivables Facility Amendment Conditions" shall mean, with respect to any extension, amendment, modification or replacement of any Accounts Receivable Facility Document, the requirement that the following shall be true after giving effect to such extension, amendment, modification or replacement:

(A) the maximum Receivables Indebtedness permitted under the Accounts Receivable Facility shall not be greater than $50.0 million;

(B) the scheduled maturity of such extended, amended, modified or replaced facility shall not be earlier than the scheduled maturity of the Accounts Receivable Facility prior to such extension, amendment, modification or replacement;

(C) the Receivables Entity would be required to apply all funds available to it (after giving effect to the allocation of funds to reserves required under the terms of the Accounts Receivable Facility Documents and to the payment of interest, principal and other amounts owed under the Accounts Receivable Facility Documents) to pay the purchase price for accounts receivable (including any deferred portion of the purchase price) or to make Dividends to EnerSys or to the Borrower;

(D) the termination events or early amortization events (however defined) in the Accounts Receivable Facility Documents shall not be made more onerous (whether through the modification of existing termination events or early amortization events or the provision of additional such events) on the Borrower and its Subsidiaries in any material respect;

(E) the degree of recourse to Holdings or its Subsidiaries (other than the Receivables Entity) under or in respect of the Accounts Receivable Facility Documents shall not be increased in any material respect (as determined in good faith by the Borrower) and in no event shall Holdings or any of its Subsidiaries (other than the Receivables Entity) have recourse liability (except pursuant to Standard Securitization Undertakings) for the payment of any Accounts Receivable Facility Assets or any investor certificates or purchased interests pursuant to such extended, amended, modified or replaced facility;

(F) the covenants included in the Accounts Receivable Facility Documents shall not be made more restrictive (whether through the modification of existing covenants or the provision of additional covenants) to the Borrower and its Subsidiaries in any material respect;

(G) if additional representations and warranties are included in the Accounts Receivable Facility Documents or existing representations and warranties are made more restrictive, such additional or amended representations and warranties shall not be adverse in any material respect to the interest of the Borrower and its Subsidiaries taken as a whole (as determined in good faith by the Borrower); and

(H) the provisions of the Accounts Receivable Facility shall not conflict with the relevant requirements of Sections 9.02, 9.03, 9.04 and 9.05.

"Accounts Receivable Facility Assets" shall mean Receivables (whether now existing or arising in the future) of the Borrower and its Subsidiaries which are transferred to the Receivables Entity pursuant to the Accounts Receivable Facility Documents and any related Accounts Receivable Related Assets which are also so transferred to the Receivables Entity.

"Accounts Receivable Facility Documents" shall mean each of the documents and agreements entered into in connection with the Accounts Receivable Replacement Facility, including all documents and agreements relating to the issuance, funding and/or purchase of

certificates and purchased interests, in each case as such documents and agreements may be amended, modified, supplemented, refinanced or replaced from time to time in accordance with the terms hereof and thereof.

"Accounts Receivables Facility Financing Costs" shall mean, for any period, the total consolidated interest expense of the Borrower and its Subsidiaries which would have existed for such period pursuant to the Accounts Receivable Facility (or any substantially similar facility) if same were structured as a secured lending arrangement rather than as a facility for the sale of receivables and related assets, in each case assuming an imputed interest rate commensurate with amounts being charged pursuant to the Accounts Receivable Facility Documents or such similar facility.

"Accounts Receivables Facility Threshold Amount" shall mean $30.0 million; provided that, on each date upon which a mandatory repayment is required pursuant to Section 4.02(a)(ii) of this Agreement as a result of the incurrence of Receivables Indebtedness in excess of the Accounts Receivables Facility Threshold Amount as theretofore in effect, the Accounts Receivables Facility Threshold Amount shall be increased (on the date of, and after giving effect to, the respective mandatory repayment) by the amount of the mandatory repayment required (assuming an unlimited amount of outstanding Revolving Loans) on such date pursuant to Section 4.02(a)(ii) as a result of the respective incurrence of Receivables Indebtedness.

"Accounts Receivable Facility Transaction" shall mean the consummation of the Accounts Receivable Facility and related transactions contemplated by the Accounts Receivable Facility Documents.

"Accounts Receivable Facility Transaction Date" shall mean the date of the consummation of the Accounts Receivable Facility Transaction in accordance with the requirements of Section 8.19.

"Accounts Receivable Related Assets" shall mean, with respect to any Person, all of the following property and interests in property of such Person, whether now existing or existing in the future or hereafter acquired or arising and in each case to the extent relating to the Receivables of such Person: (i) all unpaid seller's or lessor's rights (including, without limitation, rescission, replevin, reclamation and stoppage in transit, relating to any of the foregoing or arising therefrom), (ii) all rights to any goods or merchandise represented by any of the foregoing (including, without limitation, returned or repossessed goods), (iii) all reserves and credit balances with respect to any such Receivable or the respective account debtor, (iv) all letters of credit, security or guarantees of any of the foregoing, (v) all insurance policies or reports relating to any of the foregoing, (vi) all collection or deposit accounts relating to any of the foregoing, (vii) all proceeds of any of the foregoing, and (viii) all books and records relating to any of the foregoing.

"Acquired Person" shall have the meaning provided in the definition of Permitted Acquisition.

"Additional Security Documents" shall have the meaning provided in Section 8.11.

"Adjusted Consolidated Net Income" shall mean, for any period, Consolidated Net Income for such period plus, without duplication and to the extent deducted in arriving at Consolidated Net Income, the sum of the amount of all non-cash charges (including, without limitation, to the extent deducted in arriving at Consolidated Net Income, depreciation, amortization, deferred income tax expense and non-cash interest expense) and non-cash losses which were included in arriving at Consolidated Net Income for such period, less (without duplication of items reflected in Adjusted Consolidated Working Capital) the amount of all non-cash gains and gains from the sale of assets (other than sales of inventory in the ordinary course of business) which were included in arriving at Consolidated Net Income for such period.

"Adjusted Consolidated Working Capital" shall mean, at any time, Consolidated Current Assets (but excluding therefrom all cash, Cash Equivalents and deferred income taxes to the extent otherwise included therein) less Consolidated Current Liabilities.

"Administrative Agent" shall have the meaning provided in the first paragraph of this Agreement and shall include any successor to the Administrative Agent appointed pursuant to Section 12.10.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affected Loans" shall have the meaning provided in Section 4.02(i).

"Affiliate" shall mean, with respect to any Person, any other Person directly or indirectly controlling (including but not limited to all directors and officers of such Person), controlled by, or under direct or indirect common control with such Person; provided, however, that for purposes of Section 9.07, (i) an Affiliate of Holdings shall include any Person that directly or indirectly owns more than 10% of any class of the capital stock of Holdings (or, in the case of Convertible Preferred Stock, 15% of such capital stock) and any Senior Manager or director of Holdings or any such Person and (ii) any successor to Morgan Stanley Capital Partners (by merger, consolidation, sale or otherwise) shall be deemed to be an Affiliate of Morgan Stanley, irrespective of whether it would otherwise be one pursuant to the terms of this definition.

"Agents" shall have the meaning provided in the first paragraph of this Agreement.

"Agent-Related Persons" means each Agent and the Collateral Agent, together with their respective Affiliates (including, in the case of Bank of America, in its capacity as the Administrative Agent, Banc of America Securities LLC, in its capacity as joint lead arranger and joint book manager), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

"Aggregate Consideration" shall mean, with respect to any Permitted Acquisition, the sum (without duplication) of (i) the fair market value of the Holdings Common Stock (based on the average closing trading price of the Holdings Common Stock for the 20 trading days immediately prior to the date of such Permitted Acquisition on the stock exchange on which Holdings Common Stock is listed or, if Holdings Common Stock is not so listed, the good faith

determination of the senior management of Holdings) issued (or to be issued) as consideration in connection with such Permitted Acquisition (including, without limitation, Holdings Common Stock which may be required to be issued as earnout consideration upon the achievement of certain future performance goals of the respective Acquired Person), (ii) the aggregate amount of all cash paid (or to be paid) by Holdings or any of its Subsidiaries in connection with such Permitted Acquisition (including, without limitation, payments of fees and costs and expenses in connection therewith) and all contingent cash purchase price or other earnout obligations of Holdings and its Subsidiaries incurred in connection therewith (as determined in good faith by Holdings), (iii) the aggregate principal amount of all Indebtedness assumed, incurred and/or issued in connection with such Permitted Acquisition to the extent permitted by Section 9.04, (iv) the aggregate liquidation preference of any Preferred Stock issued in connection with such Permitted Acquisition and (v) the fair market value (determined in good faith by senior management of Holdings) of all other consideration payable in connection with such Permitted Acquisition.

"Agreement" shall mean this Credit Agreement, as the same may be from time to time modified, amended, restated and/or supplemented.

"Agreement Currency" shall have the meaning provided in Section 13.20.

"Applicable Excess Cash Flow Percentage" shall mean, with respect to any Excess Cash Flow Payment Date, 50%; provided that so long as no Default or Event of Default is then in existence, if on the last day of the relevant Excess Cash Flow Payment Period, the Leverage Ratio for the Test Period then most recently ended (as established pursuant to the officer's certificate delivered (or required to be delivered) pursuant to Section 8.01(d)) is less than 2.00:1.0, then the Applicable Excess Cash Flow Percentage shall instead be 0%.

"Applicable Margin" shall mean (i) at any time prior to the date of delivery (or required delivery) of the financial statements pursuant to Section 8.01(a) for the fiscal quarter of Holdings ended nearest to June 30, 2004 (the "Initial Test Date"), a percentage per annum equal to (x) in the case of Term Loans and Revolving Loans (A) maintained as Base Rate Loans, 1.50% and (B) maintained as Eurodollar Loans, 2.50%; (y) in the case of Swingline

Loans, 1.50%; and (z) in the case of the Commitment Fee, 0.50% and (ii) on and after the Initial Test Date (but subject to adjustment pursuant to the following provisions of this definition), a percentage per annum equal to (w) in the case of Term Loans (A) maintained as Base Rate Loans, 1.50% and (B) maintained as Eurodollar Loans, 2.50%; (x) in the case of Revolving Loans (A) maintained as Base Rate Loans, 1.75% and (B) maintained as Eurodollar Loans, 2.75%; (y) in the case of Swingline Loans, 1.75%; and (z) in the case of the Commitment Fee, 0.50%. From and after each day of delivery of any certificate delivered in accordance with the first sentence of the following paragraph indicating an entitlement to a different margin for a given Tranche of Loans (other than Term Loans) from that described in clause (ii) of the immediately preceding sentence (each, a "Start Date") to and including the applicable End Date described below, the Applicable Margin for such Tranche (and Type) of Loans shall be as set forth below opposite the Leverage Ratio indicated to have been achieved for such Tranche (and Type) of Loans in any certificate delivered in accordance with the following sentence:

	Leverage Ratio	Revolving Loan Eurodollar Margin	Revolving Loan (and Swingline Loan) Base Rate Margin	Commitment Fee
Level I	Equal to or greater than 4.0 to 1.0 but less than 4.5 to 1.0	2.50%	1.50%	0.50%
Level II	Equal to or greater than 3.50 to 1.0 but less than 4.0 to 1.0	2.25%	1.25%	0.50%
Level III	Equal to or greater than 3.00 to 1.0 but less than 3.50 to 1.0	2.00%	1.00%	0.40%
Level IV	Equal to or greater than 2.50 to 1.0 but less than 3.00 to 1.0	1.75%	0.75%	0.35%
Level V	Less than 2.50 to 1.0	1.50%	0.50%	0.25%

The Leverage Ratio shall be determined based on the delivery of a certificate of Holdings (each, a "Quarterly Pricing Certificate") by an Authorized Officer of Holdings to the Administrative Agent (with a copy to be sent by the Administrative Agent to each Lender), within 45 days of the last day of any fiscal quarter of Holdings (commencing with the fiscal quarter of Holdings ended nearest June 30, 2004), which certificate shall set forth the calculation of the Leverage Ratio as at the last day of the Test Period ended immediately prior to the relevant Start Date (but determined on a Pro Forma Basis solely to give effect to all Permitted Acquisitions (if any) consummated on or prior to the date of delivery of such certificate and any Indebtedness incurred or assumed in connection therewith) and the Applicable Margins for the relevant Tranche and Type of Loan which shall be thereafter applicable (until same are changed or cease

to apply in accordance with the following sentences); provided that at the time of the consummation of any Permitted Acquisition, an Authorized Officer of Holdings shall deliver to the Administrative Agent a certificate setting forth the calculation of the Leverage Ratio on a Pro Forma Basis (solely to give effect to all Permitted Acquisitions, if any, consummated on or prior to the date of the delivery of such certificate and any Indebtedness incurred or assumed in connection therewith) as of the last day of the last Calculation Period ended prior to the date on which such Permitted Acquisition is consummated for which financial statements have been made available (or were required to be made available) pursuant to Section 8.01(a) or (b), as the case may be, and the date of such consummation shall be deemed to be a Start Date and the Applicable Margins for the relevant Tranche and Type of Loan which shall be thereafter applicable (until same are changed or cease to apply in accordance with the following sentences) shall be based upon the Leverage Ratio as so calculated. The Applicable Margins so determined for such Tranche and Type of Loan shall apply, except as set forth in the succeeding sentence, from the relevant Start Date to the earliest of (x) the date on which the next certificate is delivered to the Administrative Agent, (y) the date on which the next Permitted Acquisition is consummated or (z) the date which is 45 days following the last day of the Test Period in which the previous Start Date occurred (such earliest date, the "End Date"), at which time, if no certificate has been delivered to the Administrative Agent indicating an entitlement to new (or a continuing entitlement to previously effective) Applicable Margins for such Tranche and Type of Loan (and thus commencing a new Start Date), the Applicable Margins for such Tranche and Type of Loan shall be those set forth in clause (ii) of the first sentence of this definition. Notwithstanding anything to the contrary contained above in this definition, (x) at any time both (I) "Level V Pricing" (as set forth in the table above) is in effect for Revolving Loans at such time and (II) the ratings assigned to the Loans by both Moody's and S&P at such time are Ba3 (with a stable outlook) or higher and BB- (with a stable outlook) or higher, respectively, then, so long as no Specified Default and no Event of Default then exists, the "Applicable Margin" for Term Loans at such time shall be (A) if maintained as Base Rate Loans, 1.25% and (B) if maintained as Eurodollar Loans, 2.25% and (y) at any time any Specified Default or Event of Default then exists, the Applicable Margins for Revolving Loans and Swingline Loans shall be those set forth in clause (ii) of the first sentence of this definition.

"Approved Fund" shall have the meaning provided in Section 13.07.

"Asset Sale" shall mean any sale, transfer or other disposition by Holdings or any of its Subsidiaries to any Person other than Holdings or any Wholly-Owned Subsidiary of Holdings of any asset (including, without limitation, any capital stock or other Equity Interests of another Person, but excluding the sale by such Person of its own Equity Interests) of Holdings or such Subsidiary other than (i) sales, transfers or other dispositions of inventory made in the ordinary course of business, and (ii) any other sale, transfer or other disposition (for such purpose, treating any series of related sales, transfers or dispositions as a single such transaction) that generates Net Sale Proceeds of less than $250,000.

"Assignment and Assumption Agreement" shall mean the Assignment and Assumption Agreement substantially in the form of Exhibit K (appropriately completed).

"Attorney Costs" means and includes all reasonable fees, expenses and disbursements of any law firm or other external counsel and, without duplication, the allocated cost of internal legal services and all expenses and disbursements of internal counsel.

"Attributable Indebtedness" in respect of any Synthetic Lease Obligation, means, on any date, the capitalized amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a capital lease.

"Authorized Officer" shall mean, with respect to (i) delivering financial information and officer's certificates pursuant to this Agreement, the chief financial officer, the chief executive officer, the chief operating officer, the corporate controller, any treasurer or other

financial officer of Holdings and (ii) any other matter in connection with this Agreement or any other Credit Document, any officer (or a person or persons so designated by such officer) of Holdings or the Borrower, as the case may be, in each case to the extent reasonably acceptable to the Administrative Agent.

"Available JV Basket Amount" shall mean, on any date of determination, an amount equal to the sum of (i) $15,000,000 minus (ii) the aggregate amount of Investments made (including for such purpose the fair market value of any assets contributed to any Joint Venture (as determined in good faith by senior management of the Borrower), net of Indebtedness and, without duplication, Capitalized Lease Obligations assigned to, and assumed by, the respective Joint Venture in connection therewith) pursuant to Section 9.05(xiv) after the Effective Date, minus (iii) the aggregate amount of Indebtedness or other obligations (whether absolute, accrued, contingent or otherwise and whether or not due) of any Joint Venture for which Holdings or any of its Subsidiaries (other than the respective Joint Venture) is liable, minus (iv) all payments made by Holdings or any of its Subsidiaries (other than the respective Joint Venture) in respect of Indebtedness or other obligations of the respective Joint Venture (including, without limitation, payments in respect of obligations described in preceding clause (iii)) after the Effective Date, plus (v) the amount of any increase to the Available JV Basket Amount made after the Effective Date in accordance with the provisions of Section 9.05(xiv).

"Bank of America" shall mean Bank of America, N.A., in its individual capacity, and any successor corporation thereto by merger, consolidation or otherwise.

"Bankruptcy Code" shall have the meaning provided in Section 10.05.

"Base Rate" means for any day a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate." The "prime rate" is a rate set by Bank of America based upon various factors including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some credits, which may be priced at, above, or below such announced rate. Any change in such rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

"Base Rate Loan" shall mean each Loan bearing interest at the rates provided in Section 1.08(a) (subject to any increases pursuant to Section 1.08(c)).

"Borrower" shall have the meaning provided in the first paragraph of this Agreement.

"Borrowing" shall mean and include (i) the borrowing of Swingline Loans from Bank of America on a given date and (ii) the borrowing of one Type of Loan pursuant to a single Tranche by the Borrower from all of the Lenders having Commitments (and/or outstanding Loans) with respect to such Tranche on a pro rata basis on a given date (or resulting from conversions on a given date), having in the case of Eurodollar Loans the same Interest Period; provided that Base Rate Loans incurred pursuant to Section 1.10(b) shall be considered part of any related Borrowing of Eurodollar Loans.

"Business Day" shall mean (i) for all purposes other than as covered by clause (ii) below, any day excluding Saturday, Sunday and any day which shall be in the City of New York a legal holiday or a day on which banking institutions are authorized by law or other governmental actions to close and (ii) with respect to all notices and determinations in connection with, and payments of principal and interest on, Eurodollar Loans, any day which is a Business Day described in clause (i) and which is also a day for trading by and between banks in U.S. dollar deposits in the interbank Eurodollar market.

"Calculation Period" shall have the meaning provided in Section 8.14.

"Capital Expenditures" shall mean, with respect to any Person, for any period, all expenditures by such Person which should be capitalized in accordance with GAAP during such period and are, or are required to be, included in property, plant or equipment reflected on the consolidated balance sheet of such Person (including, without limitation, expenditures for maintenance and repairs which should be so capitalized in accordance with GAAP) and, without duplication, the amount of all Capitalized Lease Obligations incurred by such Person during such period.

"Capital Lease," as applied to any Person, shall mean any lease of any property (whether real, personal or mixed) by that Person as lessee which, in conformity with GAAP, is accounted for as a capital lease on the balance sheet of that Person.

"Capitalized Lease Obligations" shall mean all obligations under Capital Leases of Holdings or any of its Subsidiaries, in each case taken at the amount thereof accounted for as liabilities in accordance with GAAP.

"Cash Equivalents" means (i) demand deposit accounts held in accounts denominated in U.S. Dollars and, in the case of any of Foreign Subsidiaries of the Borrower, such local currencies held by them from time to time in the ordinary course of their businesses, (ii) securities issued or directly fully guaranteed or insured by the governments of the United States, The Netherlands, Great Britain, France or Germany or any agency or instrumentality thereof (provided that the full faith and credit of the respective such government is pledged in support thereof) having maturities of not more than six months from the date of acquisition, (iii) certificates of deposit and eurodollar time deposits with maturities of six months or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case with any domestic commercial bank or commercial bank of a foreign country recognized by the United States, in each case having capital and surplus in excess of $500,000,000 (or the foreign currency equivalent thereof) and has outstanding debt which is rated "A" (or similar equivalent thereof) or higher by at least one nationally recognized statistical rating organization (as defined under Rule 436 under the Securities Act) or any money-market fund sponsored by a registered broker dealer or mutual fund

distributor, (iv) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (ii) and (iii) above entered into with any financial institution meeting the qualifications specified in clause (iii) above and (v) commercial paper having one of the two highest ratings obtainable from S&P or Moody's and in each case maturing within six months after the date of acquisition. Furthermore, with respect to Foreign Subsidiaries of the Borrower, Cash Equivalents shall include bank deposits (and investments pursuant to operating account

agreements) maintained with various local banks in the ordinary course of business consistent with past practice of the Borrower's Foreign Subsidiaries.

"Cayman Partnership" shall mean EnerSys Cayman L.P., a limited partnership organized under the laws of the Cayman Islands.

"Cayman Partnership Shareholder #1" shall mean EnerSys European Holding Co., a corporation organized under the laws of Delaware and a Wholly-Owned Subsidiary of the Borrower.

"Cayman Partnership Shareholder #2" shall mean EnerSys Del. LLC I, a limited liability company organized under the laws of Delaware and a Wholly-Owned Subsidiary of the Borrower.

"Cayman Partnership Shareholder #3" shall mean EnerSys Del. LLC II, a limited liability company organized under the laws of Delaware and a Wholly-Owned Subsidiary of the Borrower.

"Cayman Partnership Shareholders" shall mean and include Cayman Partnership Shareholder #1, Cayman Partnership Shareholder #2 and Cayman Partnership Shareholder #3.

"Change of Control" shall mean (i) Holdings shall at any time cease to own directly 100% of the Equity Interests of the Borrower, (ii) prior to the occurrence of a Qualified IPO, the Permitted Holders shall at any time and for any reason fail to own at least a majority of both the economic and voting interest in Holdings' capital stock, (iii) after the occurrence of a Qualified IPO, any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) (other than the Permitted Holders) is or shall become the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of greater than 30% of the economic or voting interests in Holdings' capital stock at any time when the Permitted Holders shall own a lesser percentage (than such "person" or "group") of such economic or voting interests, as the case may be, in Holdings' capital stock, (iv) after the occurrence of a Qualified IPO, the Board of Directors of Holdings shall cease to consist of a majority of Continuing Directors or (v) a "change of control" or similar event shall occur as provided in any Qualified Preferred Stock (or the documentation governing the same), the Second-Lien Credit Agreement or any Refinancing Senior Subordinated Notes Document.

"Change of Law" shall have the meaning provided in Section 10.06.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to the Code are to the Code, as in effect at the date of this Agreement and any subsequent provisions of the Code, amendatory thereof, supplemental thereto or substituted therefor.

"Collateral" shall mean all of the Collateral as defined in each of the Security Documents.

"Collateral Agent" shall mean Bank of America, N.A., acting as collateral agent for the Secured Creditors.

"Collective Bargaining Agreements" shall have the meaning provided in Section 5.13.

"Commitment" shall mean any of the commitments of any Lender, i.e., whether the Term Loan Commitment or the Revolving Loan Commitment.

"Commitment Fee" shall have the meaning provided in Section 3.01(a).

"Commodity Agreements" shall mean commodity agreements, hedging agreements and other similar agreements or arrangements designed to protect against price fluctuations of commodities (e.g., lead) used in the business of the Borrower and its Subsidiaries.

"Company" shall mean any corporation, limited liability company, partnership or other business entity (or the adjectival form thereof, where appropriate).

"Consolidated Current Assets" shall mean, at any time, the current assets of Holdings and its Subsidiaries at such time determined on a consolidated basis in accordance with GAAP.

"Consolidated Current Liabilities" shall mean, at any time, the current liabilities of Holdings and its Subsidiaries determined on a consolidated basis in accordance with GAAP, but excluding deferred income taxes, and the current portion of and accrued but unpaid interest on any Indebtedness under this Agreement and any other long-term Indebtedness which would otherwise be included therein.

"Consolidated Debt" shall mean, at any time, (A) the sum of (without duplication) (i) the principal amount of all Indebtedness of Holdings and its Subsidiaries (on a consolidated basis) as would be required to be reflected as debt or capital leases on the liability side of a consolidated balance sheet of Holdings and its Subsidiaries in accordance with GAAP, (ii) all Indebtedness of Holdings and its Subsidiaries of the type described in clause (iii) of the definition of Indebtedness, (iii) the aggregate amount of Receivables Indebtedness of the Borrower and its Subsidiaries (including the Receivables Entity) outstanding at such time, and (iv) Attributable Indebtedness in respect of Synthetic Lease Obligations at such time minus (B) the aggregate amount of cash and Cash Equivalents of Holdings, the Borrower and the Subsidiary Guarantors at such time to the extent same would be reflected on a consolidated balance sheet of Holdings if same were prepared on such date.

"Consolidated EBIT" shall mean, for any period, the Consolidated Net Income of Holdings and its Subsidiaries plus, in each case to the extent actually deducted in determining Consolidated Net Income for such period, consolidated interest expense of Holdings and its Subsidiaries and provision for income taxes, adjusted to exclude for such period (i) any extraordinary gains or losses, (ii) gains or losses from sales of assets other than inventory sold in the ordinary course of business, (iii) any write-downs of non-current assets relating to impairments or the sale of non-current assets or (iv) any non-cash expenses incurred in connection with stock options, stock appreciation rights or similar equity rights.

"Consolidated EBITDA" shall mean for any period, Consolidated EBIT, adjusted by (x) adding thereto (in each case to the extent deducted in determining Consolidated Net

Income for such period and not already added back in determining Consolidated EBIT) the amount of (i) all amortization and depreciation that were deducted in arriving at Consolidated EBIT for such period, (ii) any non-cash charges in such period to the extent that such non-cash charges do not give rise to a liability that would be required to be reflected on the consolidated balance sheet of Holdings and so long as no cash payments or cash expenses will be associated therewith (whether in the current period or for any future period), (iii) in the case of any period including the fiscal quarter of Holdings ended nearest to December 31, 2003, the non-recurring charges specified on Schedule XV hereto incurred during such fiscal quarter in an aggregate amount not to exceed $35.2 million and (iv) in the case of any period including the fiscal quarter of Holdings ended nearest to March 31, 2004, one-time cash charges incurred by Holdings in connection with the Recapitalization in an aggregate amount not to exceed $20.0 million (representing expenses incurred in connection with the payments pursuant to the Recapitalization and the early termination and repayment of Indebtedness pursuant to the Refinancing) and (y) subtracting therefrom, to the extent included in arriving at Consolidated EBIT for such period, the amount of non-cash gains during such period.

"Consolidated Interest Coverage Ratio" for any period shall mean the ratio of Consolidated EBITDA to Consolidated Net Interest Expense for such period.

"Consolidated Net Income" shall mean, for any period, the net after tax income (or loss) of Holdings and its Subsidiaries determined on a consolidated basis in accordance with GAAP, provided that in determining Consolidated Net Income of Holdings and its Subsidiaries (i) the net income of any of Person which is not a Subsidiary of Holdings or is accounted for by Holdings by the equity method of accounting shall be included only to the extent of the payment of dividends or disbursements by such Person to Holdings or a Wholly-Owned Subsidiary of Holdings during such period, (ii) except for determinations expressly required to be made on a Pro Forma Basis, the net income (or loss) of any Person accrued prior to the date it becomes a Subsidiary or all or substantially all of the property or assets of such Person are acquired by a Subsidiary shall be excluded from such determination and (iii) the net income of any Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Subsidiary shall be excluded from such determination.

"Consolidated Net Interest Expense" shall mean, for any period, (i) the total consolidated interest expense of Holdings and its Subsidiaries for such period (calculated without regard to any limitations on payment thereof) plus, to the extent not included above, Accounts Receivables Facility Financing Costs pursuant to the Accounts Receivable Facility for such period, adjusted to exclude (to the extent same would otherwise be included in the calculation above in this clause (i)) (A) the amortization of any deferred financing costs for such period, (B) non-cash interest expense (including amortization of discount and interest which will be added to, and thereafter become part of, the principal or liquidation preference of the respective Indebtedness or Preferred Stock through a pay-in-kind feature or otherwise, but excluding all regularly accruing interest expense which will be payable in cash in a subsequent period) payable in respect of any Indebtedness or Preferred Stock and (C) dividends on Qualified Preferred Stock in the form of additional Qualified Preferred Stock plus (ii) without duplication, that portion of Capitalized Lease Obligations of Holdings and its Subsidiaries on a consolidated basis representing

the interest factor for such period minus (iii) the cash portion of interest income of Holdings and its Subsidiaries on a consolidated basis for such period (for this purpose, excluding any cash interest income received by any non-Wholly-Owned Subsidiary to the same extent as such amount, if representing net income, would be excluded from Consolidated Net Income pursuant to the proviso to the definition thereof), all as determined in accordance with GAAP (subject to the express requirements set forth above).

"Contingent Obligations" shall mean as to any Person any obligation of such Person guaranteeing or intended to guarantee any Indebtedness, leases, dividends or other obligations ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (b) to advance or supply funds (x) for the purchase or payment of any such primary obligation or (y) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (d) otherwise to assure or hold harmless the owner of such primary obligation against loss in respect thereof; provided, however, that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection or standard contractual indemnities entered into, in each case in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined by such Person in good faith.

"Continuing Directors" shall mean the directors of Holdings on the date of the occurrence of the first Qualified IPO occurring after the Effective Date and each other director if such director's nomination for election to the Board of Directors of Holdings is recommended by a majority of the then Continuing Directors.

"Convertible Preferred Stock" shall have the meaning provided in Section 7.13(a).

"Credit Agreement Party" shall mean each of Holdings and the Borrower.

"Credit Agreement Party Guaranty" shall mean the guaranty of Holdings and the Borrower pursuant to Section 14.

"Credit Documents" shall mean this Agreement, the Notes, the Subsidiaries Guaranty, the Intercreditor Agreement, each Security Document and any other guarantees or security documents executed and delivered for the benefit of the Guaranteed Creditors in accordance with the requirements of this Agreement.

"Credit Event" shall mean the making of a Loan (other than a Revolving Loan made pursuant to a Mandatory Borrowing) or the issuance of a Letter of Credit.

"Credit Party" shall mean Holdings, the Borrower and each Subsidiary Guarantor.

"Debtor Relief Laws" means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

"Default" shall mean any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

"Defaulting Lender" shall mean any Lender with respect to which a Lender Default is in effect.

"Designated Assets" shall means those assets of the Borrower and its Subsidiaries described on Schedule XIII hereto.

"Dividend" shall have the meaning provided in Section 9.06.

"Documentation Agent" shall have the meaing provided in the first paragraph of this Agreement.

"Documents" shall mean and include (i) the Credit Documents, (ii) the Refinancing Documents, (iii) on and after the execution and delivery thereof, the Accounts Receivable Facility Documents, (iv) the Second-Lien Credit Documents and (v) on and after the execution and delivery thereof, the Refinancing Senior Subordinated Notes Documents.

"Dollar Equivalent" of an amount denominated in a currency other than U.S. Dollars shall mean, at any time for the determination thereof, the amount of U.S. Dollars which could be purchased with the amount of such currency involved in such computation at the spot exchange rate therefor as quoted by the Administrative Agent as of 11:00 A.M. (New York time) on the date two Business Days prior to the date of any determination thereof for purchase on such date (or, if the Administrative Agent does not have as of the date of determination a spot exchange rate for any such currency, such spot exchange rate from another financial institution designated by the Administrative Agent); provided that the Dollar Equivalent of any Unpaid Drawing under a Letter of Credit denominated in a currency other than U.S. Dollars shall be determined at the time the drawing under the related Letter of Credit was paid or disbursed by the respective Letter of Credit Issuer, provided further, that for purposes of (x) determining compliance with Sections 1.01(b) and (c), 2.01(c) and 4.02(a) and (y) calculating Fees pursuant to Section 3.01, the "Dollar Equivalent" of any amounts denominated in a currency other than Dollars shall be revalued on a monthly basis on the last Business Day of each calendar month, provided, however, that at any time during a calendar month, if the sum of the aggregate principal amount of outstanding Revolving Loans and Swingline Loans at such time plus the Letter of Credit Outstandings at such time (for the purposes of the determination thereof, using the Dollar Equivalent as recalculated on the respective date of determination pursuant to this exception) would exceed 85% of the Total Revolving Loan Commitment, then in the sole discretion of the Administrative Agent or at the request of the Required Lenders, the Dollar Equivalent shall be reset on such date, which rates shall remain in effect until the last Business Day of such calendar month or such earlier date, if any, as the rate is reset pursuant to this

proviso. Notwithstanding anything to the contrary contained in this definition, at any time that a Default or an Event of Default then exists, the Administrative Agent may revalue the Dollar Equivalent of any amounts outstanding under the Credit Documents in a currency other than U.S. Dollars in its sole discretion.

"Domestic Subsidiary" shall mean each Subsidiary incorporated or organized in the United States or any State or territory thereof (other than any Cayman Partnership Shareholder).

"Effective Date" shall have the meaning provided in Section 13.22.

"Eligible Assignee" shall have the meaning provided in Section 13.07(g).

"Employee Benefit Plans" shall have the meaning set forth in Section 5.13.

"Employment Agreements" shall have the meaning set forth in Section 5.13.

"EMU" means the economic and monetary union in accordance with the Treaty of Rome 1957, as amended by the Single European Act 1986, the Maastricht Treaty of 1992 and the Amsterdam Treaty of 1998.

"EMU Legislation" means the legislative measures of the European Council for the introduction of, changeover to or operation of a single or unified European currency.

"End Date" shall have the meaning provided in the definition of Applicable Margin.

"EnerSys" shall mean EnerSys Delaware Inc., a Delaware corporation.

"Environmental Claims" shall mean any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigations or proceedings relating in any way to any violation (or alleged violation) by Holdings or any of its Subsidiaries under any Environmental Law (hereafter "Claims") or any permit issued to Holdings or any of its Subsidiaries under any such law, including, without limitation, (a) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and (b) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

"Environmental Law" shall mean any U.S. or non-U.S. federal, state or local law, policy having the force and effect of law, statute, rule, regulation, ordinance, code or rule of common law now or hereafter in effect and in each case as amended, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment (for purposes of this definition (collectively, "Laws")), relating to the environment, or Hazardous Materials or health and safety to the extent such health and safety issues arise under the Occupational Safety and Health Act of 1970, as amended.

"Equity Interests" of any Person shall mean any and all shares, interests, rights to purchase, warrants, options, participation or other equivalents of or interest in (however designated) equity of such Person, including any preferred stock, any limited or general partnership interest and any limited liability company membership interest.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to ERISA are to ERISA, as in effect at the date of this Agreement and any subsequent provisions of ERISA, amendatory thereof, supplemental thereto or substituted therefor.

"ERISA Affiliate" shall mean each person (as defined in Section 3(9) of ERISA) which together with the Holdings or a Subsidiary of Holdings would be deemed to be a "single employer" within the meaning of Section 414(b), (c), (m) or (o) of the Code.

"Eurodollar Loans" shall mean each Loan bearing interest at the rates provided in Section 1.08(b) (subject to any increases pursuant to Section 1.08(c)).

"Eurodollar Rate" means for any Interest Period with respect to a Eurodollar Loan:

(a) the applicable Screen Rate for such Interest Period; or

(b) if the applicable Screen Rate shall not be available, the rate per annum determined by the Administrative Agent as the rate of interest at which deposits in the relevant currency for delivery on the first day of such Interest Period in immediately available funds in the approximate amount of the Eurodollar Loan being made, continued or converted by Bank of America and with a term equivalent to such Interest Period would be offered by Bank of America's London Branch (or other Bank of America branch or Affiliate) to major banks in the London or other offshore interbank market for such currency at their request at approximately 4:00 p.m. (London time) two Business Days prior to the first day of such Interest Period.

"Euros" and the designation "€" shall mean "Euro" and "EUR" mean the lawful currency of the "participating member states" (as described in the EMU Legislation) introduced in accordance with the EMU Legislation.

"Event of Default" shall have the meaning provided in Section 10.

"Excess Cash Flow" shall mean, for any period, the remainder of (i) the sum of (a) Adjusted Consolidated Net Income for such period and (b) the decrease, if any, in Adjusted Consolidated Working Capital from the first day to the last day of such period, minus (ii) the sum of (a) the amount of all Capital Expenditures made by the Borrower and its Subsidiaries pursuant to Sections 9.11(a), (b), (e) and (f) during such period, (b) the aggregate principal amount of permanent principal payments of Indebtedness for borrowed money of the Borrower and its Subsidiaries (other than repayments of intercompany Indebtedness and repayments of Loans or Term Loans under, and as defined in, the Second-Lien Credit Agreement, provided that repayments of Loans shall be included in the deduction set forth in clause (ii)(b) above in determining Excess Cash Flow if such repayments were (x) required as a result of a Scheduled

Repayment under Section 4.02(b) or (y) made as a voluntary prepayment with internally generated funds (but in the case of a voluntary prepayment of Revolving Loans or Swingline Loans, only to the extent accompanied by a voluntary reduction to the Total Revolving Loan Commitment in an equal amount)) during such period, (c) the aggregate amount of cash (not to exceed $10.0 million for such period) utilized to finance Permitted Acquisitions during such period, (d) the increase, if any, in Adjusted Consolidated Working Capital from the first day to the last day of such period and (e) the aggregate amount of any cash restructuring charges incurred (and paid) during such period (to the extent resulting from the elimination of a long-term liability which had appeared on the balance sheet of Holdings), so long as the aggregate amount deducted pursuant to this clause (e) after the Effective Date does not exceed $12,300,000.

"Excess Cash Flow Payment Period" shall mean, with respect to each Excess Cash Payment Date, the immediately preceding fiscal year of Holdings.

"Excess Cash Payment Date" shall mean the date occurring 90 days after the last day of a fiscal year of Holdings (beginning with its fiscal year ending on March 31, 2005).

"Excess Proceeds Amount" shall initially be $0, which amount shall be (A) increased (i) on each Excess Cash Payment Date so long as any repayment required pursuant to Section 4.02(g) has been made, by an amount equal to the Excess Cash Flow for the immediately preceding Excess Cash

Flow Period multiplied by a percentage equal to 100% minus the Applicable Excess Cash Flow Percentage and (ii) on the date of receipt by Holdings of net cash proceeds from any sale or issuance of Holdings Common Stock (except to the extent applied to repay Indebtedness under the Second-Lien Credit Agreement), so long as any repayment pursuant to Section 4.02(e) that is required by such Section has been made, by an amount equal to 50% of such net cash proceeds, and (B) reduced (i) on each Excess Cash Payment Date where Excess Cash Flow for the immediately preceding Excess Cash Flow Period is a negative number, by such amount, and (ii) at the time any Capital Expenditure is made pursuant to Section 9.11(f) or Investment is made pursuant to Section 9.05(xviii), by the amount thereof (it being understood that the Excess Proceeds Amount may be reduced to an amount below zero after giving effect to the reductions enumerated in clause (B) above).

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Excluded IPO Proceeds" shall mean the net cash proceeds received by Holdings from a Qualified IPO, so long as (i) no Default of Event of Default is then in existence, (ii) all such proceeds are promptly contributed by Holdings to the Borrower and contemporaneously therewith used by the Borrower to repay outstanding loans and other obligations under the Second-Lien Credit Agreement and (iii) Holdings has delivered to the Administrative Agent an officer's certificate executed by an Authorized Officer of Holdings demonstrating compliance with a Leverage Ratio of 3:00:1.00 or less (calculated on a Pro Forma Basis as if the repayments described in the preceding clause (ii) and any contemporaneous repayment of Term Loans hereunder had been made on the first day of the Test Period then last ended), together with calculations in reasonable detail demonstrating such compliance.

"Existing Accounts Receivable Facility" shall mean the receivables purchase arrangement governed by the Amended and Restated Receivables Purchase Agreement, dated as of November 9, 2000, among Yesco, Inc., as the Seller, Yuasa, Inc., as the Servicer, the investors named therein, Variable Funding Capital Corporation, as a Purchaser, First Union Securities, Inc., as the Deal Agent and First Union National Bank, as the Liquidity Agent, and the Amended and Restated Receivables Transfer Agreement, dated as of November 9, 2000, between Yuasa, Inc. and Yesco, Inc. (as the same may have been modified, amended, restated and/or supplemented from time to time prior to the Initial Borrowing Date).

"Existing Credit Agreement" shall mean the Credit Agreement, dated as of November 9, 2000, among Holdings, the Borrower, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as syndication agent and administrative agent, as in effect on the Initial Borrowing Date (immediately prior to giving effect thereto).

"Existing Indebtedness" shall have the meaning provided in Section 7.21.

"Existing Indebtedness Agreements" shall have the meaning provided in Section 5.13.

"Existing Interest Rate Protection Agreements" shall mean and include (i) that certain Interest Rate Protection Agreement entered into by the Borrower and Fleet National Bank and maturing on February 22, 2006, (ii) that certain Interest Rate Protection Agreement entered into by the Borrower and PNC Bank, NA and maturing on February 22, 2006 and (iii) that certain Interest Rate Protection Agreement entered into by the Borrower and Wachovia Bank, N.A. and maturing on February 22, 2006, in each case as in effect on the Initial Borrowing Date.

"Existing Letter of Credit" shall have the meaning provided in Section 2.01(e).

"Existing Overdraft Facilities" shall mean the overdraft facilities and lines of credit of certain Foreign Subsidiaries of the Borrower existing on the Initial Borrowing Date and as listed on Part B of Schedule IV hereto, in each case in the committed amount set forth opposite such overdraft facility or line of credit on said Part B of Schedule IV.

"Facing Fee" shall have the meaning provided in Section 3.01(c).

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Bank of America on such day on such transactions as determined by the Administrative Agent.

"Fees" shall mean all amounts payable pursuant to, or referred to in, Section 3.01.

"Foreign Pension Plan" means any plan, fund (including, without limitation, any superannuation fund) or other similar program established or maintained outside the United States of America by Holdings or any one or more of its Subsidiaries primarily for the benefit of employees of Holdings or any of its Subsidiaries residing outside the United States of America, which plan, fund or other similar program provides, or results in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and which plan is not subject to ERISA or the Code.

"Foreign Subsidiary" shall mean each Subsidiary other than a Domestic Subsidiary; provided that, notwithstanding the foregoing, each Cayman Partnership Shareholder shall be deemed to be (and shall be treated as) a Foreign Subsidiary for all purposes of this Agreement and the other Credit Documents.

"Fund" shall have the meaning provided in Section 13.07(g).

"GAAP" shall mean generally accepted accounting principles in the United States of America as in effect from time to time; it being understood and agreed that determinations in accordance with GAAP for purposes of Applicable Margins and Sections 4.02, 8.14 and 9, including defined terms as used therein, and for all purposes of determining the Leverage Ratio, are subject (to the extent provided therein) to Section 13.21(a).

"Guaranteed Creditors" shall mean and include each of the Administrative Agent, the Syndication Agent, the Documentation Agent, the Collateral Agent, the Lenders, each Letter of Credit Issuer and each party (other than any Credit Party) party to an Interest Rate Protection Agreement, Commodity Agreement or Other Hedging Agreement to the extent that such party constitutes a Secured Creditor under the Security Documents.

"Guaranteed Party" shall mean the Borrower and each Subsidiary of the Borrower party to an Interest Rate Protection Agreement, Other Hedging Agreement or Commodity Agreement with any Guaranteed Creditor.

"Guarantor" shall mean Holdings, the Borrower (in its capacity as a guarantor pursuant to Section 14) and each Subsidiary Guarantor.

"Guaranty" shall mean and include the Credit Agreement Party Guaranty and the Subsidiaries Guaranty.

"Hazardous Materials" shall mean (a) any petrochemical or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls, and radon gas; and (b) any chemicals, materials or substances defined under any Environmental Law as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "restricted hazardous materials," "extremely hazardous wastes," "restrictive hazardous wastes," "toxic substances," "toxic pollutants".

"Highest Applicable Margins" shall have the meaning provided in the definition of Applicable Margin contained herein.

"Holdings" shall have the meaning provided in the first paragraph of this Agreement.

"Holdings Common Stock" shall have the meaning provided in Section 7.13(a).

"Indebtedness" of any Person shall mean, without duplication, (i) all indebtedness of such Person for borrowed money, (ii) the deferred purchase price of assets or services payable to the sellers thereof or any of such seller's assignees which in accordance with GAAP would be shown on the liability side of the balance sheet of such Person but excluding deferred rent and trade payables not overdue by more than 60 days, both as determined in accordance with GAAP, (iii) the face amount of all letters of credit issued for the account of such Person and, without duplication, all drafts drawn thereunder, (iv) all Indebtedness of a second Person secured by any Lien on any property owned by such first Person, whether or not such Indebtedness has been assumed, (v) all Capitalized Lease Obligations of such Person, (vi) all obligations of such Person to pay a specified purchase price for goods or services whether or not delivered or accepted, i.e., take-or-pay and similar obligations, (vii) all obligations under any Swap Contract, (viii) all Contingent Obligations of such Person, (ix) all Receivables Indebtedness and (x) all Synthetic Lease Obligations, provided that Indebtedness shall not include trade payables and accrued expenses, in each case arising in the ordinary course of business. The amount of any obligation under any Swap Contract on any date shall be deemed to be the Swap Termination Value thereof as of such date. The amount of any Synthetic Lease Obligation as of any date shall be deemed to be the amount of Attributable Indebtedness in respect thereof as of such date.

"Indebtedness To Be Refinanced" shall mean all of the Indebtedness and other obligations under the Existing Credit Agreement and the Existing Accounts Receivable Facility.

"Indemnified Liabilities" shall have the meaning provided in Section 13.05.

"Indemnitees" shall have the meaning provided in Section 13.05.

"Initial Accounts Receivable Facility Requirements" shall mean, with respect to the Accounts Receivable Facility to be entered into on the Accounts Receivable Facility Transaction Date, the following requirements:

(A) the maximum Receivables Indebtedness permitted under the Accounts Receivable Facility shall not be greater than $50.0 million;

(B) the scheduled maturity of the Accounts Receivable Facility shall not be earlier than 364 days after the date of the entering into of such Accounts Receivable Facility (subject to 6 month extensions);

(C) the Receivables Entity is required to apply all funds available to it (after giving effect to the allocation of funds to reserves required under the terms of the Accounts Receivable Facility Documents and to the payment of interest, principal and other amounts owed under the Accounts Receivable Facility Documents) to pay the purchase price for accounts receivable (including any deferred portion of the purchase price) or to make Dividends to EnerSys or to the Borrower;

(D) the termination events or early amortization events (however defined) in the Accounts Receivable Facility Documents therefor shall not be made more onerous (whether through the modification of existing termination events or early amortization events or the provision of additional such events) on the Borrower and its Subsidiaries in any material respect than those contained in the Existing Accounts Receivable Facility Documents and, in any event, shall be reasonably satisfactory to the Agents;

(E) the degree of recourse to Holdings or its Subsidiaries (other than the Receivables Entity) under or in respect of the Accounts Receivable Facility Documents governing the Accounts Receivable Facility shall not be increased in any material respect (as determined in good faith by the Borrower) from the degree of recourse to such Persons under the Existing Accounts Receivables Documents (as in effect on the Initial Borrowing Date, prior to the termination thereof) and in no event shall Holdings or any of its Subsidiaries (other than the Receivables Entity) have recourse liability (except pursuant to Standard Securitization Undertakings) for the payment of any Accounts Receivable Facility Assets or any investor certificates or purchased interests pursuant to such Accounts Receivables Facility;

(F) the covenants included in the Accounts Receivable Facility Documents shall not be made more restrictive (whether through the modification of existing covenants or the provision of additional covenants) to the Borrower and its Subsidiaries in any material respect than those contained in the Existing Accounts Receivables Documents and, in any event, shall be reasonably satisfactory to the Agents;

(G) if representations and warranties not included in the Existing Accounts Receivables Documents are included in the Accounts Receivable Facility Documents, such additional representations and warranties shall not be adverse in any material respect to the interest of the Borrower and its Subsidiaries taken as a whole (as determined in good faith by the Borrower); and

(H) the provisions of the Accounts Receivable Facility shall not conflict with the relevant requirements of Sections 9.02, 9.04 and 9.05.

Without limiting the foregoing, (i) if any covenant or default "basket" included in this Agreement which has a corresponding "basket" in the relevant Accounts Receivable Facility Document was increased to a level greater than the related basket level included in the Existing Credit Agreement, then the corresponding basket in the relevant Accounts Receivable Facility Document shall be increased to at least the level of the related basket contained herein and (ii) in no event shall the "termination events" included for such Accounts Receivable Facility include an event based on the occurrence of "a material adverse effect".

"Initial Borrowing Date" shall mean the date upon which the initial Borrowing of Loans occurs.

"Initial Test Date" shall have the meaning provided in the definition of Applicable Margin contained herein.

"Intercompany Loan" shall have the meaning provided in Section 9.05(vi).

"Intercompany Note" shall mean a promissory note evidencing Intercompany Loans or intercompany loans made or permitted pursuant to Sections 9.05(xi) and (xiv) or Section 9.04(ii), in each case duly executed and delivered substantially in the form of Exhibit L, with blanks completed in conformity herewith.

"Intercreditor Agreement" shall have the meaning provided in Section 5.10.

"Interest Determination Date" shall mean, with respect to any Eurodollar Loan, the second Business Day prior to the commencement of any Interest Period relating to such Eurodollar Loan.

"Interest Period" with respect to any Eurodollar Loan, shall mean the interest period applicable thereto, as determined pursuant to Section 1.09.

"Interest Rate Protection Agreement" shall mean any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedging agreement or other similar agreement or arrangement.

"Investment" shall have the meaning provided in the preamble to Section 9.05.

"ISP" means, with respect to any Letter of Credit, the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance).

"Joint Venture" shall mean any Person, other than an individual or a Wholly-Owned Subsidiary of the Borrower, (i) in which the Borrower or a Subsidiary of the Borrower holds or acquires an ownership interest (whether by way of capital stock, partnership or limited liability company interest, or other evidence of ownership) and (ii) which is engaged in a Permitted Business.

"Judgment Currency" shall have the meaning provided in Section 13.20.

"L/C Participant" shall have the meaning provided in Section 2.03(a).

"LCPI" shall mean Lehman Commercial Paper Inc., in its individual capacity, and any successor corporation thereto by merger, consolidation or otherwise.

"L/C Supportable Indebtedness" shall mean (i) obligations of Holdings or its Wholly-Owned Subsidiaries incurred in the ordinary course of business with respect to insurance obligations and workers' compensation, surety bonds and other similar statutory obligations , (ii) performance obligations under supply, service or construction contracts, including, without limitation, bid and/or performance and/or payment bonds or guarantees related to the foregoing and (iii) such other obligations of Holdings or any of its Wholly-Owned Subsidiaries as are reasonably acceptable to the Administrative Agent and the Letter of Credit Issuer and otherwise permitted to exist pursuant to the terms of this Agreement.

"Leasehold" of any Person shall mean all of the right, title and interest of such Person as lessee or licensee in, to and under leases or licenses of land, improvements and/or fixtures.

"Lender" shall mean each financial institution listed on Schedule I, as well as any Person that becomes a "Lender" hereunder pursuant to Section 1.13 or 13.07(b).

"Lender Default" shall mean (i) the wrongful refusal (which has not been retracted) of a Lender to make available its portion of any Borrowing (including any Mandatory Borrowing) or to fund its portion of any unreimbursed payment under Section 2.03 or (ii) a Lender having notified the

Administrative Agent and/or the Borrower that it does not intend to comply with its obligations under Section 1.01(b), 1.01(d) or 2.03 in circumstances where such non-compliance would constitute a breach of such Lender's obligations under the respective Section.

"Letter of Credit" shall have the meaning provided in Section 2.01(a).

"Letter of Credit Fees" shall have the meaning provided in Section 3.01(b).

"Letter of Credit Issuer" shall mean (i) Bank of America, any affiliate of Bank of America and any RL Lender (or affiliate of any RL Lender) which, at the request of the Borrower and with the consent of the Administrative Agent, agrees in such Lender's (or affialite's) sole discretion to become a Letter of Credit Issuer for purposes of issuing Letters of Credit pursuant to Section 2 (ii) with respect to any Existing Letter of Credit, the Lender designated as the issuer thereof on Schedule XIV.

"Letter of Credit Outstandings" shall mean, at any time, the sum of, without duplication, (i) the aggregate Stated Amount of all outstanding Letters of Credit at such time and (ii) the aggregate amount of all Unpaid Drawings (taking the Dollar Equivalent of any amounts owed in currencies other than U.S. Dollars) in respect of all Letters of Credit at such time.

"Letter of Credit Request" shall have the meaning provided in Section 2.02(a).

"Leverage Ratio" shall mean on any date of determination the ratio of (i) Consolidated Debt on such date to (ii) Consolidated EBITDA for the Test Period most recently ended on or prior to such date; provided that Consolidated EBITDA shall be determined on a Pro Forma Basis to give effect to all Permitted Acquisitions (if any) actually made during such most recently ended Test Period. Furthermore, to the extent provided in the definition of Applicable Margin, and for such purposes only, the determination of Leverage Ratio pursuant thereto shall be further determined on a Pro Forma Basis to give effect to Permitted Acquisitions consummated after the last day of the respective Test Period and on or prior to the date of the delivery of the certificate referenced therein, as well as to any Indebtedness incurred or assumed in connection therewith.

"Lien" shall mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any financing or similar statement or notice filed under the UCC

or any similar recording or notice statute, and any lease having substantially the same effect as the foregoing).

"Loan" shall mean each Term Loan, each Revolving Loan and each Swingline Loan.

"Majority Lenders" of any Tranche shall mean those Non-Defaulting Lenders which would constitute the Required Lenders under, and as defined in, this Agreement if all outstanding Obligations of the other Tranches under this Agreement were repaid in full and all Commitments with respect thereto were terminated.

"Management Agreements" shall have the meaning provided in Section 5.13.

"Mandatory Borrowing" shall have the meaning provided in Section 1.01(d).

"Margin Regulations" shall mean Regulations T, U and X, collectively.

"Margin Stock" shall have the meaning provided in Regulation U.

"Material Adverse Effect" shall mean (i) a material adverse effect on the business, properties, assets, operations, liabilities or financial condition (A) of the Borrower and its Subsidiaries taken as a whole or (B) Holdings, the Borrower and the Borrower's Subsidiaries taken as a whole or (ii) a material adverse effect (x) on the rights or remedies of the Lenders or the Administrative Agent hereunder or under any other Credit Document or (y) on the ability of any Credit Party to perform its obligations to the Lenders or the Administrative Agent hereunder or under any other Credit Document, taking into account in the case of either of clauses (i) or (ii) above (in each such case to the extent relevant) insurance, indemnities, rights of contribution and/or similar rights and claims available and applicable to any determination pursuant to this definition so long as consideration is given to the nature and quality of, and likelihood of recovery under, such insurance, indemnities, rights of contribution and/or similar rights and claims; provided that payments made by Holdings in connection with the InvenSys settlement and previously disclosed to the Agents in writing shall not be taken into account for purposes of any determination pursuant to clause (i) of this definition.

"Maturity Date" with respect to any Tranche of Loans, shall mean the Term Loan Maturity Date, the Revolving Loan Maturity Date or the Swingline Expiry Date, as the case may be.

"Maximum Rate" shall have the meaning provided in Section 13.10.

"Maximum Swingline Amount" shall mean $10,000,000.

"Mexican Subsidiary" shall mean Powersonic SA de CV, ESB de Mexico, S.A., Ymfltd, S. de R.L. de C.V. and Yecoltd, S. de R.L. de C.V.

"Minimum Borrowing Amount" shall mean (i) for Revolving Loans, $1,000,000, (ii) for Term Loans, $1,000,000, and (iii) for Swingline Loans, $100,000.

"Minimum Ratings Condition" shall exist on any date if, on such date, the Loans have received a rating of both (i) BB- (with a stable outlook) or better from S&P and (ii) Ba3 (with a stable outlook) or better from Moody's, which ratings remain in full force and effect on such date.

"Moody's" shall mean Moody's Investors Service, Inc.

"Morgan Stanley" shall mean Morgan Stanley, a Delaware corporation.

"Mortgage" shall mean each mortgage, deed to secure debt or deed of trust pursuant to which any Credit Party shall have granted to the Collateral Agent a mortgage lien on such Credit Party's Mortgaged Property.

"Mortgage Policy" shall have the meaning provided in Section 5.12.

"Mortgaged Property" shall mean (i) each Real Property owned by any Credit Party and designated as a Mortgaged Property on Schedule III and (ii) each Real Property owned or leased by any Credit Party and designated as a Mortgaged Property pursuant to Section 8.11.

"MSSF" shall mean Morgan Stanley Senior Funding, Inc., in its individual capacity, and any successor corporation thereto by merger, consolidation or otherwise.

"Multiemployer Plan" shall mean (i) any plan, as defined in Section 4001(a)(3) of ERISA, which is maintained or contributed to (or to which there is an obligation to contribute to) by Holdings or a Subsidiary of Holdings or an ERISA Affiliate and that is subject to Title IV of ERISA, and (ii) each such plan for the five year period immediately following the latest date on which Holdings, a Subsidiary of Holdings or an ERISA Affiliate maintained, contributed to or had an obligation to contribute to such plan if, for purposes of this clause (ii), Holdings, any Subsidiary of Holdings or any ERISA Affiliate could currently incur any liability under such plan.

"Net Cash Proceeds" shall mean for any event requiring a reduction of the Total Revolving Loan Commitment and/or repayment of Term Loans pursuant to Section 3.03 or 4.02, as the case may be, the gross cash proceeds (including any cash received by way of deferred payment pursuant to a promissory note, receivable or otherwise, but only as and when received) received from such event, net of reasonable transaction costs (including, as applicable, any underwriting, brokerage or other customary commissions and reasonable legal, advisory and other fees and expenses associated therewith) received from any such event.

"Net Sale Proceeds" shall mean for any sale of assets, the gross cash proceeds (including any cash received by way of deferred payment pursuant to a promissory note, receivable or otherwise, but only as and when received) received from any sale of assets, net of (i) reasonable transaction costs (including, without limitation, any underwriting, brokerage or other customary selling commissions and reasonable legal, advisory and other fees and expenses, including title and recording expenses, associated therewith) and payments of unassumed liabilities relating to the assets sold at the time of, or within 30 days after, the date of such sale, (ii) the amount of such gross cash proceeds required to be used to repay any Indebtedness (other than Indebtedness of the Lenders pursuant to this Agreement) which is secured by the respective

assets which were sold, and (iii) the estimated marginal increase in income taxes which will be payable by Holdings' consolidated group with respect to the fiscal year in which the sale occurs as a result of such sale; provided, however, that such gross proceeds shall not include any portion of such gross cash proceeds which Holdings determines in good faith should be reserved for post-closing adjustments (including indemnification payments) (to the extent Holdings delivers to the Lenders a certificate signed by its chief financial officer or treasurer, controller or chief accounting officer as to such determination), it being understood and agreed that on the day that all such post-closing adjustments have been determined (which shall not be later than six months following the date of the respective asset sale), the amount (if any) by which the reserved amount in respect of such sale or disposition exceeds the actual post-closing adjustments payable by Holdings or any of its Subsidiaries shall constitute Net Sale Proceeds on such date received by Holdings and/or any of its Subsidiaries from such sale, lease, transfer or other disposition. Net Sale Proceeds shall not include any trade-in-credits or purchase price reductions received by Holdings or any of its Subsidiaries in connection with an exchange of equipment for replacement equipment that is the functional equivalent of such exchanged equipment.

"Non-Defaulting Lender" shall mean each Lender other than a Defaulting Lender.

"Non-Wholly Owned Entity" shall have the meaning provided in the definition of Permitted Acquisition.

"Note" shall mean each Term Note, each Revolving Note and the Swingline Note.

"Notice of Borrowing" shall have the meaning provided in Section 1.03(a).

"Notice of Conversion/Continuation" shall have the meaning provided in Section 1.06.

"Notice Office" shall mean, with respect to notices for payments, requests for credit extensions or other notices, the relevant office of the Administrative Agent as set forth on Schedule II hereto or such other office as the Administrative Agent may designate to Holdings and the Lenders from time to time.

"Obligations" shall mean all amounts, direct or indirect, contingent or absolute, of every type or description, and at any time existing, owing to any Agent, the Collateral Agent, any Letter of Credit Issuer or any Lender pursuant to the terms of this Agreement or any other Credit Document.

"Other Hedging Agreements" shall mean any foreign exchange contracts, currency swap agreements or other similar agreements or arrangements designed to protect against fluctuations in currency values.

"Participant" shall have the meaning provided in Section 13.07.

"Payment Office" means, with respect to any currency, the Administrative Agent's address and, as appropriate, account as set forth on Schedule II with respect to such currency, or such other address or account with respect to such currency as the Administrative Agent may from time to time notify to the Borrower and the Lenders.

"PBGC" shall mean the Pension Benefit Guaranty Corporation established pursuant to Section 4002 of ERISA, or any successor thereto.

"Permanent Exchange Refinancing Senior Subordinated Notes" shall mean senior subordinated notes issued by the Borrower pursuant to a registered exchange offer or private exchange offer for the Refinancing Senior Subordinated Notes and pursuant to the Refinancing Senior Subordinated Notes Indenture, which senior subordinated notes are substantially identical securities to the Refinancing Senior Subordinated Notes. In no event will the issuance of any Permanent Exchange Refinancing Senior Subordinated Notes increase the aggregate principal amount of the Refinancing Senior Subordinated Notes then outstanding or otherwise result in an increase in the interest rate theretofore applicable to the Refinancing Senior Subordinated Notes.

"Permitted Acquired Debt" shall have the meaning set forth in Section 9.04(vi).

"Permitted Acquisition" shall mean the acquisition by the Borrower or any of its Wholly-Owned Subsidiaries (other than the Receivables Entity) of assets constituting a business, division or product line of any Person, not already a Subsidiary of Holdings or any of its Wholly-Owned Subsidiaries, or of 100% of the capital stock or other Equity Interests of any such Person, which Person shall, as a result of such acquisition, become a Wholly-Owned Subsidiary of the Borrower or such Wholly-Owned Subsidiary, provided that (A) the consideration paid by the Borrower or such Wholly-Owned Subsidiary consists solely of cash (including proceeds of Revolving Loans), the issuance of Holdings Common Stock, the issuance of any Qualified Preferred Stock otherwise permitted pursuant to Section 9.13, the incurrence of Indebtedness otherwise permitted in Section 9.04 and the assumption/acquisition of any Permitted Acquired Debt relating to such business, division, product line or Person which is permitted to remain outstanding in accordance with the requirements of Section 9.04, (B) in the case of the acquisition of 100% of the capital stock or other Equity Interests of any Person, such Person (the "Acquired Person") shall own no capital stock or other Equity Interests of any other Person unless either (x) the Acquired Person owns 100% of the capital stock or other Equity Interests of such other Person or (y) if the Acquired Person owns capital stock or Equity Interests in any other Person which is not a Wholly-Owned Subsidiary of the Acquired Person (a "Non-Wholly Owned Entity"), (1) the Acquired Person shall not have been created or established in contemplation of, or for purposes of, the respective Permitted Acquisition, (2) any Non-Wholly Owned Entity of the Acquired Person shall have been non-wholly-owned prior to the date of the respective Permitted Acquisition and not created or established in contemplation thereof and (3) the Acquired Person and/or its Wholly-Owned Subsidiaries own 80% of the consolidated assets of such Person and its Subsidiaries, (C) except in the case of any such acquisition by a Wholly-Owned Foreign Subsidiary of the Borrower, substantially all of the business, division or product line acquired pursuant to the respective Permitted Acquisition, or the business of the Acquired Person and its Subsidiaries taken as a whole, is in the United States, (D) the assets acquired, or the business of the Acquired Person, shall be in a Permitted Business and (E) all applicable requirements of Sections 8.14 and 9.02 applicable to Permitted Acquisitions are satisfied. Notwithstanding anything to the contrary contained in the immediately preceding sentence, an acquisition which does not otherwise meet the requirements set forth above in the definition of "Permitted Acquisition" shall constitute a Permitted Acquisition if, and to the extent, the Required Lenders agree in writing that such acquisition shall constitute a Permitted Acquisition for purposes of this Agreement.

"Permitted Business" shall mean the manufacture, distribution, installation and servicing of batteries and reasonably related products, and activities reasonably related to the foregoing.

"Permitted Encumbrances" shall mean (i) those liens, encumbrances and other matters affecting title to any Real Property and found reasonably acceptable by the Administrative Agent, (ii) as to any particular Real Property at any time, such easements, encroachments, covenants, rights of way, minor defects, irregularities or encumbrances on title which could reasonably be expected to materially impair such Real Property for the purpose for which it is held by the mortgagor thereof, or the lien held by the Collateral Agent, (iii) zoning and other municipal ordinances which are not violated in any material respect by the existing improvements and the present use made by the mortgagor thereof of the premises, (iv) general real estate taxes and assessments not yet delinquent, and (v) such other similar items as the Administrative Agent may consent to (such consent not to be unreasonably withheld).

"Permitted Holders" shall mean the Sponsor, any majority owned and controlled Affiliate of the Sponsor, the Senior Managers and any other shareholders of Holdings which received any portion of the Sponsor Distribution on the Initial Borrowing Date.

"Permitted Liens" shall have the meaning provided in Section 9.03.

"Permitted Refinancing Indebtedness" shall mean any Indebtedness of the Borrower and its Subsidiaries issued or given in exchange for, or the proceeds of which are used to, extend, refinance, renew, replace, substitute or refund any Existing Indebtedness, Permitted Acquired Debt, or any Indebtedness issued to so extend, refinance, renew, replace, substitute or refund any such Indebtedness, so long as (a) such Indebtedness has a weighted average life to maturity greater than or equal to the weighted average life to maturity of the Indebtedness being refinanced, (b) such refinancing or renewal does not (i) increase the amount of such Indebtedness outstanding immediately prior to such refinancing or renewal by more than 3% or (ii) add guarantors, obligors or security from that which applied to such Indebtedness being refinanced or renewed, (c) such refinancing or renewal Indebtedness has substantially the same (or, from the perspective of the Lenders, more favorable) subordination provisions, if any, as applied to the Indebtedness being renewed or refinanced, and (d) all other terms of such refinancing or renewal (including, without limitation, with respect to the amortization schedules, redemption provisions, maturities, covenants, defaults and remedies), are not, taken as a whole, materially less favorable to the respective borrower than those previously existing with respect to the Indebtedness being refinancing or renewed, provided, however, that any intercompany Existing Indebtedness (and subsequent extensions, refinancings, renewals, replacements and refundings thereof as provided above in this definition) may only be extended, refinanced, renewed, replaced or refunded as provided above in this definition if the Indebtedness so extended, refinanced, renewed, replaced or refunded has the same obligors(s) and obligee(s) as the Indebtedness being extended, refinanced, renewed, replaced or refunded.

"Person" shall mean any individual, partnership, joint venture, firm, corporation, limited liability company, association, trust or other enterprise or any government or political subdivision or any agency, department or instrumentality thereof.

"Plan" shall mean any pension plan as defined in Section 3(2) of ERISA (other than a Multiemployer Plan), which is maintained or contributed to by (or to which there is an obligation to contribute of) Holdings or a Subsidiary of Holdings or an ERISA Affiliate, and each such plan for the five year period immediately following the latest date on which Holdings, or a Subsidiary of Holdings or an ERISA Affiliate maintained, contributed to or had an obligation to contribute to such plan to the extent that Holdings or any Subsidiary of Holdings or an ERISA Affiliate could, in the reasonable opinion of the Lenders, reasonably be expected to have any liability under such Plan.

"Pledge Agreement" shall have the meaning provided in Section 5.12(a).

"Pledge Agreement Collateral" shall mean all "Collateral" as defined in the Pledge Agreement.

"Post-Closing Period" shall have the meaning provided in Section 8.14(a).

"Preferred Stock," as applied to the capital stock of any Person, means capital stock of such Person (other than common stock of such Person) of any class or classes (however designated) that ranks prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of capital stock of any other class of such Person, and shall include any Qualified Preferred Stock and any preferred stock which is not Qualified Preferred Stock.

"Preferred Stock Subscription Agreement" shall mean the Stock Subscription Agreement, dated as of March 22, 2002, among Holdings and the Sponsor and other of the initial purchasers of the Convertible Preferred Stock, as the same may be amended and/or modified in accordance with the terms hereof and thereof.

"Pro Forma Basis" shall mean, in connection with any calculation of compliance with any financial covenant or financial term, the calculation thereof after giving effect on a pro forma basis to (x) the Permitted Acquisition then being consummated as well as any other Permitted Acquisition consummated after the first day of the relevant Test Period or Calculation Period, as the case may be, and on or prior to the date of the respective Permitted Acquisition then being effected and (y) the incurrence of any Indebtedness that is incurred in connection with, or to finance, the Transaction one or more Permitted Acquisitions and/or any other transaction to be consummated on a "Pro Forma Basis"; provided that, for purposes of calculations pursuant to (I) Section 9.08 for any Test Period ended prior to (but not after) the first anniversary of the Initial Borrowing Date, (II) Sections 8.14, 8.19 and 9.06(x) and (III) the definition of Excluded IPO Proceeds, such calculations shall also give effect on a pro forma basis to (a) the incurrence of any Indebtedness (other than revolving Indebtedness, except to the extent same is incurred to refinance other outstanding Indebtedness or to finance a Permitted Acquisition) after the first day of the relevant Calculation Period as if such Indebtedness had been incurred (and the proceeds thereof applied) on the first day of the relevant Calculation Period and (b) the permanent repayment of any Indebtedness (other than revolving Indebtedness) after the first day of the relevant Calculation Period as if such Indebtedness had been retired or redeemed on the first day of the relevant Calculation Period, with the following rules to apply in connection therewith:

(i) for purposes of (I) Section 9.08 for any Test Period ended prior to (but not after) the first anniversary of the Initial Borrowing Date, (II) Sections 8.14, 8.19 and 9.06(x) and (III) the definition of Excluded IPO Proceeds, all Indebtedness (x) (other than revolving Indebtedness, except to the extent same is incurred to finance the Transaction, to refinance other outstanding Indebtedness or to finance Permitted Acquisitions) incurred or issued after the first day of the relevant Calculation Period (whether incurred to finance a Permitted Acquisition, to refinance Indebtedness or otherwise) shall be deemed to have been incurred or issued (and the proceeds thereof applied) on the first day of the respective Test Period or Calculation Period and remain outstanding through the date of determination (and thereafter in the case of projections pursuant to Section 8.14) and (y) (other than revolving Indebtedness) permanently retired or redeemed after the first day of the relevant Test Period or Calculation Period shall be deemed to have been retired or redeemed on the first day of the respective Test Period or Calculation Period and remain retired through the date of determination (and thereafter in the case of projections pursuant to Section 8.14);

(ii) for purposes of (I) Section 9.08 for any Test Period ended prior to (but not after) the first anniversary of the Initial Borrowing Date and (II) Section 8.14, all Indebtedness assumed to be outstanding pursuant to preceding clause (i) shall be deemed to have borne interest at (x) the rate applicable thereto, in the case of fixed rate indebtedness or (y) the rates which would have been applicable thereto during the respective period when same was deemed outstanding, in the case of floating rate Indebtedness (although interest expense with respect to any Indebtedness for periods while same was actually outstanding during the respective period shall be calculated using the actual rates applicable thereto while same was actually outstanding); provided that all Indebtedness (whether actually outstanding or deemed outstanding) bearing interest at a floating rate of interest shall be tested on the basis of the rates applicable at the time the determination is made pursuant to said provisions;

(iii) for purposes of determinations of the Leverage Ratio (other than for purposes of Section 8.14, 8.19 and 9.06(x) and the definition of Excluded IPO Proceeds), Consolidated Debt shall be the actual amount thereof as of the last day of the respective Calculation Period or Test Period, as the case may be; provided that, for purposes of determining the Leverage Ratio as it relates to the definition of Applicable Margin, to the extent any Permitted Acquisition is consummated after the last day of the respective Calculation Period or Test Period and on or prior to the date of delivery of the certificate referenced in the definition of Applicable Margin, all Indebtedness incurred or assumed in connection with one or more Permitted Acquisitions consummated after the last day of the respective Test Period shall be added to Consolidated Debt and shall be deemed to have been outstanding on the last day of the respective Calculation Period or Test Period, as the case may be;

(iv) in making any determination of Consolidated EBITDA on a Pro Forma Basis, pro forma effect shall be given to any Permitted Acquisition effected during the respective Calculation Period or Test Period (or thereafter to the extent provided in the definition of Applicable Margin or for purposes of Section 8.14) as if same had occurred on the first day of the respective Calculation Period or Test Period, as the case

may be, taking into account, in the case of any Permitted Acquisition, factually supportable and identifiable cost savings and expenses which would otherwise be accounted for as an adjustment pursuant to Article 11 of Regulation S-X under the Securities Act, as if such cost savings or expenses were realized on the first day of the respective period.

"Pro Forma Balance Sheet" shall have the meaning provided in Section 5.15.

"Projections" shall mean the detailed projected consolidated financial statements of Holdings and its Subsidiaries certified by a senior financial officer of Holdings for the five fiscal years after the Initial Borrowing Date and made available to the Lenders on or prior to the Initial Borrowing Date.

"Qualified IPO" shall mean a bona fide underwritten sale to the public of common stock of Holdings pursuant to a registration statement (other than on Form S-8 or any other form relating to securities issuable under any benefit plan of Holdings or any of its Subsidiaries, as the case may be) that is declared effective by the SEC and results in gross cash proceeds (exclusive of underwriter's discounts and commissions and other expenses) of at least $50,000,000 (or, for purposes of Sections 8.16 and 9.11, $150,000,000).

"Qualified Preferred Stock" shall mean any preferred stock of Holdings so long as the terms of any such preferred stock (i) do not contain any mandatory put, redemption, repayment, sinking fund or other similar provision prior to one year after the latest Maturity Date (as determined at the time of issuance of such Qualified Preferred Stock), (ii) do not require the cash payment of dividends at a time when such payment would be prohibited or not permitted under this Agreement, (iii) do not contain any covenants, (iv) do not grant the holders thereof any voting rights except for (x) voting rights required to be granted to such holders under applicable law and (y) limited customary voting rights on fundamental matters such as mergers, consolidations, sales of all or substantially all of the assets of Holdings, or liquidations involving Holdings, and (v) are otherwise reasonably satisfactory to the Administrative Agent.

"Quarterly Payment Date" shall mean the last Business Day of each March, June, September and December.

"Quarterly Pricing Certificate" shall have the meaning provided in the definition of Applicable Margin.

"Real Property" of any Person shall mean all of the right, title and interest of such Person in and to land, improvements and fixtures, including Leaseholds.

"Recapitalization" shall mean, collectively, the Sponsor Distribution and the Refinancing.

"Receivables" shall mean all accounts receivable (including, without limitation, all rights to payment created by or arising from sales of goods, leases of goods or the rendering of services no matter how evidenced and whether or not earned by performance).

"Receivables Entity" shall mean (x) ESECCO, Inc., a Delaware corporation which is a Wholly-Owned Subsidiary of the Borrower or (y) any other Wholly-Owned Subsidiary of the Borrower which is designated (as provided below) as the "Receivables Entity", in each case so long as such entity engages in no activities other than in connection with the financing of accounts receivable of the Receivables Sellers and (a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of such entity (i) is guaranteed by Holdings or any other Subsidiary of Holdings (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness)) pursuant to Standard Securitization Undertakings, (ii) is recourse to or obligates Holdings or any other Subsidiary of Holdings in any way (other than pursuant to Standard Securitization Undertakings) or (iii) subjects any property or asset of Holdings or any other Subsidiary of Holdings, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings, (b) neither Holdings nor any of its Subsidiaries has any contract, agreement, arrangement or understanding (other than pursuant to the Accounts Receivable Facility Documents (including with respect to fees payable in the ordinary course of business in connection with the servicing of accounts receivable and related assets)) with such entity on terms less favorable to Holdings or such Subsidiary than those that might be obtained at the time from persons that are not Affiliates of Holdings, and (c) neither Holdings nor any other Subsidiary of Holdings has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results. Any such designation of any entity other than ESECCO, Inc. shall be evidenced to the Administrative Agent by filing with the Administrative Agent an officer's certificate of Holdings or the Borrower certifying that, to the best of such officer's knowledge and belief after consultation with counsel, such designation complied with the foregoing conditions.

"Receivables Indebtedness" shall mean indebtedness of the Borrower and/or its Subsidiaries deemed to exist pursuant to the Existing Accounts Receivable Facility and, after the Accounts Receivable Facility Transaction Date, the Accounts Receivable Facility, in each case determined as if such Existing Accounts Receivable Facility and Accounts Receivable Facility were structured as a secured financing transaction as opposed to an asset purchase and sale transaction.

"Receivables Sellers" shall mean the Borrower and any Subsidiary Guarantors, in each case to the extent such Person is party (as a seller) to the Accounts Receivable Facility Documents.

"Recovery Event" shall mean the receipt by Holdings or any of its Subsidiaries of any insurance or condemnation proceeds (other than proceeds from business interruption insurance) payable (i) by reason of theft, physical destruction or damage or any other similar event with respect to any properties or assets of Holdings or any of its Subsidiaries, (ii) by reason of any condemnation, taking, seizing or similar event with respect to any properties or assets of Holdings or any of its Subsidiaries and (iii) under any policy of insurance required to be maintained under Section 8.03.

"Refinancing" shall mean the refinancing transactions described in Sections 5.08(b), (c) and (d).

"Refinancing Documents" shall mean documents, letters and agreements entered into in connection with the Refinancing.

"Refinancing Senior Subordinated Notes" shall mean any Indebtedness of the Borrower evidenced by senior subordinated notes incurred to refinance, in whole or in part, loans outstanding pursuant to the Second-Lien Credit Agreement, so long as (a) such Indebtedness has a final maturity no earlier than one year following the Term Loan Maturity Date, (b) such Indebtedness does not provide for security, (c) such Indebtedness does not provide for guaranties by any Person other than the Subsidiary Guarantors, (d) such refinancing does not increase the amount of such Indebtedness outstanding immediately prior to such refinancing by more than 3%, (e) all of the Net Cash Proceeds from the incurrence of such Indebtedness shall have been applied to

repay obligations under the Second-Lien Credit Agreement accordance with the requirements of Section 9.12(ii) and (f) all other terms of such Indebtedness (including, without limitation, with respect to interest rate, amortization, redemption provisions, maturities, covenants, defaults, remedies and subordination provisions) are satisfactory to the Administrative Agent and the Syndication Agent in their sole discretion, as such Indebtedness may be amended, modified or supplemented from time to time in accordance with the terms hereof and thereof. The issuance of Refinancing Senior Subordinated Senior Notes shall be deemed to be a representation and warranty by the Borrower that all conditions thereto have been satisfied in all material respects and that same is permitted in accordance with the terms of this Agreement, which representation and warranty shall be deemed to be a representation and warranty for all purposes hereunder, including, without limitation, Sections 6 and 10. As used herein, the term "Refinancing Senior Subordinated Notes" shall include any Permanent Exchange Refinancing Senior Subordinated Notes issued pursuant to the Refinancing Senior Subordinated Notes Indenture in exchange for theretofore outstanding Refinancing Senior Subordinated Notes, as contemplated by the definition of Permanent Exchange Refinancing Senior Subordinated Notes.

"Refinancing Senior Subordinated Notes Documents" shall mean the Refinancing Senior Subordinated Notes Indenture, the Refinancing Senior Subordinated Notes and each other agreement, document or instrument relating to the issuance of the Refinancing Senior Subordinated Notes, as the same may be amended, modified or supplemented from time to time in accordance with the terms hereof and thereof.

"Refinancing Senior Subordinated Notes Indenture" shall mean any indenture or similar agreement entered into in connection with the issuance of Refinancing Senior Subordinated Notes, as the same may be amended, modified or supplemented from time to time in accordance with the terms hereof and thereof.

"Register" shall have the meaning provided in Section 13.07(c).

"Regulation D" shall mean Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing reserve requirements.

"Regulation T" shall mean Regulation T of the Board of Governors of the Federal Reserve System as from to time in effect and any successor to all or any portion thereof.

"Regulation U" shall mean Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof.

"Regulation X" shall mean Regulation X of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or any portion thereof.

"Release" means disposing, discharging, injecting, spilling, pumping, leaking, leaching, dumping, emitting, escaping, emptying, seeping, placing, pouring and the like, into or upon any land or water or air, or otherwise entering into the environment.

"Relevant Guaranteed Obligations" shall mean (i) as to the Borrower, all obligations (including obligations which, but for the automatic stay under Section 362(a) of the Bankruptcy Code, would become due) and liabilities of each Guaranteed Party (other than the Borrower) owing under each Interest Rate Protection Agreement, Commodity Agreement and Other Hedging Agreemnt entered into by such Guaranteed Party with any Guaranteed Creditor, whether now in existence or hereafter arising, and the due performance and compliance by each such Guaranteed Party with all terms, conditions and agreements contained therein and (ii) as to Holdings, (x) the principal and interest on each Note issued to each Lender, and all Loans made, under this Agreement, all reimbursement obligations and Unpaid Drawings with respect to Letters of Credit, together with all the other obligations (including obligations which, but for the automatic stay under Section 362(a) of the Bankruptcy Code, would become due) and liabilities (including, without limitation, indemnities, fees and interest thereon) of the Borrower to any Guaranteed Creditor now existing or hereafter incurred under, arising out of or in connection with this Agreement and each other Credit Document and the due performance and compliance by the Borrower with all the terms, conditions and agreements contained in this Agreement and each other Credit Document to which it is a party and (y) all obligations (including obligations which, but for the automatic stay under Section 362(a) of the Bankruptcy Code, would become due) and liabilities of the Borrower and each other Guaranteed Party owing under each Interest Rate Protection Agreement, Commodity Agreement and Other Hedging Agreement entered into by the Borrower or such Guaranteed Party with any Guaranteed Creditor (including each Existing Interest Rate Protection Agreement), whether now in existence or hereafter arising, and the due performance and compliance by the Borrower and each other Guaranteed Party with all terms, conditions and agreements contained therein.

"Replaced Lender" shall have the meaning provided in Section 1.13.

"Replacement Lender" shall have the meaning provided in Section 1.13.

"Reportable Event" shall mean an event described in Section 4043(c) of ERISA with respect to a Plan that is subject to Title IV of ERISA other than those events as to which the 30-day notice period is waived under subsection .22, .23, .25, .27, or ..28 of PBGC Regulation Section 4043.

"Required Lenders" shall mean Non-Defaulting Lenders, the sum of whose outstanding Term Loans and Revolving Loan Commitments (or after the termination thereof,

outstanding Revolving Loans and RL Percentage of outstanding Swingline Loans and Letter of Credit Outstandings) represent an amount greater than 50% of the sum of all outstanding Term Loans of Non-Defaulting Lenders and the sum of all Revolving Loan Commitments of all Non-Defaulting Lenders (or after the termination thereof, the sum of the then total outstanding Revolving Loans of Non-Defaulting Lenders and the aggregate RL Percentages of all Non-Defaulting Lenders of the total outstanding Swingline Loans and Letter of Credit Outstandings at such time).

"Revolving Loan" shall have the meaning provided in Section 1.01(b).

"Revolving Loan Commitment" shall mean, with respect to each RL Lender, the amount set forth opposite such Lender's name in Schedule I directly below the column entitled "Revolving Loan Commitment," as the same may be (x) reduced from time to time pursuant to Sections 3.02, 3.03, 4.02 and/or Section 10 or (y) adjusted from to time as a result of assignments to or from such Lender pursuant to Section 1.13 or 13.07(b).

"Revolving Loan Maturity Date" shall mean March 17, 2009.

"Revolving Note" shall have the meaning provided in Section 1.05(a).

"RL Lender" shall mean at any time each Lender with a Revolving Loan Commitment or with outstanding Revolving Loans or any participation in one or more outstanding Letters of Credit.

"RL Percentage" of any Lender at any time shall mean a fraction (expressed as a percentage) the numerator of which is the Revolving Loan Commitment of such Lender at such time and the denominator of which is the Total Revolving Loan Commitment at such time, provided that if the RL Percentage of any Lender is to be determined after the Total Revolving Loan Commitment has been terminated, then the RL Percentages of the Lenders shall be determined immediately prior (and without giving effect) to such termination.

"S&P" shall mean Standard & Poor's Ratings Services, a division of McGraw Hill, Inc.

"Scheduled Repayment" shall have the meaning provided in Section 4.02(b).

"Screen Rate" means, for any Interest Period:

(a) the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate that appears on the page of the Telerate screen (or any successor thereto) that displays an average British Bankers Association Interest Settlement Rate for deposits in U.S. Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period; or

(b) if the rate referenced in the preceding clause (a) does not appear on such page or service or such page or service shall cease to be available, the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate on such other page or

other service that displays an average British Bankers Association Interest Settlement Rate for deposits in U.S. Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period.

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

"Second-Lien Administrative Agent" shall mean Bank of America, N.A. in its capacity as collateral agent for the secured creditors under the Second-Lien Credit Documents.

"Second-Lien Credit Agreement" shall mean that certain Credit Agreement, dated as of March 17, 2004, among Holdings, the Borrower, the Second-Lien Administrative Agent and various lenders from time to time party thereto, as the same may be amended, modified and/or supplemented from time to time in accordance with the terms hereof and thereof.

"Second-Lien Credit Documents" shall mean the Second-Lien Credit Agreement, and the related guarantees, pledge agreements, security agreements, mortgages, notes and other agreements and instruments entered into in connection with the Second-Lien Credit Agreement, in each case as the same may be amended, modified and/or supplemented from time to time in accordance with the terms hereof and thereof.

"Section 4.04(b)(ii) Certificate" shall have the meaning provided in Section 4.04(b)(ii).

"Secured Creditors" shall have the meaning provided in the Security Documents.

"Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Security Agreement" shall have the meaning provided in Section 5.12(b).

"Security Agreement Collateral" shall mean all "Collateral" as defined in the Security Agreement.

"Security Documents" shall mean and include the Security Agreement, the Pledge Agreement, each Mortgage, each Additional Security Document, if any, and any other pledge agreement entered into pursuant to Section 13.25.

"Senior Managers" shall mean, collectively, John D. Craig, Charles K. McManus, John A. Shea, Richard W. Zuidema and Michael T. Philion.

"Senior Secured Consolidated Debt" shall mean, at any time, the remainder of (x) Consolidated Debt at such time less (y) the sum of (I) the principal amount of all Indebtedness under the Second-Lien Credit Agreement at such time and (II) the amount of all Consolidated Debt at such time which is not secured by any asset or property of Holdings or any of its Subsidiaries.

"Senior Secured Leverage Ratio" shall mean on any date of determination the ratio of (i) Senior Secured Consolidated Debt on such date to (ii) Consolidated EBITDA for the Test Period most recently ended on or prior to such date; provided that Consolidated EBITDA shall be determined on a Pro Forma Basisto give effect to all Permitted Acquisitions (if any) actually made during such most recently ended Test Period.

"Shareholder Subordinated Note" shall mean an unsecured junior subordinated note issued by Holdings (and not guaranteed or supported in any way by the Borrower or any of its Subsidiaries), which note shall be in the form of Exhibit M, provided that additional provisions may be included so long as such provisions do not adversely affect the interests of the Lenders and are not in conflict with the provisions of this Agreement or any other Credit Document.

"Shareholders' Agreements" shall have the meaning provided in Section 5.13.

"Shareholder Rights Plan" shall mean a plan approved by the board of directors of Holdings after consummation of, or in conjunction with, a Qualified IPO providing for the distribution to shareholders of Holdings of rights to purchase Preferred Stock of Holdings (which Preferred Stock need not be Qualified Preferred Stock) on such terms and conditions as are customary for similar plans adopted by publicly-held companies of comparable size to Holdings.

"Specified Default" shall mean any Default under Section 10.01 or 10.05.

"Sponsor" shall mean Morgan Stanley Dean Witter Capital Partners IV, L.P (and any successor entity thereto) and its affiliated funds.

"Sponsor Distribution" shall have the meaning provided in Section 5.08.

"Standard Securitization Undertakings" shall mean representations, warranties, covenants and indemnities entered into by the Borrower or any Subsidiary thereof in connection with the Accounts Receivables Facility which are reasonably customary in an off-balance-sheet accounts receivable transaction.

"Standby Letter of Credit" shall have the meaning provided in Section 2.01(a).

"Start Date" shall have the meaning provided in the definition of Applicable Margin.

"Stated Amount" of each Letter of Credit shall, at any time, mean the maximum amount available to be drawn thereunder (in each case determined (i) without regard to whether any conditions to drawing thereunder could then be met, (ii) after giving effect to any step-up or increase in the maximum amount to be made available under such Letter of Credit after the issuance thereof, regardless of whether or not such step-up or increase has in fact occurred at such time but (iii) after giving effect to all previous drawings made thereunder), provided that except as such term is used in Section 2.01(c)(v), the "Stated Amount" of each Letter of Credit denominated in a currency other than U.S. Dollars shall be, on any date of calculation, the Dollar Equivalent of the maximum amount available to be drawn in Euros or Sterling, as the case may be, thereunder (determined (i) without regard to whether any conditions to drawing thereunder

could then be met, (ii) after giving effect to any step-up or increase in the maximum amount to be made available under such Letter of Credit after the issuance thereof, regardless of whether or not such step-up or increase has in fact occurred at such time but (iii) after giving effect to all previous drawings made thereunder).

"Sterling" and "£" shall mean freely transferable lawful money of the United Kingdom (expressed in pounds sterling).

"Subsidiaries Guaranty" shall have the meaning provided in Section 5.11.

"Subsidiary" of any Person shall mean and include (i) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person directly or indirectly through Subsidiaries and (ii) any partnership, limited liability company, association, joint venture or other entity (other than a corporation) in which such Person directly or indirectly through Subsidiaries, has more than a 50% equity interest at the time.

"Subsidiary Guarantor" shall mean each Wholly-Owned Domestic Subsidiary of Holdings (other than the Borrower, the Receivables Entity and the Cayman Partnership Shareholders).

"Swap Contract" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a "Master Agreement"), including any such obligations or liabilities under any Master Agreement.

"Swap Termination Value" means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender or any Affiliate of a Lender).

"Swingline Expiry Date" shall mean the date which is five Business Days prior to the Revolving Loan Maturity Date.

"Swingline Lender" shall mean Bank of America acting in its capacity as a lender of Swingline Loans.

"Swingline Loan" shall have the meaning provided in Section 1.01(c).

"Swingline Note" shall have the meaning provided in Section 1.05(a).

"Syndication Agent" shall have the meaning provided in the first paragraph of this Agreement.

"Syndication Date" shall mean the earlier of (i) the 90th day following the Initial Borrowing Date and (ii) the date upon which the Administrative Agent determines (and notifies the Borrower and the Lenders) that the primary syndication (and resultant addition of Persons as Lenders pursuant to Section 13.07(b)) has been completed.

"Synthetic Lease Obligation" means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

"Tax Allocation Agreements" shall have the meaning provided in Section 5.13.

"Tax Benefit" shall have the meaning provided in Section 4.04(c).

"Taxes" shall have the meaning provided in Section 4.04(a).

"Term Loan Commitment" shall mean, with respect to each Lender, the amount set forth opposite such Lender's name in Schedule I directly below the column entitled "Term Loan Commitment" as the same may be terminated pursuant to Sections 3.03 and/or 10.

"Term Loan Maturity Date" shall mean March 17, 2011.

"Term Loans" shall have the meaning provided in Section 1.01(a).

"Term Note" shall have the meaning provided in Section 1.05(a).

"Test Period" shall mean each period of four consecutive fiscal quarters then last ended, in each case taken as one accounting period.

"Total Commitment" shall mean the sum of the Total Term Loan Commitment and the Total Revolving Loan Commitment.

"Total Revolving Loan Commitment" shall mean the sum of the Revolving Loan Commitments of each of the Lenders.

"Total Term Loan Commitment" shall mean the sum of the Term Loan Commitments of each of the Lenders.

"Total Unutilized Revolving Loan Commitment" shall mean, at any time, (i) the Total Revolving Loan Commitment at such time less (ii) the sum of the aggregate principal amount of all Revolving Loans and Swingline Loans outstanding at such time plus the Letter of Credit Outstandings at such time.

"Trade Letter of Credit" shall have the meaning set forth in Section 2.01(a).

"Tranche" shall mean the respective facility and commitments utilized in making Loans hereunder, with there being three separate Tranches: (i) Term Loans, (ii) Revolving Loans and (iii) Swingline Loans.

"Transaction" shall mean, collectively, (i) the Recapitalization, (ii) the entering into of the Second-Lien Credit Documents and the incurrence of all loans thereunder, (iii) the entering into of the Credit Documents and the incurrence of all Loans and issuance of all Letters of Credit on the Initial Borrowing Date, and (iv) the payment of fees and expenses in connection with the foregoing.

"Type" shall mean any type of Loan determined with respect to the interest option applicable thereto, i.e., a Base Rate Loan or a Eurodollar Loan.

"UCC" shall mean the Uniform Commercial Code as in effect from time to time in the relevant jurisdiction.

"Unfunded Current Liability" of any Plan shall mean the amount, if any, by which the actuarial present value of the accumulated plan benefits under the Plan as of the close of its most recent plan year exceeds the fair market value of the assets allocable thereto, each determined in accordance with Statement of Financial Accounting Standards No. 87, based upon the actuarial assumptions used by the Plan's actuary in the most recent annual valuation of the Plan.

"Unpaid Drawing" shall have the meaning provided in Section 2.04(a).

"Unutilized Revolving Loan Commitment" with respect to any RL Lender at any time shall mean such RL Lender's Revolving Loan Commitment at such time less the sum of (i) the aggregate outstanding principal amount of all Revolving Loans made by such RL Lender and (ii) such RL Lender's RL Percentage of the total Letter of Credit Outstandings at such time.

"U.S. Dollars" and the sign "$" shall each mean freely transferable lawful money of the United States of America.

"Wholly-Owned Domestic Subsidiary" shall mean, as to any Person, any Wholly-Owned Subsidiary of such Person which is a Domestic Subsidiary.

"Wholly-Owned Foreign Subsidiary" shall mean, as to any Person, any Wholly-Owned Subsidiary of such Person which is not a Domestic Subsidiary.

"Wholly-Owned Subsidiary" shall mean, as to any Person, (i) any corporation 100% of whose capital stock (other than director's qualifying shares and/or other nominal amounts of shares required to be held other than by such Person under applicable law and, in the case of Hawker SA FA (Poland) and Hawker SA (France), shares (not to exceed 1% of the capital stock of either such entity) held by third parties) is at the time owned by such Person and/or one or more Wholly-Owned Subsidiaries of such Person and (ii) any partnership, limited liability company, association, joint venture or other entity in which such Person and/or one or more Wholly-Owned Subsidiaries of such Person has a 100% equity interest at such time (for such purpose, without taking account of directors qualifying shares and/or other nominal amounts of shares required to be held by such Person under applicable law); provided that Shenzen Hunda Power Mechanical & Electrical Co, Ltd. (China), Hunda (Jianqsu) Power Supply System Co. Ltd. (China) and Oldham Italia S.R.L. shall be deemed to be "Wholly-Owned Subsidiaries" of the Borrower for all purposes of this Agreement, so long as at least 80% (or, in the case of Oldham Italia S.R.L., 99.5%) of the capital (and voting) stock of such entities is at all times owned (directly or indirectly) by the Borrower or a Wholly-Owned Subsidiary of the Borrower.

"Written" (whether lower or upper case) or "in writing" shall mean any form of written communication or a communication by means of telex, facsimile device, telegraph or cable.

SECTION 12. The Agents.

12.01. Appointment. (a) Each Lender hereby irrevocably appoints, designates and authorizes Bank of America as Administrative Agent and as Collateral Agent for such Lender, MSSF as Syndication Agent for such Lender and LCPI as Documentation Agent for such Lender (for purposes of this Section 12, the term "Agents" shall mean Bank of America in its capacity as Administrative Agent hereunder and in its capacity as Collateral Agent hereunder and pursuant to the Security Documents, MSSF in its capacity as Syndication Agent and LCPI in its capacity as Documentation Agent), to act on its behalf under the provisions of this Agreement and each other Credit Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Credit Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere herein or in any other Credit Document, no Agent shall have any duties or responsibilities, except those expressly set forth herein, nor shall any Agent have or be deemed to have any fiduciary relationship with any Lender or participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Credit Document or otherwise exist against the Agents. Without limiting the generality of the foregoing sentence, the use of the term "agent" herein and in the other Credit Documents with reference to the Agents is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

(b) The Letter of Credit Issuer shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and the Letter of Credit Issuer shall have all of the benefits and immunities (i) provided to the Administrative

Agent in this Section 12 with respect to any acts taken or omissions suffered by the Letter of Credit Issuer in connection with Letters of Credit issued by it or proposed to be issued by it and the applications and agreements for letters of credit pertaining to such Letters of Credit as fully as if the term "Agent" as used in this Section 12 and in the definition of "Agent-Related Person" included the Letter of Credit Issuer with respect to such acts or omissions, and (ii) as additionally provided herein with respect to the Letter of Credit Issuer.

12.02. Delegation of Duties**.** Each Agent may execute any of its duties under this Agreement or any other Credit Document by or through agents, employees or attorneys-in-fact, including, for the purposes of any payments in a currency other than U.S. Dollars, such sub-agents as shall be deemed necessary by such Agent, and shall be entitled to advice of counsel and other consultants or experts concerning all matters pertaining to such duties. No Agent shall be responsible for the negligence or misconduct of any agent, sub-agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct. Any such agent, sub-agent or other Person retained or employed pursuant to this Section 12.02 shall have all the benefits and immunities provided to any Agent in this Section 12 with respect to any acts taken or omissions suffered by such Person in connection herewith or therewith, as fully as if the term "Agent" as used in this Section 12 and in the definition of "Agent-Related Person" included such additional Persons with respect to such acts or omissions.

12.03. Liability of Agents**.** No Agent-Related Person shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Credit Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct in connection with its duties expressly set forth herein), or (b) be responsible in any manner to any Lender or participant for any recital, statement, representation or warranty made by any Credit Party or any officer thereof, contained herein or in any other Credit Document, or in any certificate, report, statement or other document referred to or provided for in, or received by any Agent under or in connection with, this Agreement or any other Credit Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Credit Document, or for any failure of any Credit Party or any other party to any Credit Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lender or participant to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Credit Document, or to inspect the properties, books or records of any Credit Party or any Affiliate thereof.

12.04. Reliance by Administrative Agent**.** (a) Each Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, communication, signature, resolution, representation, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, electronic mail message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to any Credit Party), independent accountants and other experts

selected by such Agent. Each Agent shall be fully justified in failing or refusing to take any action under any Credit Document unless such Agent shall first receive such advice or concurrence of the Required Lenders as such Agent deems appropriate (including, without limitation, for purposes of making determinations pursuant to Section 8.16 or 8.19 and the definition of "Refinancing Senior Subordinated Notes")

and, if such Agent so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Each Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Credit Document in accordance with a request or consent of the Required Lenders (or such greater number of Lenders as may be expressly required hereby in any instance) and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders.

(b) For purposes of determining compliance with the conditions specified in Sections 5, 6, 8.16 and 8.19 and the definition of "Refinancing Senior Subordinated Notes", each Agent and each Lender shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Administrative Agent, the Collateral Agent, any other Agent and/or a Lender unless the Administrative Agent shall have received notice from an objecting Agent or Lender prior to the Effective Date or other relevant date of determination, as the case may be, specifying its objection thereto. Without limiting the foregoing, it is understood and agreed that each Lender has the right to request from the Administrative Agent and/or the Collateral Agent a copy of (x) any item required to be delivered pursuant to Section 5, 8.16 or 8.19 which is required to be satisfactory in form, scope and substance to the Administrative Agent, the Collateral Agent or any other Agent and (y) any Refinancing Senior Subordinated Notes Documents entered into in connection with Indebtedness incurred pursuant to Section 9.04(xvi).

12.05. Notice of Default**.** The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Lenders, unless the Administrative Agent shall have received written notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default." The Administrative Agent will notify the Lenders of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Default or Event of Default as may be directed by the Required Lenders in accordance with Section 10; provided, however, that unless and until the Administrative Agent has received any such direction, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of the Lenders.

12.06. Credit Decision; Disclosure of Information by the Agents**.** Each Lender acknowledges that no Agent-Related Person has made any representation or warranty to it, and that no act by any Agent hereafter taken, including any consent to and acceptance of any assignment or review of the affairs of any Credit Party or any Affiliate thereof, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender as to any matter, including whether Agent-Related Persons have disclosed material information in their possession. Each Lender represents to each Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Credit Parties and

their respective Subsidiaries, and all applicable bank or other regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Borrower. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Credit Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of Holdings and its Subsidiaries. Except for notices, reports and other documents expressly required to be furnished to the Lenders by an Agent herein, no Agent shall have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of any of the Credit Parties or any of their respective Affiliates which may come into the possession of any Agent-Related Person.

12.07. Indemnification**.** Whether or not the transactions contemplated hereby are consummated, the Lenders shall indemnify upon demand each Agent-Related Person (to the extent not reimbursed by or on behalf of any Credit Party and without limiting the obligation of any Credit Party to do so), pro rata, and hold harmless each Agent-Related Person from and against any and all Indemnified Liabilities incurred by it; provided, however, that no Lender shall be liable for the payment to any Agent-Related Person of any portion of such Indemnified Liabilities to the extent determined in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such Agent-Related Person's own gross negligence or willful misconduct, provided, however, that no action taken in accordance with the directions of the Required Lenders shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section 12.07. Without limitation of the foregoing, each Lender shall reimburse each Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by such Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Credit Document, or any document contemplated by or referred to herein, to the extent that such Agent is not reimbursed for such expenses by or on behalf of the Borrower. The undertaking in this Section 12.07 shall survive termination of the Total Commitment, the payment of all other Obligations and the resignation of the Agents.

12.08. Agents in their Individual Capacities**.** Each Agent and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with each of the Credit Parties and their respective Affiliates (including, without limitation, entering into Interest Rate Protection Agreements with the Borrower as contemplated by Section 8.16 and underwriting and/or placing the Refinancing Senior Subordinated Notes) as though such Agent were not an Agent, the Swingline Lender (if applicable) or the Letter of Credit Issuer (if applicable) hereunder and without notice to or consent of the Lenders. The Lenders acknowledge that, pursuant to such activities, any Agent or its Affiliates may receive information regarding any Credit Party or its Affiliates (including information that may be subject to confidentiality obligations in favor of such Credit Party or such Affiliate) and acknowledge that no Agent shall be under any obligation to provide such

information to them. With respect to its Loans and all Obligators owing it, any Agent shall have the same rights and powers under this Agreement as any other Lender and may exercise such rights and powers as though it were not an Agent, the Swingline Lender (if applicable) or a Letter of Credit Issuer (if applicable), and the terms "Lender" and "Lenders" include any Agent in its individual capacity.

12.09. Successor Agents**.** (a) The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Lenders; provided that any such resignation by Bank of America shall also constitute its resignation as Letter of Credit Issuer and Swingline Lender. If the Administrative Agent resigns under this Agreement, the Required Lenders shall appoint from among the Lenders a successor administrative agent for the Lenders, which successor administrative agent shall be consented to by the Borrower at all times other than during the existence of an Event of Default (which consent of the Borrower shall not be unreasonably withheld or delayed). If no successor administrative agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders and the Borrower, a successor administrative agent from among the Lenders. Upon the acceptance of its appointment as successor administrative agent hereunder, the Person acting as such successor administrative agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent, Letter of Credit Issuer and Swingline Lender and the respective terms "Administrative Agent," "Letter of Credit Issuer" and "Swingline Lender" shall mean such successor administrative agent, Letter of Credit issuer and Swingline lender, and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated and the retiring Letter of Credit Issuer's and Swingline Lender's rights, powers and duties as such shall be terminated, without any other or further act or deed on the part of such retiring Letter of Credit Issuer or Swingline Lender or any other Lender, other than the obligation of the successor Letter of Credit Issuer to issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or to make other arrangements satisfactory to the retiring Letter of Credit Issuer to effectively assume the obligations of the retiring Letter of Credit Issuer with respect to such Letters of Credit. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Section 12 and Sections 13.04 and 13.05 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor administrative agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above.

(b) The Syndication Agent may resign as Syndication Agent upon 5 days' notice to the Lenders. If the Syndication Agent resigns under this Agreement, the Administrative Agent shall succeed to all the rights, powers and duties of the retiring Syndication Agent, and the retiring Syndication Agent's appointment, powers and duties as Syndication Agent shall be terminated, without any other or further act or deed on the part of such retiring Syndication Agent. After any retiring Syndication Agent's resignation hereunder as Syndication Agent, the provisions of this Section 12 and Sections 13.04 and 13.05 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Syndication Agent under this Agreement.

(c) The Documentation Agent may resign as Documentation Agent upon 5 days' notice to the Lenders. If the Documentation Agent resigns under this Agreement, the Administrative Agent shall succeed to all the rights, powers and duties of the retiring Documentation Agent, and the retiring Documentation Agent's appointment, powers and duties as Documentation Agent shall be terminated, without any other or further act or deed on the part of such retiring Documentation Agent. After any retiring Documentation Agent's resignation hereunder as Documentation Agent, the provisions of this Section 12 and Sections 13.04 and 13.05 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Documentation Agent under this Agreement.

12.10. Administrative Agent May File Proofs of Claim**.** In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to any Credit Party, the Administrative Agent (irrespective of whether the principal of any Loan or Letter of Credit Outstandings shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, Letter of Credit Outstandings and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Agents under Sections 3.01 and 13.04) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 3.01 and 13.04.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

12.11. Collateral and Guaranty Matters**.** The Lenders irrevocably authorize the Administrative Agent (including in its capacity as Collateral Agent), at its option and in its discretion,

(a) to release any Lien on any property granted to or held by the Administrative Agent under any Security Document (i) upon termination of the Total Commitment and payment in full of all Obligations (other than contingent indemnification obligations) and the expiration or termination of all Letters of Credit, (ii) that is sold or to be sold as part of or in connection with any sale permitted hereunder or under any other

Credit Document (other than a sale to Holdings or any of its Subsidiaries), or (iii) subject to Section 13.01, if approved, authorized or ratified in writing by the Required Lenders;

(b) to subordinate any Lien on any property granted to or held by the Administrative Agent under any Security Document to the holder of any Lien on such property that is permitted by Sections 9.03(x), (xi) and (xviii); and

(c) to release any Subsidiary Guarantor from its obligations under the Subsidiary Guaranty if such Person ceases to be a Subsidiary as a result of a transaction permitted hereunder.

Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Subsidiary Guarantor from its obligations under the Subsidiary Guaranty pursuant to this Section 12.11.

12.12. Other Agents; Arrangers and Managers. None of the Lenders or other Persons identified on the facing page or signature pages of this Agreement as a "co-agent," "book manager," "lead manager," "arranger," "lead arranger" or "co-arranger" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than, in the case of such Lenders, those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders or other Persons so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders or other Persons so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

SECTION 13. Miscellaneous.

13.01. Amendment or Waiver**.** (a) Neither this Agreement nor any other Credit Document nor any terms hereof or thereof may be changed, waived, discharged or terminated unless such change, waiver, discharge or termination is in writing signed by the respective Credit Parties party thereto and the Required Lenders, provided that no such change, waiver, discharge or termination shall, without the consent of each Lender (with Obligations being directly affected thereby in the case of the following clause (i)), (i) extend the final scheduled maturity of any Loan or Note or extend the stated maturity of any Letter of Credit beyond the Revolving Loan Maturity Date, or reduce the rate or extend the time of payment of interest or Fees thereon, or reduce the principal amount thereof (it being understood that any amendment or modification to the financial definitions in this Agreement shall not constitute a reduction in any rate of interest or fees for purposes of this clause (i), notwithstanding the fact that such amendment or modification actually results in such a reduction, provided that such amendment or modification was not made primarily for the purpose of reducing the interest rate or Fees hereunder), (ii) release all or

substantially all of the Collateral (except as expressly provided in the Security Documents) under all the Security Documents, (iii) amend, modify or waive any provision of this Section 13.01 (except for technical amendments with respect to additional extensions of credit pursuant to this Agreement which afford the protections to such additional extensions of credit of the type provided to the Term Loans and the Revolving Loan Commitments on the Effective Date), (iv) reduce the percentage specified in the definition of Required Lenders (it being understood that, with the consent of the Required Lenders, additional extensions of credit pursuant to this Agreement may be included in the determination of the Required Lenders on substantially the same basis as the extensions of Term Loans, and Revolving Loan Commitments are included on the Effective Date), (v) consent to the assignment or transfer by Holdings or the Borrower of any of its rights and obligations under this Agreement, (vi) amend or modify Section 13.19(a) or (vii) release Holdings or the Borrower from this Agreement or the Credit Agreement Party Guaranty; provided further, that no such change, waiver, discharge or termination shall (s) be effective without the written acknowledgment (though not consent) of the Administrative Agent (such acknowledgment not to be unreasonably withheld or delayed), (t) increase the Commitments of any Lender over the amount thereof then in effect without the consent of such Lender (it being understood that waivers or modifications of conditions precedent, covenants, Defaults or Events of Default or of a mandatory reduction in the Total Commitment shall not constitute an increase of the Commitment of any Lender, and that an increase in the available portion of any Commitment of any Lender shall not constitute an increase in the Commitment of such Lender), (u) without the consent of each Letter of Credit Issuer, amend, modify or waive any provision of Section 2 or alter its rights or obligations with respect to Letters of Credit, (v) without the consent of the Swingline Lender, alter its rights or obligations with respect to Swingline Loans, (w) without the consent of the respective Agent affected thereby, amend, modify or waive any provision of Section 12 as same applies to such Agent or any other provision as same relates to the rights or obligations of such Agent, (x) without the consent of the Collateral Agent, amend, modify or waive any provision relating to the rights or obligations of the Collateral Agent, (y) without the written consent of the Majority Lenders of a Tranche affected thereby, impose any greater restriction on the ability of any Lender to assign any of its rights or obligations with respect to such Tranche hereunder, or (z) without the consent of the Majority Lenders of the Term Loans, reduce the amount of or extend the date of any Scheduled Repayment, or amend the definition of Majority Lenders (it being understood that, with the consent of the Required Lenders, additional extensions of credit pursuant to this Agreement may be included in the determination of the Majority Lenders on substantially the same basis as the extensions of Loans and Commitments are included on the Effective Date).

(b) If, in connection with any proposed change, waiver, discharge or termination of or to any of the provisions of this Agreement as contemplated by clauses (i) through (vii), inclusive, of the first proviso to Section 13.01(a), the consent of the Required Lenders is obtained but the consent of one or more of such other Lenders whose consent is required is not obtained, then the Borrower shall have the right, so long as all non-consenting Lenders whose individual consent is required are treated as described in either clause (A) or (B) below, to either (A) replace each such non-consenting Lender or Lenders (or, at the option of the Borrower if the respective Lender's consent is required with respect to less than all Tranches of Loans (or related Commitments), to replace only the Revolving Loan Commitments and/or Loans of the respective non-consenting Lender which gave rise to the need to obtain such Lender's individual consent) with one or more Replacement Lenders pursuant to Section 1.13 so

long as at the time of such replacement, each such Replacement Lender consents to the proposed change, waiver, discharge or termination or (B) terminate such non-consenting Lender's Revolving Loan Commitment (if such Lender's consent is required as a result of its Revolving Loan Commitment) and/or repay each Tranche of outstanding Loans of such Lender which gave rise to the need to obtain such Lender's consent and/or cash collateralize its applicable RL Percentage of the Letter of Credit of Outstandings, in accordance with Sections 3.02(b) and/or 4.01(vi), provided that, unless the Commitments which are terminated and Loans which are repaid pursuant to preceding clause (B) are immediately replaced in full at such time through the addition of new Lenders or

the increase of the Commitments and/or outstanding Loans of existing Lenders (who in each case must specifically consent thereto), then in the case of any action pursuant to preceding clause (B), the Required Lenders (determined after giving effect to the proposed action) shall specifically consent thereto, provided further, that the Borrower shall not have the right to replace a Lender, terminate its Commitment or repay its Loans solely as a result of the exercise of such Lender's rights (and the withholding of any required consent by such Lender) pursuant to the second proviso to Section 13.01(a).

13.02. Notices and Other Communications; Facsimile Copies. (a) General. Unless otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including by facsimile transmission). All such written notices shall be mailed certified or registered mail, faxed or delivered to the applicable address, facsimile number or (subject to subsection (c) below) electronic mail address, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Borrower, any Agent, the Collateral Agent, any Letter of Credit Issuer or the Swingline Lender, to the address, facsimile number, electronic mail address or telephone number specified for such Person on Schedule II or to such other address, facsimile number, electronic mail address or telephone number as shall be designated by such party in a notice to the other parties; and

(ii) if to any other Lender, to the address, facsimile number, electronic mail address or telephone number specified in its Administrative Questionnaire or to such other address, facsimile number, electronic mail address or telephone number as shall be designated by such party in a notice to the Borrower, the Administrative Agent, the Letter of Credit Issuer and the Swingline Lender.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Section 1, 2 or 3

if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Sections by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

(c) Effectiveness of Facsimile Documents and Signatures. Credit Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable law, have the same force and effect as manually-signed originals and shall be binding on all Credit Parties, the Agents, the Collateral Agent, and the Lenders. The Administrative Agent may also require that any such documents and signatures be confirmed by a manually-signed original thereof; provided, however, that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

(d) Reliance by Administrative Agent and Lenders. The Administrative Agent, the Collateral Agent and the Lenders shall each be entitled to rely and act upon any notices (including telephonic Notices of Borrowing) believed by it in good faith to have been given by or on behalf of the Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify each Agent-Related Person and each Lender from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice believed by the respective such Person in good faith to have been given by or on behalf of the Borrower or any other Credit Party. All telephonic notices to and other communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

13.03. No Waiver; Cumulative Remedies**.** No failure by any Lender, any Agent or the Collateral Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

13.04. Attorney Costs, Expenses and Taxes**.** The Borrower agrees (a) to pay or reimburse each Agent and the Collateral Agent for all costs and expenses incurred in connection with the development, preparation, negotiation and execution of this Agreement and the other Credit Documents and any amendment, waiver, consent or other modification of the provisions hereof and thereof (whether or not the transactions contemplated hereby or thereby are consummated), and the consummation and administration of the transactions contemplated hereby and thereby, including all Attorney Costs, provided that the Borrower shall only be responsible for the fees and expenses of a single law firm acting as counsel to the Agents in each jurisdiction the laws of which govern any of the Credit Documents or in which Holdings or any of its Subsidiaries is organized or owns property or assets and (b) to pay or reimburse each Agent and each Lender for all costs and expenses incurred in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or the

other Credit Documents (including all such costs and expenses incurred during any "workout" or restructuring in respect of the Obligations and during any legal proceeding, including any proceeding under any Debtor Relief Law), including all Attorney Costs. The foregoing costs and expenses shall include all search, filing, recording, title insurance and appraisal charges and fees and taxes related thereto, and other out-of-pocket expenses incurred by any Agent or the Collateral Agent and the cost of independent public accountants and other outside experts retained by any Agent, the Collateral Agent or any Lender. All amounts due under this Section 13.04 shall be payable within ten Business Days after demand therefor. The agreements in this Section shall survive the termination of the total Commitments and repayment of all other Obligations.

13.05. Indemnification by the Borrower**.** Whether or not the transactions contemplated hereby are consummated, the Borrower shall indemnify and hold harmless each Agent-Related Person, each Lender and their respective Affiliates, directors, officers, employees, counsel, agents and attorneys-in-fact (collectively the "Indemnitees") from and against any and all liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses and disbursements (including Attorney Costs) of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against any such Indemnitee in any way relating to or arising out of or in connection with (a) the execution, delivery, enforcement, performance or administration of any Credit Document or any other agreement, letter or instrument delivered in connection with the transactions contemplated thereby or the consummation of the transactions contemplated thereby, (b) any Commitment, Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the Letter of Credit Issuer to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), or (c) any actual or alleged presence or release of Hazardous Materials on or from any property currently or formerly owned or operated by Holdings or any of its Subsidiaries or any Environmental Claim related in any way to Holdings or any of its Subsidiaries, or (d) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, investigation, litigation or proceeding) and regardless of whether any Indemnitee is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"), in all cases, whether or not caused by or arising, in whole or in part, out of the negligence of the Indemnitee; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses or disbursements are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee. No Indemnitee shall be liable for any damages arising from the use by others of any information or other materials obtained through IntraLinks or other similar information transmission systems in connection with this Agreement, nor shall any Indemnitee have any liability for any indirect or consequential damages relating to this Agreement or any other Credit Document or arising out of its activities in connection herewith or therewith (whether before or after the Effective Date). All amounts due under this Section 13.05 shall be payable within ten Business Days after demand therefor. The agreements in this Section shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the total Commitment and the repayment, satisfaction or discharge of all the other Obligations.

13.06. Payments Set Aside**.** To the extent that any payment by or on behalf of the Borrower is made to any Agent, the Collateral Agent or any Lender, or any Agent, the Collateral Agent or any Lender exercises its right of set-off, and such payment or the proceeds of such set-off or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by such Agent, the Collateral Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the applicable Federal Funds Rate from time to time in effect, in the applicable currency of such recovery or payment.

13.07. Successors and Assigns**.** (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Credit Agreement Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans (including for purposes of this subsection (b), participations in Letters of Credit and in Swingline Loans) at the time owing to it); provided that (i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund (as defined in subsection (g) of this Section) with respect to a Lender, the aggregate amount of the Commitment and/or (without duplication) Loans subject to each such assignment, determined as of the date the Assignment and Assumption Agreement with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption Agreement, as of the Trade Date, shall not be less than (x) $5,000,000, in the case of an assignment of Revolving Loan Commitments (and related Obligations) and (y) $1,000,000, in the case of an assignment of Term Loans, unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed); (ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the

Commitment assigned, except that this clause (ii) shall not apply to rights in respect of Swingline Loans; (iii) any assignment of a Revolving Loan Commitment must be approved by each of the Administrative Agent, each Letter of Credit Issuer and the Swingline Lender unless the Person that is the proposed assignee is itself a Lender (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee); and (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption Agreement, together with a processing and recordation fee of $3,500. Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption Agreement, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption Agreement, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption Agreement, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption Agreement covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 1.10, 1.11, 2.05, 4.04, 13.04 and 13.05 with respect to facts and circumstances occurring prior to the effective date of such assignment). Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this

subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at the Notice Office a copy of each Assignment and Assumption Agreement delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans and Letter of Credit Outstandings owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent, the Collateral Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower at any reasonable time and from time to time upon reasonable prior notice. In addition, at any time that a request for a consent for a material or other substantive change to the Credit Documents is pending, any Lender wishing to consult with other Lenders in connection therewith may request and receive from the Administrative Agent a copy of the Register.

(d) Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or Holdings' Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans (including such Lender's participations in Letters of Credit Outstandings and/or Swingline Loans) owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent, the Collateral Agent and the other Lenders shall continue to deal solely

and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement, except to the extent such amendment, modification or waiver would (i) extend the final scheduled maturity of any Loan, Note or Letter of Credit (unless such Letter of Credit is not extended beyond the Revolving Loan Maturity Date) in which such participant is participating, or reduce the rate or extend the time of payment of interest or Fees thereon (except in connection with a waiver of applicability of any post-default increase in interest rates) or reduce the principal amount thereof, or increase the amount of the participant's participation over the amount thereof then in effect (it being understood that a waiver of any Default or Event of Default or of a mandatory reduction in the Total Commitment or of a mandatory repayment of Loans shall not constitute a change in the terms of such participation, that an increase in any Commitment or Loan shall be permitted without the consent of any participant if the participant's participation is not increased as a result thereof and that any amendment or modification to the financial definitions in this Agreement shall not constitute a reduction in any rate of interest or fees for purposes of this clause (i)), (ii) consent to the assignment or transfer by Holdings or the Borrower of any of its rights and obligations under this Agreement or (iii) release all or substantially all of the Collateral under all of the Security Documents (except as expressly provided in the Security Documents) supporting the Loans hereunder in which such participant is participating. Subject to subsection (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 1.10, 1.11, 2.05 and 4.04 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 13.09 as though it were a Lender, provided such Participant agrees to be subject to Section 13.19(b) as though it were a Lender.

(e) A Participant shall not be entitled to receive any greater payment under Section 1.10, 1.11, 2.05, or 4.04 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a non-U.S. Lender for purposes of Section 4.04 if it were a Lender shall not be entitled to the benefits of Section 4.04 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 4.04 as though it were a Lender.

(f) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note(s), if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) As used herein, the following terms have the following meanings:

"Eligible Assignee" means (a) a Lender; (b) an Affiliate of a Lender; (c) an Approved Fund; and (d) any other Person (other than a natural person) approved by (i) the Administrative Agent, each Letter of Credit Issuer and the Swingline Lender, and (ii)

unless an Event of Default has occurred and is continuing, the Borrower (each such approval not to be unreasonably withheld or delayed); provided that notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrower or any of Holdings' Affiliates or Subsidiaries.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

(h) Notwithstanding anything to the contrary contained herein, if at any time Bank of America assigns all of its Commitment and Loans pursuant to subsection (b) above, Bank of America may, (i) upon 30 days' notice to the Borrower and the Lenders, resign as Letter of Credit Issuer and/or (ii) upon 30 days' notice to the Borrower, resign as Swingline Lender. In the event of any such resignation as Letter of Credit Issuer or Swingline Lender, the Borrower shall be entitled to appoint from among the Lenders a successor Letter of Credit Issuer or Swingline Lender hereunder; provided, however, that no failure by the Borrower to appoint any such successor shall affect the resignation of Bank of America as Letter of Credit Issuer or Swingline Lender, as the case may be. If Bank of America resigns as Letter of Credit Issuer, it shall retain all the rights and obligations of the Letter of Credit Issuer hereunder with respect to all Letters of Credit Outstandings as of the effective date of its resignation as Letter of Credit Issuer and all Letter of Credit

Outstandings with respect thereto (including the right to require the Lenders to fund risk participations in Unpaid Drawings pursuant to Section 2.03(c)). If Bank of America resigns as Swingline Lender, it shall retain all the rights of the Swingline Lender provided for hereunder with respect to Swingline Loans made by it and outstanding as of the effective date of such resignation, including the right to require the Lenders to make Mandatory Borrowings pursuant to Section 1.01(d).

(i) Notwithstanding anything to the contrary contained in Section 13.07(b) above, at any time after the termination of the Total Revolving Loan Commitment, if any Revolving Loans or Letters of Credit remain outstanding, assignments may be made as provided above in said Section, except that the respective assignment shall be of a portion of the outstanding Revolving Loans of the respective RL Lender and its participation in Letters of Credit and its obligation to make Mandatory Borrowings, although any such assignment effected after the termination of the Total Revolving Loan Commitment shall not release the assigning RL Lender from its obligations as an L/C Participant with respect to outstanding Letters of Credit or to fund its share of any Mandatory Borrowing (although the respective assignee may agree, as between itself and the respective assigning RL Lender, that it shall be responsible for such amounts).

(j) At the time of each assignment pursuant to Section 13.07(b) to a Person which is not already a Lender hereunder and which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for Federal income tax purposes, the respective assignee Lender shall provide to the Borrower and the Administrative Agent the appropriate

Internal Revenue Service Forms (and, if applicable a Section 4.04(b)(ii) Certificate) described in Section 4.04(b). To the extent that an assignment of all or any portion of a Lender's Commitment and outstanding Obligations pursuant to Section 1.13 or Section 13.07(b) would, due to circumstances existing at the time of such assignment, result in increased costs under Section 1.10, 1.11, 2.05 or 4.04 from those being charged by the respective assigning Lender prior to such assignment, then the Borrower shall not be obligated to pay such increased costs (although the Borrower shall be obligated to pay any other increased costs of the type described above resulting from changes after the date of the respective assignment).

13.08. Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Credit Document or any action or proceeding relating to this Agreement or any other Credit Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower, (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower or (i) to any direct or indirect contractual counterparty in swap agreements or such contractual counterparty's professional advisor (so long as such contractual counterparty or professional advisor to such contractual counterparty agrees to be bound by the provisions of this Section 13.08). For purposes of this Section, "Information" means all information received from Holdings or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by Holdings or any of its Subsidiaries; provided that, in the case of information received from Holdings or any Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Notwithstanding anything herein to the contrary, "Information" shall not include, and the Credit Parties, each Agent, each Lender and the respective Affiliates of each of the foregoing (and the respective partners, directors, officers, employees, agents, advisors and other representatives of each of the foregoing and their Affiliates) may disclose to any and all Persons, without limitation of any kind (a) any information with respect to the U.S. federal and state

income tax treatment of the transactions contemplated hereby and any facts that may be relevant to understanding such tax treatment, which facts shall not include for this purpose the names of the parties or any other Person named herein, or information that would permit identification of the parties or such other Persons, or any pricing terms or other nonpublic business or financial information that is unrelated to such tax treatment or facts, and (b) all materials of any kind (including opinions or other tax analyses) relating to such tax treatment or facts that are provided to any of the Persons referred to above.

13.09. Set-off**.** In addition to any rights and remedies of the Lenders provided by law, upon the occurrence and during the continuance of any Event of Default, each Lender (acting in any capacity hereunder) is authorized at any time and from time to time, without prior notice to the Borrower or any other Credit Party, any such notice being waived by the Borrower (on its own behalf and on behalf of each Credit Party) to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing by, such Lender to or for the credit or the account of the respective Credit Parties against any and all Obligations owing to such Lender hereunder or under any other Credit Document, now or hereafter existing, irrespective of whether or not the Administrative Agent or such Lender shall have made demand under this Agreement or any other Credit Document and although such Obligations may be contingent or unmatured or denominated in a currency different from that of the applicable deposit or indebtedness. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such set-off and application made by such Lender; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

13.10. Interest Rate Limitation**.** Notwithstanding anything to the contrary contained in any Credit Document, the interest paid or agreed to be paid under the Credit Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the "Maximum Rate"). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that

is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

13.11. Counterparts**.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

13.12. Integration**.** This Agreement, together with the other Credit Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the provisions of this Agreement and those of any other Credit Document, the provisions of this Agreement shall control; provided that the inclusion of supplemental rights or remedies in favor of the Administrative Agent or the Lenders in any other

Credit Document shall not be deemed a conflict with this Agreement. Each Credit Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

13.13. Survival. (a) All representations and warranties made hereunder and in any other Credit Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or Event of Default at the time of any Credit Event, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

(b) All indemnities set forth herein including, without limitation, in Sections 1.10, 1.11, 2.05, 4.04, 12.07, 13.04 and 13.05, shall, subject to the provisions of Section 13.18 (to the extent applicable), survive the execution and delivery of this Agreement and the making and repayment of the Loans.

13.14. Severability**.** If any provision of this Agreement or the other Credit Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Credit Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

13.15. Governing Law. (a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE**;** PROVIDED THAT THE ADMINISTRATIVE AGENT AND EACH LENDER SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK SITTING IN THE BOROUGH OF MANHATTAN, CITY OF NEW YORK, OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF SUCH STATE, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE BORROWER, THE ADMINISTRATIVE AGENT AND LENDERS CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. THE BORROWER, THE ADMINISTRATIVE AGENT AND EACH LENDER IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF *FORUM NON CONVENIENS*, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF ANY CREDIT DOCUMENT OR OTHER DOCUMENT

RELATED THERETO. THE BORROWER, THE ADMINISTRATIVE AGENT AND EACH LENDER WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY THE LAW OF SUCH STATE.

13.16. Waiver of Right to Trial by Jury. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY CREDIT DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

13.17. USA PATRIOT Act Notice**.** Each Lender and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies each Credit Agreement Party that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies such Credit Agreement Party, which information includes the name and address of such Credit Agreement Party and other information that will allow such Lender or the Administrative Agent, as applicable, to identify such Credit Agreement Party in accordance with the Act.

13.18. Limitation on Additional Amounts; Cash Collateral, etc. (a) Notwithstanding anything to the contrary contained in Section 1.10, 1.11, 2.05 or 4.04 of this Agreement, unless a Lender gives notice to the Borrower that it is obligated to pay an amount under such Section within six months after the later of (x) the date the Lender incurs the respective increased costs, Taxes, loss, expense or liability, reduction in amounts received or receivable or reduction in return on capital or (y) the date such Lender has actual knowledge of its incurrence of the respective increased costs, Taxes, loss, expense or liability, reductions in amounts received or receivable or reduction in return on capital, then such Lender shall only be entitled to be compensated for such

amount pursuant to said Section 1.10, 1.11, 2.05 or 4.04, as the case may be, to the extent of the costs, Taxes, loss, expense or liability, reduction in amounts received or receivable or reduction in return on capital that are incurred or suffered on or after the date which occurs six months prior to such Lender giving notice to the Borrower that it is obligated to pay the respective amounts pursuant to said Section 1.10, 1.11, 2.05 or 4.04, as the case may be. This Section 13.18 shall have no applicability to any Section of this Agreement other than said Sections 1.10, 1.11, 2.05 and 4.04.

(b) So long as no Default or Event of Default shall exist and be continuing, at any time that the Borrower has on deposit with the Collateral Agent any cash collateral securing

any of the Obligations, the Borrower shall have the right to direct the Collateral Agent to invest such cash collateral in Cash Equivalent reasonably satisfactory to the Administrative Agent until such time as such Cash Collateral is applied to the repayment of Obligations or otherwise disbursed in accordance with the provisions of this Agreement and the other Credit Documents.

13.19. Payments Pro Rata; Sharing of Payments. (a) The Administrative Agent agrees that promptly after its receipt of each payment from or on behalf of any Credit Party in respect of any Obligations of such Credit Party, it shall, except as otherwise provided in this Agreement, distribute such payment to the Lenders (other than any Lender that has consented in writing to waive its pro rata share of such payment) pro rata based upon their respective shares, if any, of the Obligations with respect to which such payment was received.

(b) If, other than as expressly provided elsewhere herein, any Lender shall obtain on account of the Loans (other than the Swingline Loans) made by it, or the participations in Letter of Credit Outstandings or in Swingline Loans held by it, any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its ratable share (or other share contemplated hereunder) thereof, such Lender shall immediately (a) notify the Administrative Agent of such fact, and (b) purchase from the other Lenders such participations in the Loans made by them and/or such subparticipations in the participations in Letter of Credit Outstandings or Swingline Loans held by them, as the case may be, as shall be necessary to cause such purchasing Lender to share the excess payment in respect of such Loans or such participations, as the case may be, pro rata with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from the purchasing Lender under any of the circumstances described in Section 13.06 (including pursuant to any settlement entered into by the purchasing Lender in its discretion), such purchase shall to that extent be rescinded and each other Lender shall repay to the purchasing Lender the purchase price paid therefor, together with an amount equal to such paying Lender's ratable share (according to the proportion of (i) the amount of such paying Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered, without further interest thereon. The Borrower agrees that any Lender so purchasing a participation from another Lender may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off, but subject to Section 13.09) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation. The Administrative Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify the Lenders following any such purchases or repayments. Each Lender that purchases a participation pursuant to this Section shall from and after such purchase have the right to give all notices, requests, demands, directions and other communications under this Agreement with respect to the portion of the Obligations purchased to the same extent as though the purchasing Lender were the original owner of the Obligations purchased.

(c) Notwithstanding anything to the contrary contained herein, the provisions of the preceding Sections 13.19(a) and (b) shall be subject to the express provisions of this Agreement which require, or permit, differing payments to be made to Non-Defaulting Lenders as opposed to Defaulting Lenders.

13.20. Judgment Currency. If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due hereunder or any other Credit Document in one currency into another currency, the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the first currency with such other currency on the Business Day preceding that on which final judgment is given. The obligation of the Borrower in respect of any such sum due from it to the Administrative Agent or the Lenders hereunder or under the other Credit Documents shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than that in which such sum is denominated in accordance with the applicable provisions of this Agreement (the "Agreement Currency"), be discharged only to the extent that on the Business Day following receipt by the Administrative Agent of any sum adjudged to be so due in the Judgment Currency, the Administrative Agent may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the sum originally due to the Administrative Agent from the Borrower in the Agreement Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Administrative Agent or the Person to whom such obligation was owing against such loss. If the amount of the Agreement Currency so purchased is greater than the sum originally due to the Administrative Agent in such currency, the Administrative Agent agrees to return the amount of any excess to the Borrower (or to any other Person who may be entitled thereto under applicable law).

13.21. Calculations; Computations. (a) The financial statements to be furnished to the Lenders pursuant hereto shall be made and prepared in accordance with GAAP consistently applied throughout the periods involved (except as set forth in the notes thereto or as otherwise disclosed in writing by the Borrower to the Lenders); provided that except as otherwise specifically provided herein, all computations determining the Applicable Margins and compliance with Sections 4.02, 8.14 and 9, including in each case definitions used therein, shall, in each case, utilize accounting principles and policies in effect at the time of the preparation of, and in conformity with those used to prepare, the March 31, 2003 financial statements of Holdings delivered to the Lenders pursuant to Section 7.10(b); provided further, that (i) to the extent expressly required pursuant to the provisions of this Agreement, certain calculations shall be made on a Pro Forma Basis, (ii) for all purposes of this Agreement, all Receivables Indebtedness shall be treated as Indebtedness of Holdings and its Subsidiaries hereunder, regardless of any differing treatment pursuant to generally accepted accounting principles and (iii) for purposes of determining compliance with any incurrence or expenditure tests set forth in Sections 8 and/or 9, any amounts so incurred or expended (to the extent incurred or expended in a currency other than U.S. Dollars) shall be converted into U.S. Dollars on the basis of the exchange rates (as shown on Reuters ECB page 37 or, if same does not provide such exchange rates, on such other basis as is satisfactory to the Administrative Agent) as in effect on the date of such incurrence or expenditure under any provision of any such Section that has an aggregate U.S. Dollar limitation therein (and to the extent the respective incurrence or expenditure test regulates the aggregate amount outstanding at any time and is expressed in terms of U.S. Dollars, all outstanding amounts originally incurred or spent in currencies other than U.S. Dollars shall be converted into U.S. Dollars on the basis of the exchange rates (as shown on Reuters ECB page 37 or, if

same does not provide such exchange rates, on such other basis as is satisfactory to the Administrative Agent) as in effect on the date of any new incurrence or expenditures made under any provision of any such Section that regulates the U.S. Dollar amount outstanding at any time).

(b) All computations of interest (except as provided in the immediately succeeding sentence) and Fees hereunder shall be made on the actual number of days elapsed over a year of 360 days. All computations of Base Rate interest hereunder shall be made on the actual number of days elapsed over a year of 365/366 days.

13.22. Effectiveness. This Agreement shall become effective on the date (the "Effective Date") on which Holdings, the Borrower, each Agent and each of the Lenders shall have signed a counterpart hereof (whether the same or different counterparts) and shall have delivered the same (including by way of facsimile transmission) to the Administrative Agent at the Notice Office or at the office of the Administrative Agents' counsel. The Administrative Agent will give Holdings, the Borrower and each Lender prompt written notice of the occurrence of the Effective Date.

13.23. Headings Descriptive. The headings of the several sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

13.24. Domicile of Loans and Commitments. Each Lender may transfer and carry its Loans and/or Commitments at, to or for the account of any branch office, subsidiary or affiliate of such Lender; provided that the Borrower shall not be responsible for costs arising under Section 1.10, 1.11, 2.05 or 4.04 resulting from any such transfer (other than a transfer pursuant to Section 1.12) to the extent such costs would not otherwise be applicable to such Lender in the absence of such transfer.

13.25. Special Provisions Regarding Pledges of Equity Interests in, and Promissory Notes Owed by, Foreign Persons. The parties hereto acknowledge and agree that the provisions of the various Security Documents executed and delivered by the Credit Parties require that, among other things, all promissory notes executed by, and Equity Interests in, various Persons owned by the respective Credit Party be pledged, and delivered for pledge, pursuant to the Security Documents. The parties hereto further acknowledge and agree that each Credit Party shall be required to take all actions under the laws of the jurisdiction in which such Credit Party is organized to create and perfect all security interests granted pursuant to the various Security Documents and to take all actions under the laws of the United States (or any state thereof) to perfect the security interests in the Equity Interests of, and promissory notes issued by, any Person organized under the laws of the United States or any state thereof (in each case, to the extent said Equity Interests or promissory notes are owned by any Credit Party). Except as provided in the immediately preceding sentence, to the extent any Security Document requires or provides for the pledge of promissory notes issued by, or Equity Interests in, any Person organized under the laws of a jurisdiction other than the United States or any state thereof, it is acknowledged that, as of the Initial Borrowing Date, no actions have been required to be taken to perfect, under local law of the jurisdiction of the Person who issued the respective promissory notes or whose Equity Interests are pledged, under the Security Documents. Holdings and the Borrower hereby agree that, following any request by the Administrative Agent or Required Lenders to do so, the Borrower shall, and shall cause its Subsidiaries to, take such actions (including, without limitation, the execution of Additional Security Documents, the making of any filings and the delivery of appropriate legal opinions) under the local law of any jurisdiction with respect to which such actions have not already been taken as are reasonably

determined by the Administrative Agent or Required Lenders to be necessary or desirable in order to fully perfect, preserve or protect the security interests granted pursuant to the various Security Documents under the laws of such jurisdictions. If requested to do so pursuant to this Section 13.25, all such actions shall be taken in accordance with the provisions of this Section 13.25 and Section 8.11 and within the time periods set forth therein. All conditions and representations contained in this Agreement and the other Credit Documents shall be deemed modified to the extent necessary to effect the foregoing and so that same are not violated by reason of the failure to take actions under local law (but only with respect to Equity Interests in, and promissory notes issued by, Persons organized under laws of jurisdictions other than the United States or any state thereof) not required to be taken in accordance with the provisions of this Section 13.25, provided that to the extent any representation or warranty would not be true because the foregoing actions were not taken, the respective representation of warranties shall be required to be true and correct in all material respects at such time as the respective action is required to be taken in accordance with the foregoing provisions of this Section 13.25 or pursuant to Section 8.11.

13.26. Post-Closing Actions. Notwithstanding anything to the contrary contained in this Agreement or the other Credit Documents, the parties hereto acknowledge and agree that:

1. The actions relating to the Mortgages and Real Property of Holdings and its Subsidiaries described on Part A of Schedule XI shall be completed in accordance with Part A of Schedule XI.

2. Within 90 days following the Initial Borrowing Date, the Borrower shall have duly authorized, executed and delivered to the Administrative Agent a pledge agreement governed by the laws of Mexico covering 65% of the equity interests of the Mexican Subsidiary (as amended, restated, modified and/or supplemented from time to time in accordance with the terms thereof and hereof, the "Mexican Pledge Agreement"), which Mexican Pledge Agreement shall be in form and substance satisfactory to the Administrative Agent and in full force and effect, (ii) the Mexican Pledge Agreement shall have been duly recorded or filed in such manner and in such places as required by Mexican law to establish, perfect, preserve and protect the pledge in favor of the pledgee thereunder, (iii) all taxes, fees and other charges payable in connection with Mexican Pledge Agreement (including the recordation thereof) shall have been paid in full and (iv) the Administrative Agent shall have received such other evidence that all actions necessary or, in the opinion of the Administrative Agent, desirable, to perfect and/or render enforceable the security interest purported to be created by the Mexican Pledge Agreement have been taken (including, without limitation, the delivery of an opinion from Mexican counsel acceptable to the Administrative Agent in form, scope and substance reasonably satisfactory to the Administrative Agent).

3. Holdings and its Subsidiaries shall be required to take the actions specified in Parts B and C of Schedule XI as promptly as practicable and in any event within the time periods set forth in said Parts B and C of Schedule XI.

The provisions of Parts B and C of Schedule XI shall be deemed incorporated herein by reference as fully as if set forth herein in its entirety.

All provisions of this Credit Agreement and the other Credit Documents (including, without limitation, all conditions precedent, representations, warranties, covenants, events of default and other agreements herein and therein) shall be*- deemed modified to the extent necessary to effect the foregoing (and to permit the taking of the actions described above within the time periods required above, rather than as otherwise provided in the Credit Documents); provided that (x) to the extent any representation and warranty would not be true because the foregoing actions were not taken on the Initial Borrowing Date the respective representation and warranty shall be required to be true and correct in all material respects at the time the respective action is taken (or was required to be taken) in accordance with the foregoing provisions of this Section 13.26 and (y) all representations and warranties relating to the Security Documents shall be required to be true immediately after the actions required to be taken by this Section 13.26 have been taken (or were required to be taken). The acceptance of the benefits of the Loans shall constitute a covenant and agreement by each of Holdings and the Borrower to each of the Lenders that the actions required pursuant to this Section 13.26 will be, or have been, taken within the relevant time periods referred to in this Section 13.26 and that, at such time, all representations and warranties contained in this Credit Agreement and the other Credit Documents shall then be true and correct without any modification pursuant to this Section 13.26. The parties hereto acknowledge and agree that the failure to take any of the actions required above, within the relevant time periods required above, shall give rise to an immediate Event of Default pursuant to this Agreement.

SECTION 14. Credit Agreement Party Guaranty.

14.01. The Credit Agreement Party Guaranty. In order to induce the Lenders to enter into this Agreement and to extend credit hereunder and to induce the Lenders or any of their respective affiliates to enter into and/or maintain Interest Rate Protection Agreements, Other Hedging Agreements and Commodities Agreement (including the Existing Interest Rate Protection Agreements), and in recognition of the direct benefits to be received by each Credit Agreement Party from the proceeds of the Loans, the issuance of the Letters of Credit and the entering into and maintenance of Interest Rate Protection Agreements, Other Hedging Agreements and Commodities Agreement, each Credit Agreement Party hereby agrees with the Lenders as follows: each Credit Agreement Party hereby unconditionally and irrevocably guarantees, as primary obligor and not merely as surety the full and prompt payment when due, whether upon maturity, acceleration or otherwise, of any and all of the Relevant Guaranteed Obligations to the Guaranteed Creditors. If any or all of the Relevant Guaranteed Obligations to the Guaranteed Creditors becomes due and payable hereunder, each Credit Agreement Party unconditionally promises to pay such indebtedness to the Guaranteed Creditors, or order, on demand, together with any and all expenses which may be incurred by the Guaranteed Creditors in collecting any of the Relevant Guaranteed Obligations. This Credit Agreement Party Guaranty is a guaranty of payment and not of collection. This Credit Agreement Party Guaranty is a continuing one and all liabilities to which it applies or may apply under the terms hereof shall be conclusively presumed to have been created in reliance hereon. If claim is ever made upon any Guaranteed Creditor for repayment or recovery of any amount or amounts received in payment or on account of any of the Relevant Guaranteed Obligations and any of the aforesaid payees repays all or part of said amount by reason of (i) any

judgment, decree or order of any court or administrative body having jurisdiction over such payee or any of its property or (ii) any settlement or compromise of any such claim effected by such payee with any such claimant (including any Guaranteed Party), then and in such event each Credit Agreement Party agrees that any such judgment, decree, order, settlement or compromise shall be binding upon such Credit Agreement Party, notwithstanding any revocation of this Credit Agreement Party Guaranty or any other instrument evidencing any liability of any other Guaranteed Party, and such Credit Agreement Party shall be and remain liable to the aforesaid payees hereunder for the amount so repaid or recovered to the same extent as if such amount had never originally been received by any such payee.

14.02. Bankruptcy. Additionally, each Credit Agreement Party unconditionally and irrevocably guarantees the payment of any and all of the Relevant Guaranteed Obligations to the Guaranteed Creditors whether or not due or payable by any Guaranteed Party upon the occurrence of any of the events specified in Section 10.05, and unconditionally promises to pay such indebtedness to the Guaranteed Creditors, or order, on demand.

14.03. Nature of Liability. The liability of each Credit Agreement Party hereunder is exclusive and independent of any guaranty of the Relevant Guaranteed Obligations whether executed by such Credit Agreement Party, any other guarantor or by any other party, and the liability of each Credit Agreement Party hereunder is not affected or impaired by (a) any direction as to application of payment by any Guaranteed Party or by any other party, or (b) any other continuing or other guaranty, undertaking or maximum liability of a guarantor or of any other party as to the Relevant Guaranteed Obligations, or (c) any payment on or in reduction of any such other guaranty or undertaking, or (d) any dissolution, termination or increase, decrease or change in personnel by any Guaranteed Party, or (e) any payment made to the Guaranteed Creditors on the Relevant Guaranteed Obligations which any such Guaranteed Creditor repays to any Guaranteed Party pursuant to court order in any bankruptcy, reorganization, arrangement, moratorium or other debtor relief proceeding, and each Credit Agreement Party waives any right to the deferral or modification of its obligations hereunder by reason of any such proceeding, or (f) any action or inaction of the type described in Section 14.05, or (g) the lack of validity or enforceability of any Credit Document or any other instrument relating thereto.

14.04. Independent Obligation. No invalidity, irregularity or unenforceability of all or any part of the Relevant Guaranteed Obligations shall affect, impair or be a defense to this Credit Agreement Party Guaranty, and this Credit Agreement Party Guaranty shall be primary, absolute and unconditional notwithstanding the occurrence of any event or the existence of any other circumstances which might constitute a legal or equitable discharge of a surety or guarantor except payment in full of the Relevant Guaranteed Obligations of each Credit Agreement Party. The obligations of each Credit Agreement Party hereunder are independent of the obligations of any Guaranteed Party, any other guarantor or any other Person and a separate action or actions may be brought and prosecuted against either Credit Agreement Party whether or not action is brought against any Guaranteed Party, any other guarantor or any other Person and whether or not any Guaranteed Party, any other guarantor or any other Person be joined in any such action or actions. Each Credit Agreement Party waives, to the full extent permitted by law, the benefit of any statute of limitations affecting its liability hereunder or the enforcement thereof. Any payment by any Guaranteed Party with respect to any Relevant Guaranteed Obligations or other circumstance which operates to toll any statute of limitations as to such

Guaranteed Party shall operate to toll the statute of limitations as to the relevant Credit Agreement Party.

14.05. Authorization. Each Credit Agreement Party authorizes the Guaranteed Creditors without notice or demand (except as shall be required by applicable statute and cannot be waived), and without affecting or impairing its liability hereunder, from time to time to:

(a) change the manner, place or terms of payment of, and/or change or extend the time of payment of, renew, increase, accelerate or alter, any of the Relevant Guaranteed Obligations (including any increase or decrease in the rate of interest thereon) or any liability incurred directly or indirectly in respect thereof, and this Credit Agreement Party Guaranty shall apply to the Relevant Guaranteed Obligations as so changed, extended, renewed, increased or altered;

(b) take and hold security for the payment of the Relevant Guaranteed Obligations and sell, exchange, release, impair, surrender, realize upon or otherwise deal with in any manner and in any order any property by whomsoever at any time pledged or mortgaged to secure, or howsoever securing, the Relevant Guaranteed Obligations or any liabilities (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and/or any offset thereagainst;

(c) exercise or refrain from exercising any rights against any Guaranteed Party or others or otherwise act or refrain from acting;

(d) release or substitute any one or more endorsers, guarantors, any Guaranteed Party or other obligors;

(e) settle or compromise any of the Relevant Guaranteed Obligations or any liability (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and may subordinate the payment of all or any part thereof to the payment of any liability (whether due or not) of any Guaranteed Party to its respective creditors other than the Guaranteed Creditors;

(f) apply any sums by whomsoever paid or howsoever realized to any liability or liabilities of any Guaranteed Party to the Guaranteed Creditors regardless of what liability or liabilities of such Guaranteed Party remain unpaid;

(g) consent to or waive any breach of, or any act, omission or default under, this Agreement, any other Credit Document, any Interest Rate Protection Agreement, Other Hedging Agreement or Commodity Agreement or any of the instruments or agreements referred to herein or therein, or otherwise amend, modify or supplement this Agreement, any other Credit Document, any Interest Rate Protection Agreement or Other Hedging Agreement or any of such other instruments or agreements; and/or

(h) take any other action which would, under otherwise applicable principles of common law, give rise to a legal or equitable discharge of such Credit Agreement Party from its liabilities under this Credit Agreement Party Guaranty.

14.06. Reliance. It is not necessary for the Guaranteed Creditors to inquire into the capacity or powers of any Guaranteed Party or the officers, directors, partners or agents acting or purporting to act on their behalf, and any Relevant Guaranteed Obligations made or created in reliance upon the professed exercise of such powers shall be guaranteed hereunder by the relevant Credit Agreement Party.

14.07. Subordination. Any of the indebtedness of any Guaranteed Party now or hereafter owing to either Credit Agreement Party is hereby subordinated to the Relevant Guaranteed Obligations of such Guaranteed Party owing to the Guaranteed Creditors; and if the Administrative Agent so requests at a time when an Event of Default exists, all such indebtedness of such Guaranteed Party to such Credit Agreement Party shall be collected, enforced and received by such Credit Agreement Party for the benefit of the Guaranteed Creditors and be paid over to the Administrative Agent on behalf of the Guaranteed Creditors on account of the Relevant Guaranteed Obligations of such Guaranteed Party to the Guaranteed Creditors, but without affecting or impairing in any manner the liability of either Credit Agreement Party under the other provisions of this Credit Agreement Party Guaranty. Prior to the transfer by either Credit Agreement Party to any Person (other than a Subsidiary Guarantor) of any note or negotiable instrument evidencing any of the indebtedness of any Guaranteed Party to such Credit Agreement Party, such Credit Agreement Party shall mark such note or negotiable instrument with a legend that the same is subject to this subordination. Without limiting the generality of the foregoing, each Credit Agreement Party hereby agrees with the Guaranteed Creditors that it will not exercise any right of subrogation which it may at any time otherwise have as a result of this Credit Agreement Party Guaranty (whether contractual, under Section 509 of the Bankruptcy Code or otherwise) until all Relevant Guaranteed Obligations have been irrevocably paid in full in cash.

14.08. Waiver. (a) Each Borrower waives any right (except as shall be required by applicable statute and cannot be waived) to require any Guaranteed Creditor to (i) proceed against any Guaranteed Party, any other guarantor or any other party, (ii) proceed against or exhaust any security held from any Guaranteed Party, any other guarantor or any other party or (iii) pursue any other remedy in any Guaranteed Creditor's power whatsoever. Each Credit Agreement Party waives any defense based on or arising out of any defense of any Guaranteed Party, any other guarantor or any other party, other than payment in full in cash of the Relevant Guaranteed Obligations, based on or arising out of the disability of any Guaranteed Party, any other guarantor or any other party, or the unenforceability of the Relevant Guaranteed Obligations or any part thereof from any cause, or the cessation from any cause of the liability of any Guaranteed Party other than payment in full in cash of the Relevant Guaranteed Obligations. The Guaranteed Creditors may, at their election, foreclose on any security held by the Administrative Agent or any other Guaranteed Creditor by one or more judicial or nonjudicial sales, whether or not every aspect of any such sale is commercially reasonable (to the extent such sale is permitted by applicable law), or exercise any other right or remedy the Guaranteed Creditors may have against any Guaranteed Party or any other party, or any security, without affecting or impairing in any way the liability of either Credit Agreement Party hereunder except to the extent the Relevant Guaranteed Obligations of each Credit Agreement Party have been paid in full in cash. Each Credit Agreement Party waives any defense arising out of any such election by the Guaranteed Creditors, even though such election operates to impair or extinguish any right of reimbursement

or subrogation or other right or remedy of such Credit Agreement Party against any Guaranteed Party or any other party or any security.

(b) Each Credit Agreement Party waives all presentments, demands for performance, protests and notices, including, without limitation, notices of nonperformance, notices of protest, notices of dishonor, notices of acceptance of this Credit Agreement Party Guaranty, and notices of the

existence, creation, modification or incurring of new or additional Relevant Guaranteed Obligations. Each Credit Agreement Party assumes all responsibility for being and keeping itself informed of each Guaranteed Party's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Relevant Guaranteed Obligations and the nature, scope and extent of the risks which each Credit Agreement Party assumes and incurs hereunder, and agrees that the Guaranteed Creditors shall have no duty to advise such Credit Agreement Party of information known to them regarding such circumstances or risks.

(c) Until such time as the Relevant Guaranteed Obligations have been paid in full in cash, each Credit Agreement Party hereby waives all rights of subrogation which it may at any time otherwise have as a result of this Credit Agreement Party Guaranty (whether contractual, under Section 509 of the Bankruptcy Code, or otherwise) to the claims of the Guaranteed Creditors against any other guarantor of the Relevant Guaranteed Obligations and all contractual, statutory or common law rights of reimbursement, contribution or indemnity from any Guaranteed Party or any other guarantor which it may at any time otherwise have as a result of this Credit Agreement Party Guaranty.

(d) Each Credit Agreement Party hereby acknowledges and affirms that it understands that to the extent the Relevant Guaranteed Obligations are secured by Real Property located in California, such Credit Agreement Party shall be liable for the full amount of the liability hereunder notwithstanding the foreclosure on such Real Property by trustee sale or any other reason impairing such Credit Agreement Party's or any Guaranteed Creditor's right to proceed against any Guaranteed Party or any other guarantor of the Guaranteed Obligations. In accordance with Section 2856 of the California Civil Code, each Credit Agreement Party hereby waives:

(i) all rights of subrogation, reimbursement, indemnification, and contribution and any other rights and defenses that are or may become available to such Credit Agreement Party by reason of Sections 2787 to 2855, inclusive, 2899 and 3433 of the California Civil Code;

(ii) all rights and defenses that such Credit Agreement Party may have because the Relevant Guaranteed Obligations are secured by Real Property located in California, it being understood that this means, among other things: (A) the Guaranteed Creditors may collect from such Credit Agreement Party without first foreclosing on any real or personal property collateral pledged by any Guaranteed Party or any other Credit Party; and (B) if the Guaranteed Creditors foreclose on any Real Property collateral pledged by any Guaranteed Party or any other Credit Party, (1) the amount of the Relevant Guaranteed Obligations may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale

price, and (2) the Guaranteed Creditors may collect from the Borrower even if the Guaranteed Creditors, by foreclosing on the Real Property collateral, have destroyed any right the Borrower may have to collect from any Guaranteed Party. This is an unconditional and irrevocable waiver of any rights and defenses the Borrower may have because the Relevant Guaranteed Obligations are secured by Real Property. These rights and defenses include, but are not limited to, any rights or defenses based upon Section 580a, 580d or 726 of the California Code of Civil Procedure; and

(iii) all rights and defenses arising out of an election of remedies by the Guaranteed Creditors, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for the Relevant Guaranteed Obligations, has destroyed such Credit Agreement Party's rights of subrogation and reimbursement against any Guaranteed Party by the operation of Section 580d of the Code of Civil Procedure or otherwise.

(e) Each Credit Agreement Party warrants and agrees that each of the waivers set forth above is made with full knowledge of its significance and consequences and that if any of such waivers are determined to be contrary to any applicable law of public policy, such waivers shall be effective only to the maximum extent permitted by law.

14.09. Payments. All payments made by either Credit Agreement Party pursuant to this Section 14 shall be made in U.S. Dollars. All payments made by either Credit Agreement Party pursuant to this Section 14 will be made without setoff, counterclaim or other defense, and shall be subject to the payment provisions applicable to the Borrower in Sections 4.03 and 4.04.

* * *

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this Agreement as of the date first above written.

Address:

2366 Bernville Road
Reading, PA 19605
Telephone No.: 610-208-1991
Facsimile No.: 610-208-1671
Attention: Michael T. Philion

ENERSYS

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA 19605
Telephone No.: 610-208-1991
Facsimile No.: 610-208-1671
Attention: Michael T. Philion

ENERSYS CAPITAL INC.

By: _____
Name:
Title:

Mailcode NC1-007-13-06
100 N. Tryon Street, 13th Floor
Charlotte, NC 28255
Telephone No.: 704-388-6415
Facsimile No.: 704-409-0564
Electronic Mail:
Laura.l.clark@bankofamerica.com
Attention: Laura Clark

BANK OF AMERICA, N.A.,
Individually

By: _____
Name:
Title:

For Payments and Requests for Credit Extensions:
Mailcode NC1-001-15-04
101 N. Tryon Street
Charlotte, NC 28255
Telephone: (704) 387-1184
Facsimile: (704) 409-0024
Electronic Mail:
kristen.gilliam@bankofamerica.com
Attention: Kristen Gilliam
Ref : EnerSys Capital, Inc.
Account # 1366212250600
ABA # 026009593

Other Notices:
Mailcode CA5-701-05-19
1455 Market Street, 5th Floor

BANK OF AMERICA, N.A., as
Administrative Agent

By: _____
Name:
Title:

San Francisco, CA 94103
Telephone: (415) 436-3495
Facsimile: (415) 503-5006
Electronic Mail:
charles.graber@bankofamerica.com
Attention: Charles Graber

with a copy to:

Mailcode NC1-007-13-06
100 North Tryon Street, 13th Floor
Charlotte, North Carolina 28255
Telephone No.: 704-388-6415
Facsimile No.: 704-409-0564
Electronic Mail: laura.l.clark@bankofamerica.com
Attention: Laura Clark

1585 Broadway
New York, NY 10036
Telephone No.: 212-761-2373
Facsimile No.: 212-507-2941
Attention: John McCann

MORGAN STANLEY SENIOR
FUNDING, INC., Individually and as
Syndication Agent

By: _____
Name:
Title:

745 Seventh Avenue, 23rd Floor
New York, NY 10019
Telephone No.: 212-526-4054
Facsimile No.: 646-758-5233
Attention: David Baron

LEHMAN COMMERCIAL PAPER
INC., Individually and as
Documentation Agent

By: _____
Name:
Title:

SYNDICATION AGENT, AND LEHMAN COMMERCIAL PAPER INC., AS DOCUMENTATION AGENT

NAME OF INSTITUTION:

_____

By: _____
Name:
Title:

SCHEDULE I

LIST OF LENDERS AND COMMITMENTS

Lender	Revolving Loan Commitment	Term Loan Commitment
Bank of America, N.A.	$ 5,000,000.00	$ 336,500,000.00
Morgan Stanley Senior Funding, Inc.	$ 5,000,000.00	$ 0.00
Lehman Commercial Paper Inc.	$ 5,000,000.00	$ 0.00
Sovereign Bank	$ 14,000,000.00	$ 3,000,000.00
National City Bank	$ 14,000,000.00	$ 6,000,000.00
National Penn Bank	$ 10,000,000.00	$ 0.00
RZB Finance LLC	$ 4,000,000.00	$ 0.00
Wachovia Bank, National Association	$ 15,000,000.00	$ 7,000,000.00
Bank of Tokyo-Mitsubishi Trust Company	$ 14,000,000.00	$ 3,000,000.00
Fleet National Bank	$ 14,000,000.00	$ 2,000,000.00
IKB Capital Corporation	$ 0.00	$ 6,000,000.00
Merrill Lynch Capital	$ 0.00	$ 4,000,000.00
KZH CypressTree-1 LLC	$ 0.00	$ 2,500,000.00
KZH PONDVIEW LLC	$ 0.00	$ 2,000,000.00
KZH STERLING LLC	$ 0.00	$ 1,500,000.00
KZH RIVERSIDE LLC	$ 0.00	$ 1,000,000.00
KZH SOLEIL LLC	$ 0.00	$ 1,500,000.00
KZH SOLEIL-2 LLC	$ 0.00	$ 2,000,000.00
KZH CRESCENT-2 LLC	$ 0.00	$ 1,000,000.00
KZH CRESCENT-3 LLC	$ 0.00	$ 1,000,000.00

	Revolving Loan Commitment	Term Loan Commitment
Total	$ 100,000,000	$ 380,000,000

SCHEDULE II

LENDER ADDRESSES

Administrative Agent	Address
For Payments and Requests for Credit Extensions	
Bank of America, N.A., as Administrative Agent	Mailcode NC1-001-15-04 101 N. Tryon Street Charlotte, NC 28255 Attention: Kristen Gilliam Telephone: (704) 387-1184 Facsimile: (704) 409-0024 Electronic Mail: kristen.gilliam@bankofamerica.com Ref : EnerSys Capital, Inc. Account # 1366212250600 ABA # 026009593
Other Notices to Administrative Agent:	
Bank of America, N.A., as Administrative Agent Agency Management	Mailcode CA5-701-05-19 1455 Market Street, 5th Floor San Francisco, CA 94103 Attention: Charles Graber Telephone: (415) 436-3495 Facsimile: (415) 503-5006 Electronic Mail: charles.graber@bankofamerica.com
with a copy to:	
Bank of America, N.A.	Mailcode NC1-007-13-01 100 North Tryon Street, 13th Floor Charlotte, North Carolina 28255 Attention: Laura Clark Telephone No.: 704-388-6415 Facsimile No.: 704-409-0564 Electronic Mail: laura.l.clark@bankofamerica.com

Lender	Address
Bank of America, N.A.	Mailcode NC1-007-13-06 100 North Tryon Street, 13th Floor Charlotte, NC 28255 Attention: Laura Clark Telephone No.: (704) 388-6415 Facsimile No.: (704) 409-0564
Morgan Stanley Senior Funding, Inc.	1633 Broadway New York, New York 10036 Attention: Michael Fabiano Telephone No.: (212) 761-2383 Facsimile No.: (212) 507-3417
Lehman Commercial Paper Inc.	745 Seventh Avenue New York, New York 10019 Attention: Francis Chang Telephone No.: (212) 526-5390 Facsimile No.: (646) 758-3864
Sovereign Bank	Radnor Corporate Center 199 Matsonford Road, Suite 210 Radnor, Pennsylvania 19087 Attention: Alfred J. Doody Telephone No.: (610) 526-6268 Facsimile No.: (610) 526-6214
Bank of Tokyo-Mitsubishi Trust Company	1251 Avenue of the Americas New York, New York 10020-1104 Attention: Chris Droussiotis Telephone No.: (212) 782-4718 Facsimile No.: (212) 782-4981
Fleet Bank	750 Walnut Avenue

	NJ RP 467 01H Cranford, New Jersey 07016 Attention: Daniel Prevoznak Telephone No.: (908) 709-5305 Facsimile No.: (908) 709-6055
National City Bank	1900 East 9th Street Cleveland, Ohio 44114 Attention: Gavin Young Telephone No.: (216) 222-9974 Facsimile No.: (216) 222-0003
National Penn Bank	P.O. Box 547 Boyertown, Pennsylvania 19512 Attention: Brett A. Gibble Telephone No.: (610) 369-6645 Facsimile No.: (610) 369-6578

RZB Finance LLC	24 Grassy Plain Street Bethel, Connecticut 06801 Attention: John Valiska Telephone No.: (203) 207-7722 Facsimile No.: (203) 744-6474
Wachovia Bank, National Association	600 Penn Street, PA 6490 Reading, Pennsylvania 19602 Attention: Michael Petrine Telephone No.: (610) 655-2892 Facsimile No.: (610) 655-3300
Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services, Inc.	222 North LaSalle Street Chicago, Illinios 60601 Attention: Mary Beth O'Keefe Telephone No.: (312) 499-3138 Facsimile No.: (312) 499-3125
IKB Capital Corporation	555 Madison Avenue, 24th Floor New York, New York 10022 Attention: David Snyder Telephone No.: (212) 485-3600 Facsimile No.: (212) 583-8808
KZH CypressTree-1 LLC	c/o JPMorgan Chase Bank 4 MetroTech Center- 10th Floor Brooklyn, New York 11245 Attention: Virginia R. Conway Telephone No.: (718) 242-4932 Facsimile No.: (718) 242-6220
KZH STERLING LLC	c/o JPMorgan Chase Bank 4 MetroTech Center- 10th Floor Brooklyn, New York 11245 Attention: Virginia R. Conway Telephone No.: (718) 242-4932 Facsimile No.: (718) 242-6220
KZH PONDVIEW LLC	c/o JPMorgan Chase Bank 4 MetroTech Center- 10th Floor Brooklyn, New York 11245 Attention: Virginia R. Conway Telephone No.: (718) 242-4932 Facsimile No.: (718) 242-6220
KZH CRESCENT-2 LLC	c/o JPMorgan Chase Bank 4 MetroTech Center- 10th Floor

Brooklyn, New York 11245
Attention: Virginia R. Conway

	Telephone No.: (718) 242-4932 Facsimile No.: (718) 242-6220
KZH CRESCENT-3 LLC	c/o JPMorgan Chase Bank 4 MetroTech Center- 10th Floor Brooklyn, New York 11245 Attention: Virginia R. Conway Telephone No.: (718) 242-4932 Facsimile No.: (718) 242-6220
KZH SOLEIL LLC	c/o JPMorgan Chase Bank 4 MetroTech Center- 10th Floor Brooklyn, New York 11245 Attention: Virginia R. Conway Telephone No.: (718) 242-4932 Facsimile No.: (718) 242-6220
KZH SOLEIL-2 LLC	c/o JPMorgan Chase Bank 4 MetroTech Center- 10th Floor Brooklyn, New York 11245 Attention: Virginia R. Conway Telephone No.: (718) 242-4932 Facsimile No.: (718) 242-6220
KZH RIVERSIDE LLC	c/o JPMorgan Chase Bank 4 MetroTech Center- 10th Floor Brooklyn, New York 11245 Attention: Virginia R. Conway Telephone No.: (718) 242-4932 Facsimile No.: (718) 242-6220

SCHEDULE III

REAL PROPERTY

SCHEDULE IV

EXISTING INDEBTEDNESS

SCHEDULE V

PENSION PLANS

SCHEDULE VI

EXISTING INVESTMENTS

SCHEDULE VII

SUBSIDIARIES

SCHEDULE VIII

INSURANCE

Schedule of Insurance Policies

SCHEDULE IX

LIEN FILINGS

SCHEDULE X

CAPITALIZATION

SCHEDULE XI

POST-CLOSING MATTERS

POST-CLOSING ACTIONS – MORTGAGES AND REAL PROPERTY

Notwithstanding anything to the contrary contained in Section 5.12(c) of the Credit Agreement, on or before the date which is Thirty (30) days from the Initial Borrowing Date, the Borrower shall deliver, or cause to be delivered, the following with respect to each parcel of Real Property which is designated as a Mortgaged Property on Schedule III to the Credit Agreement:

(a) the Mortgages, complying with the terms and conditions of Section 5.12(c)(A) of the Credit Agreement;

(b) the Mortgage Policies, complying with the terms and conditions of Section 5.12(c)(B) of the Credit Agreement, in the following amounts:

(i)	2366 Bernville Road, Reading, PA	$	10,999,800
(ii)	One Yuasa Road, Hays, KS	$	6,641,172
(iii)	751 and 761 Eastern Bypass, Richmond, KY	$	8,160,000
(iv)	1990 Corporate Way, Sumter, SC	$	8,882,960
(v)	617 North Ridgeview Drive, Warrensburg, MO	$	8,500,000
(vi)	9404 and 9610 Ooltewah Industrial Dr. Ooltewah, TN	$	3,500,000

(c) opinions of local counsel, addressed to the Collateral Agent, from local counsel acceptable to the Collateral Agent, complying with the terms and conditions of Section 5.03(ii) of the Credit Agreement; and,

(d) flood certificates from a third party provider, in form and substance acceptable to the Collateral Agent, certifying whether or not each Mortgaged Property is located in a Special Flood Hazard area, as determined by reference to the applicable flood insurance rate map.

SCHEDULE XII

CONFLICTS

SCHEDULE XV

GROUP STRUCTURE CHARTS

[TO BE PROVIDED]

Exhibit 10.10

PLEDGE AGREEMENT

PLEDGE AGREEMENT, dated as of March 17, 2004 (as amended, restated, modified and/or supplemented from time to time, this "Agreement"), among each of the undersigned (each, a "Pledgor" and, together with each other entity which becomes a party hereto pursuant to Section 25, collectively, the "Pledgors") and Bank of America, N.A., as Collateral Agent (together with any successor Collateral Agent, the "Pledgee"), for the benefit of the Secured Creditors (as defined below). Except as otherwise defined herein, terms used herein and defined in the Credit Agreement (as defined below) shall be used herein as therein defined.

W I T N E S S E T H :

WHEREAS, EnerSys ("Holdings"), EnerSys Capital Inc. (the "Borrower"), various financial institutions from time to time party thereto (the "Lenders"), Bank of America, N.A. as Administrative Agent (together with a successor Administrative Agent, the "Administrative Agent" and, together with the Lenders, the Collateral Agent, each Letter of Credit Issuer, each other Agent and the Pledgee, the "Lender Creditors"), Morgan Stanley Senior Funding Inc., as Syndication Agent, and Lehman Commercial Paper Inc., as Documentation Agent, have entered into a Credit Agreement, dated as of March 17, 2004 providing for the making of Loans to the Borrower and the issuance of, and participation in, Letters of Credit for the account of the Borrower as contemplated therein (as used herein, the term "Credit Agreement" means the Credit Agreement described above in this paragraph as amended, restated, modified, extended, renewed, replaced, supplemented, restructured and/or refinanced from time to time);

WHEREAS, the Borrower and/or one or more of its Subsidiaries may at any time and from time to time (i) enter into one or more Interest Rate Protection Agreements or Other Hedging Agreements with one or more Lenders or any affiliate thereof, (ii) enter into one or more Commodities Agreements with one or more Lenders or any affiliate thereof and/or (iii) maintain Existing Interest Rate Protection Agreements with any financial institution (each such Lender, affiliate or financial institution, even if the respective Lender subsequently ceases to be a Lender under the Credit Agreement for any reason, together with such Lender's, affiliate's or other financial institution's successors and assigns, if any, collectively, the "Other Creditors" and together with the Lender Creditors, the "Secured Creditors");

WHEREAS, pursuant to the Credit Agreement Party Guaranty, each of Holdings and the Borrower has unconditionally guaranteed to the Secured Creditors the payment when due of all Relevant Guaranteed Obligations as described therein;

WHEREAS, pursuant to the Subsidiaries Guaranty, each Subsidiary Guarantor has jointly and severally guaranteed to the Secured Creditors the payment when due of all Guaranteed Obligations as described therein;

WHEREAS, it is a condition precedent to the making of Loans to the Borrower and the issuance of, and participation in, Letters of Credit for the account of the Borrower under the Credit Agreement and to the Other Creditors entering into and/or maintaining Secured

---

Hedging Agreements that each Pledgor shall have executed and delivered to the Pledgee this Agreement; and

WHEREAS, each Pledgor will obtain benefits from the incurrence of Loans by the Borrower and the issuance of and participation in, Letters of Credit for the account of the Borrower under the Credit Agreement and the entering into by and/or the maintaining by the Borrower and/or one or more of its Subsidiaries of Secured Hedging Agreements and, accordingly, desires to execute this Agreement in order to satisfy the condition precedent described in the preceding paragraph and to induce the Lenders to make Loans to the Borrower and to issue, and participate in, Letters of Credit for the account of the Borrower, and to induce the Other Creditors to enter into and/or maintain Secured Hedging Agreements with the Borrower and/or one or more of its Subsidiaries;

NOW, THEREFORE, in consideration of the foregoing and other benefits accruing to each Pledgor, the receipt and sufficiency of which are hereby acknowledged, each Pledgor hereby makes the following representations and warranties to the Pledgee for the benefit of the Secured Creditors and hereby covenants and agrees with the Pledgee for the benefit of the Second Creditors as follows:

1. SECURITY FOR OBLIGATIONS. This Agreement is made by each Pledgor for the benefit of the Secured Creditors to secure:

(i) the full and prompt payment when due (whether at stated maturity, by acceleration or otherwise) of all obligations, liabilities and indebtedness (including, without limitation, principal, premium, interest (including, without limitation, all interest that accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency, reorganization or similar proceeding of any Pledgor or any Subsidiary thereof at the rate provided for in the respective documentation, whether or not a claim for post-petition interest is allowed in any such proceeding), reimbursement obligations under Letters of Credit, fees, costs and indemnities) of such Pledgor owing to the Lender Creditors, whether now existing or hereafter incurred under, arising out of, or in connection with, the Credit Agreement and the other Credit Documents to which such Pledgor is a party (including, in the case of each Pledgor that is a Guarantor, all such obligations, liabilities and indebtedness of such Pledgor under its Guaranty) and the due performance and compliance by such Pledgor with all of the terms, conditions and agreements contained in the Credit Agreement and in such other Credit Documents (all such obligations, liabilities and indebtedness under this clause (i), except to the extent consisting of obligations, liabilities or indebtedness with respect to Secured Hedging Agreements entitled to the benefits of this Agreement being herein collectively called the "Credit Document Obligations");

(ii) the full and prompt payment when due (whether at stated maturity, by acceleration or otherwise) of all obligations, liabilities and indebtedness (including, without limitation, all interest that accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency, reorganization or similar proceeding of any Pledgor or any Subsidiary thereof at the rate provided for in the respective documentation, whether or not a claim for

---

post-petition interest is allowed in any such proceeding) owing by such Pledgor to the Other Creditors now existing or hereafter incurred under, arising out of or in connection with any Secured Hedging Agreement, whether such Secured Hedging Agreement is now in existence or hereinafter arising (including, in the case of a Pledgor that is a Guarantor, all obligations, liabilities and indebtedness of such Pledgor under its Guaranty in respect of the Secured Hedging Agreements), and the due performance and compliance by such Pledgor with all of the terms, conditions and agreements contained in each such Secured Hedging Agreement (all such obligations, liabilities and indebtedness under this clause (ii) being herein collectively called the "Other Obligations");

(iii) any and all sums advanced by the Pledgee in order to preserve the Collateral (as hereinafter defined) or preserve its security interest in the Collateral;

(iv) in the event of any proceeding for the collection or enforcement of any indebtedness, obligations or liabilities of such Pledgor referred to in clauses (i) and (ii) above, after an Event of Default shall have occurred and be continuing, the reasonable expenses of retaking, holding, preparing for sale or lease, selling or otherwise disposing of or realizing on the Collateral, or of any exercise by the Pledgee of its rights hereunder, together with reasonable attorneys' fees and court costs;

(v) all amounts paid by any Indemnitees as to which such Indemnitee has the right to reimbursement under Section 11 of this Agreement; and

(vi) all amounts owing to any Agent or any of its affiliates pursuant to any of the Credit Documents in its capacity as such;

all such obligations, liabilities, indebtedness, sums and expenses set forth in clauses (i) through (vi) of this Section 1 being collectively called the "Obligations", it being agreed that the "Obligations" shall include extensions of credit of the types described above, whether outstanding on the date of this Agreement or extended from time to time after the date of this Agreement.

2. DEFINITIONS; ANNEXES. (a) Unless otherwise defined herein, all capitalized terms used herein and defined in the Credit Agreement shall be used herein as therein defined. Reference to singular terms shall include the plural and vice versa.

(b) The following capitalized terms used herein shall have the definitions specified below:

"Administrative Agent" shall have the meaning set forth in the recitals hereto.

"Adverse Claim" shall have the meaning given such term in Section 8-102(a)(1) of the UCC.

"Agreement" shall have the meaning set forth in the first paragraph hereof.

"Borrower" shall have the meaning set forth in the recitals hereto.

"Certificated Security" shall have the meaning given such term in Section 8-102(a)(4) of the UCC.

"Clearing Corporation" shall have the meaning given such term in Section 8-102(a)(5) of the UCC.

"Collateral" shall have the meaning set forth in Section 3.1 hereof.

"Collateral Accounts" shall mean any and all accounts established and maintained by the Pledgee in the name of any Pledgor to which Collateral may be credited.

"Commodities Agreement" shall have the meaning provided in the Credit Agreement.

"Credit Agreement" shall have the meaning set forth in the recitals hereto.

"Credit Document Obligations" shall have the meaning set forth in Section 1(i) hereof.

"Domestic Corporation" shall have the meaning set forth in the definition of "Stock."

"Event of Default" shall mean any Event of Default under, and as defined in, the Credit Agreement and shall in any event include, without limitation, any payment default on any of the Obligations after the expiration of any applicable grace period.

"Excluded Collateral" shall mean (x) on and after the Accounts Receivable Facility Transaction Date, any Accounts Receivable Facility Assets for so long as, and to the extent, same have been sold or transferred pursuant to the Accounts Receivable Facility Documents, provided that at such time as, and to the extent that, any such Excluded Collateral is repurchased by or reconveyed to, an Assignor, such Accounts Receivable Facility Assets shall cease to constitute Excluded Collateral, (y) Margin Stock owned or held by any Pledgor except to the extent required to be Pledged pursuant to Section 8.18 of the Credit Agreement and (z) the capital stock of Yuasa Inc. S.A., EnerSys Europe Ltd. and YCI Inc. so long as, in the case of EnerSys Europe Ltd. and YCI Inc., the gross book value of the assets of each entity does not exceed $50,000 at any time.

"Exempted Foreign Corporation" shall mean (i) any Foreign Corporation and any limited liability company organized under the laws of a jurisdiction other than the United States or any State or Territory thereof that, in any such case, is treated as a corporation or an association taxable as a corporation for U.S. Federal income tax purposes and (ii) Cayman Partnership Shareholder #1.

"Financial Asset" shall have the meaning given such term in Section 8-102(a)(9) of the UCC.

"Foreign Corporation" shall have the meaning set forth in the definition of "Stock."

"Holdings" shall have the meaning set forth in the first paragraph hereof.

"Indemnitees" shall have the meaning set forth in Section 11 hereof.

"Instrument" shall have the meaning given such term in Section 9-102(a)(47) of the UCC.

"Interest Rate Protection Agreement" shall have the meaning provided in the Credit Agreement.

"Investment Property" shall have the meaning given such term in Section 9-102(a)(49) of the UCC.

"Lender Creditors" shall have the meaning set forth in the first paragraph hereof.

"Lenders" shall have the meaning set forth in the Recitals hereto.

"Limited Liability Company Assets" shall mean all assets, whether tangible or intangible and whether real, personal or mixed (including, without limitation, all limited liability company capital and interest in other limited liability companies), at any time owned by any Pledgor or represented by any Limited Liability Company Interest.

"Limited Liability Company Interests" shall mean the entire limited liability company membership interest at any time owned by any Pledgor in any limited liability company.

"Location" of any Pledgor has the meaning given such term in Section 9-307 of the UCC.

"Non-Voting Stock" shall mean all capital stock which is not Voting Stock.

"Notes" shall mean (x) all intercompany notes at any time issued to each Pledgor and (y) all other promissory notes from time to time issued to, or held by, each Pledgor.

"Obligations" shall have the meaning set forth in Section 1 hereof.

"Other Creditors" shall have the meaning set forth in the first paragraph hereof.

"Other Hedging Agreement" shall have the meaning provided in the Credit Agreement.

"Other Obligations" shall have the meaning set forth in Section 1(ii) hereof.

"Partnership Assets" shall mean all assets, whether tangible or intangible and whether real, personal or mixed (including, without limitation, all partnership capital and interest in other partnerships), at any time owned or represented by any Partnership Interest.

"Partnership Interest" shall mean the entire general partnership interest or limited partnership interest at any time owned by any Pledgor in any general partnership or limited partnership.

"Pledged Notes" shall mean all Notes at any time pledged or required to be pledged hereunder.

"Pledgee" shall have the meaning set forth in the first paragraph hereof.

"Pledgor" shall have the meaning set forth in the first paragraph hereof.

"Proceeds" shall have the meaning given such term in Section 9-102(a)(64) of the UCC.

"Registered Organization" shall have the meaning given such term in Section 9-102(a)(70) of the UCC.

"Required Lenders" shall have the meaning given such term in the Credit Agreement.

"Secured Creditors" shall have the meaning set forth in the first paragraph hereof.

"Secured Debt Agreements" shall have the meaning set forth in Section 5 hereof.

"Secured Hedging Agreements" shall mean and include each Interest Rate Protection Agreement, each Commodities Agreement and each Other Hedging Agreement entered into by the Borrower and/or one or more of its Subsidiaries with any Other Creditor (including each Existing Interest Rate Protection Agreement).

"Securities Account" shall have the meaning given such term in Section 8-501(a) of the UCC.

"Securities Act" shall mean the Securities Act of 1933, as amended, as in effect from time to time.

"Securities Intermediary" shall have the meaning given such term in Section 8-102(14) of the UCC.

"Security" and "Securities" shall have the meaning given such term in Section 8-102(a)(15) of the UCC and shall in any event also include all Stock and all Notes.

"Security Entitlement" shall have the meaning given such term in Section 8-102(a)(17) of the UCC.

"Specified Default" shall have the meaning set forth in Section 5 hereof.

"Stock" shall mean (x) with respect to corporations incorporated under the laws of the United States or any State or territory thereof or the District of Columbia (each, a "Domestic Corporation"), all of the issued and outstanding shares of capital stock of any Domestic Corporation at any time owned by any Pledgor and (y) with respect to corporations not Domestic Corporations (each, a "Foreign Corporation"), all of the issued and outstanding shares of capital stock of any Foreign Corporation at any time owned by any Pledgor.

"Termination Date" shall have the meaning set forth in Section 19 hereof.

"UCC" shall mean the Uniform Commercial Code as in effect in the State of New York from time to time; provided that all references herein to specific sections or

---

subsections of the UCC are references to such sections or subsections, as the case may be, of the Uniform Commercial Code as in effect in the State of New York on the date hereof.

"Uncertificated Security" shall have the meaning given such term in Section 8-102(a)(18) of the UCC.

"Voting Stock" shall mean all classes of equity interests of any Foreign Corporation entitled to vote (as used in the Treasury Regulations under Section 956 under the Code).

3. PLEDGE OF SECURITY INTEREST, ETC.

3.1. Pledge. To secure the Obligations now or hereafter owed or to be performed by such Pledgor, each Pledgor does hereby grant, pledge and assign to the Pledgee for the benefit of the Secured Creditors, and does hereby create a continuing security interest in favor of the Pledgee for the benefit of the Secured Creditors in, all of the right, title and interest in and to the following, whether now existing or hereafter from time to time acquired (collectively, the "Collateral"):

(a) each of the Collateral Accounts, including any and all assets of whatever type or kind deposited by such Pledgor in such Collateral Account, whether now owned or hereafter acquired, existing or arising, including, without limitation, all Financial Assets, Investment Property, moneys, checks, drafts, Instruments, Securities or interests therein of any type or nature deposited or required by the Credit Agreement or any other Secured Debt Agreement to be deposited in such Collateral Account, and all investments and all certificates and other Instruments (including depository receipts, if any) from time to time representing or evidencing the same, and all dividends, interest, distributions, cash and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the foregoing;

(b) all Securities owned or held by such Pledgor from time to time and all options and warrants owned by such Pledgor from time to time to purchase Securities;

(c) all Limited Liability Company Interests owned by such Pledgor from time to time and all of its right, title and interest in each limited liability company to which each such Limited Liability Company Interest relates, whether now existing or hereafter acquired, including, without limitation, to the fullest extent permitted under the terms and provisions of the documents and agreements governing such Limited Liability Company Interests and applicable law:

(A) all its capital therein and its interest in all profits, losses, Limited Liability Company Assets and other distributions to which such Pledgor shall at any time be entitled in respect of such Limited Liability Company Interests;

(B) all other payments due or to become due to such Pledgor in respect of Limited Liability Company Interests, whether under any limited liability company agreement or otherwise, whether as contractual obligations, damages, insurance proceeds or otherwise;

(C) all of its claims, rights, powers, privileges, authority, options, security interests, liens and remedies, if any, under any limited liability company agreement or operating agreement, or at law or otherwise in respect of such Limited Liability Company Interests;

(D) all present and future claims, if any, of such Pledgor against any such limited liability company for moneys loaned or advanced, for services rendered or otherwise;

(E) all of such Pledgor's rights under any limited liability company agreement or operating agreement or at law to exercise and enforce every right, power, remedy, authority, option and privilege of such Pledgor relating to such Limited Liability Company Interests, including any power to terminate, cancel or modify any limited liability company agreement or operating agreement, to execute any instruments and to take any and all other action on behalf of and in the name of any such Pledgor in respect of such Limited Liability Company Interests and any such limited liability company, to make determinations, to exercise any election (including, but not limited to, election of remedies) or option or to give or receive any notice, consent, amendment, waiver or approval, together with full power and authority to demand, receive, enforce, collect or receipt for any of the foregoing or for any Limited Liability Company Asset, to enforce or execute any checks, or other instruments or orders, to file any claims and to take any action in connection with any of the foregoing; and

(F) all other property hereafter delivered in substitution for or in addition to any of the foregoing, all certificates and instruments representing or evidencing such other property and all cash, securities, interest, dividends, rights and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all thereof;

(d) all Partnership Interests of such Pledgor from time to time and all of its right, title and interest in each partnership to which each such interest relates, whether now existing or hereafter acquired, including, without limitation:

(A) all its capital therein and its interest in all profits, losses, Partnership Assets and other distributions to which such Pledgor shall at any time be entitled in respect of such Partnership Interests;

(B) all other payments due or to become due to such Pledgor in respect of Partnership Interests, whether under any partnership agreement or otherwise, whether as contractual obligations, damages, insurance proceeds or otherwise;

(C) all of its claims, rights, powers, privileges, authority, options, security interests, liens and remedies, if any, under any partnership agreement or operating agreement, or at law or otherwise in respect of such Partnership Interests;

(D) all present and future claims, if any, of such Pledgor against any such partnership for moneys loaned or advanced, for services rendered or otherwise;

(E) all of such Pledgor's rights under any partnership agreement or operating agreement or at law to exercise and enforce every right, power, remedy, authority, option and privilege of such Pledgor relating to such Partnership Interests, including any power to terminate, cancel or modify any partnership agreement or operating agreement, to execute any instruments and to take any and all other action on behalf of and in the name of any such Pledgor in respect of such Partnership Interests and any such partnership, to make determinations, to exercise any election (including, but not limited to, election of remedies) or option or to give or receive any notice, consent, amendment, waiver or approval, together with full power and authority to demand, receive, enforce, collect or receipt for any of the foregoing or for any Partnership Asset, to enforce or execute any checks, or other instruments or orders, to file any claims and to take any action in connection with any of the foregoing; and

(F) all other property hereafter delivered in substitution for or in addition to any of the foregoing, all certificates and instruments representing or evidencing such other property and all cash, securities, interest, dividends, rights and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all thereof;

(G) all Financial Assets and Investment Property of such Pledgor from time to time;

(H) all Security Entitlements of such Pledgor from time to time in any and all of the foregoing; and

(I) all Proceeds of any and all of the foregoing;

provided that (x) no Pledgor shall be required at any time to pledge hereunder, and the pledge granted hereunder shall not be deemed to extend to, more than 65% of the total combined voting power of all classes of Voting Stock of any Exempted Foreign Corporation and (y) each Pledgor shall be required to pledge hereunder 100% of any Non-Voting Stock of each Exempted Foreign Corporation at any time and from time to time acquired by such Pledgor, which Non-Voting Stock shall not be subject to the limitations described in clause (x). Notwithstanding anything to the contrary contained herein, (I) the Collateral shall at no time include any items which would at such time constitute Excluded Collateral, and (II) the relative rights and remedies of the Pledgee shall be subject to and governed by the terms of the Intercreditor Agreement at any time the Intercreditor Agreement is in effect. In the event of any inconsistency between the terms hereof and the Intercreditor Agreement, the Intercreditor Agreement shall control at any time the Intercreditor Agreement is in effect.

3.2. Procedures. (a) To the extent that any Pledgor at any time or from time to time owns, acquires or obtains any right, title or interest in any Collateral, such Collateral shall automatically (and without the taking of any action by the respective Pledgor) be pledged pursuant to Section 3.1 of this Agreement and, in addition thereto, such Pledgor shall (to the extent provided below) take the following actions as set forth below (as promptly as practicable and, in any event, within 10 days after it obtains such Collateral) for the benefit of the Pledgee and the Secured Creditors:

(i) with respect to a Certificated Security (other than a Certificated Security credited on the books of a Clearing Corporation or Securities Intermediary), such Pledgor shall physically deliver such Certificated Security to the Pledgee, endorsed to the Pledgee or endorsed in blank;

(ii) with respect to an Uncertificated Security (other than an Uncertificated Security credited on the books of a Clearing Corporation or Securities Intermediary), such Pledgor shall cause the issuer of such Uncertificated Security to duly authorize and execute, and deliver to the Pledgee, an agreement for the benefit of the Pledgee and the other Secured Creditors substantially in the form of Annex G hereto (appropriately completed to the satisfaction of the Pledgee and with such modifications, if any, as shall be satisfactory to the Pledgee) pursuant to which such issuer agrees to comply with any and all instructions originated by the Pledgee without further consent by the registered owner and not to comply with instructions regarding such Uncertificated Security (and any Partnership Interests and Limited Liability Company Interests issued by such issuer) originated by any other Person other than a court of competent jurisdiction;

(iii) with respect to a Certificated Security, Uncertificated Security, Partnership Interest or Limited Liability Company Interest credited on the books of a Clearing Corporation or Securities Intermediary (including a Federal Reserve Bank, Participants Trust Company or The Depository Trust Company), the respective Pledgor shall promptly notify the Pledgee thereof and shall promptly take all actions (x) required (i) to comply with the applicable rules of such Clearing Corporation or Securities Intermediary and (ii) to perfect the security interest of the Pledgee under applicable law (including, in any event, under Sections 9-314(a), (b), and (c), 9-106 and 8-106(d) of the UCC) and (y) as the Pledgee deems necessary or desirable to effect the foregoing;

(iv) with respect to a Partnership Interest or a Limited Liability Company Interest (other than a Partnership Interest or Limited Liability Company Interest credited on the books of a Clearing Corporation or Securities Intermediary), (1) if such Partnership Interest or Limited Liability Company Interest is represented by a certificate and is a Security for purposes of the UCC, the procedure set forth in

Section 3.2(a)(i), and (2) if such Partnership Interest or Limited Liability Company Interest is not represented by a certificate and is a Security for purposes of the UCC, the procedure set forth in Section 3.2(a)(ii);

(v) with respect to any Note, physical delivery of such Note to the Pledgee, endorsed to the Pledgee or endorsed in blank (except that any Note with a face amount of less than $500,000 shall not be required to be delivered, so long as not more than $2,500,000 in aggregate principal amount of Notes are excluded pursuant to the delivery requirements of this clause (v) as a result of such $500,000 limitation); and

(vi) with respect to cash proceeds from any of the Collateral, prompt deposit of such cash in a "Subject Deposit Account" (as such term is defined in

---

the Security Agreement) or, if an Event of Default shall have occurred and be continuing, a Collateral Account.

(b) In addition to the actions required to be taken pursuant to preceding Section 3.2(a), each Pledgor shall take the following additional actions with respect to the Securities and Collateral:

(i) with respect to all Collateral of such Pledgor of which the Pledgee may obtain "control" thereof within the meaning of Section 8-106 of the UCC (or under any provision of the UCC as same may be amended or supplemented from time to time, or under the laws of any relevant State other than the State of New York), the respective Pledgor shall take all actions as may be requested from time to time by the Pledgee so that "control" of such Collateral is obtained and at all times held by the Pledgee; and

(ii) each Pledgor shall from time to time cause appropriate financing statements (on Form UCC-1 or other appropriate form) under the Uniform Commercial Code as in effect in the various relevant States, in form covering all Collateral hereunder (with such form to be satisfactory to the Pledgee), to be filed in the relevant filing offices so that at all times the Pledgee has a security interest in all Investment Property and other Collateral which is perfected by the filing of such financing statements (in each case to the maximum extent perfection by filing may be obtained under the laws of the relevant States, including, without limitation, Section 9-312(a) of the UCC).

3.3. Subsequently Acquired Collateral. If any Pledgor shall acquire (by purchase, stock dividend, distribution or otherwise) any additional Collateral at any time or from time to time after the date hereof, such Collateral shall automatically (and without any further action being required to be taken) be subject to the pledge and security interests created pursuant to Section 3.1 and, furthermore, such Pledgor will promptly thereafter take (or cause to be taken) all action with respect to such Collateral in accordance with the procedures set forth in Section 3.2, and will promptly thereafter deliver to the Pledgee (i) a certificate executed by a principal executive officer of such Pledgor describing such Collateral and certifying that the same has been duly pledged in favor of the Pledgee (for the benefit of the Secured Creditors) hereunder and (ii) supplements to Annexes A through F hereto as are necessary to cause such annexes to be complete and accurate at such time. Without limiting the foregoing, each Pledgor shall be required to pledge hereunder any shares of stock of any Exempted Foreign Corporation at any time and from time to time after the date hereof acquired by such Pledgor, provided that (x) no Pledgor shall be required at any time to pledge hereunder more than 65% of the total combined voting power of all classes of Voting Stock of any Exempted Foreign Corporation, and (y) each Pledgor shall be required to pledge hereunder 100% of the Non-Voting Stock of any Exempted Foreign Corporation at any time and from time to time acquired by such Pledgor. Notwithstanding the foregoing, except as otherwise required by Section 8.18 of the Credit Agreement, no Pledgor shall be required to Pledge hereunder any Margin Stock owed by such Pledgor.

3.4. Transfer Taxes. Each pledge of Collateral under Section 3.1 or Section 3.3 shall be accompanied by any transfer tax stamps required in connection with the pledge of such Collateral.

3.5. Certain Representations and Warranties Regarding the Collateral. Each Pledgor represents and warrants that on the date hereof: (i) each Subsidiary of such Pledgor, and the direct ownership thereof, is listed in Annex A hereto; (ii) the Stock (and any warrant or options to purchase Stock) held by such Pledgor consists of the number and type of shares of the Stock (and any warrants or options to purchase Stock) of the corporations as described in Annex B hereto; (iii) such Stock referenced in clause (ii) of this paragraph constitutes that percentage of the issued and outstanding capital stock of the issuing corporation as is set forth in Annex B hereto; (iv) the Notes held by such Pledgor consist of the promissory notes described in Annex C hereto where such Pledgor is listed as the lender; (v) the Limited Liability Company Interests held by such Pledgor consist of the number and type of interests of the Persons described in Annex D hereto; (vi) each such Limited Liability Company Interest referenced in clause (v) of this paragraph constitutes that percentage of the issued and outstanding equity interest of the issuing Person as set forth in Annex D hereto; (vii) the Partnership Interests held by such Pledgor consist of the number and type of interests of the Persons described in Annex E hereto; (viii) each such Partnership Interest referenced in clause (vii) of this paragraph constitutes that percentage or portion of the entire partnership interest of the Partnership as set forth in Annex E hereto; (ix) the exact address of each chief executive office of such Pledgor is listed on Annex F hereto; (x) the Pledgor has complied with the respective procedure set forth in Section 3.2(a) with respect to each item of Collateral described in Annexes A through F hereto; and (xi) on the date hereof, such Pledgor owns no other Securities, Stock, Notes, Limited Liability Company Interests or Partnership Interests.

4. APPOINTMENT OF SUB-AGENTS; ENDORSEMENTS, ETC. The Pledgee shall have the right to appoint one or more sub-agents for the purpose of retaining physical possession of the Collateral, which may be held (in the discretion of the Pledgee) in the name of the relevant Pledgor, endorsed or assigned in blank or in favor of the Pledgee or any nominee or nominees of the Pledgee or a sub-agent appointed by the Pledgee.

5. VOTING, ETC., WHILE NO EVENT OF DEFAULT OR SPECIFIED DEFAULT. Unless and until there shall have occurred and be continuing any Event of Default under the Credit Agreement or a Default under Section 10.01 or 10.05 of the Credit Agreement (each such Default, a "Specified Default"), each Pledgor shall be entitled to exercise all voting rights attaching to any and all Collateral owned by it, and to give consents, waivers or ratifications in respect thereof, provided that no vote shall be cast or any consent, waiver or ratification given or any action taken which would violate, result in breach of any covenant contained in, or be inconsistent with, any of the terms of this Agreement, the Credit Agreement, any other Credit Document or any Secured Hedging Agreement (collectively, the "Secured Debt Agreements"), or which would have the effect of impairing the value of the Collateral or any part thereof or the position or interests of the Pledgee or any other Secured Creditor therein. All such rights of a Pledgor to vote and to give consents, waivers and ratifications shall cease in case an Event of Default shall occur and be continuing and Section 7 hereof shall become applicable.

6. DIVIDENDS AND OTHER DISTRIBUTIONS. Unless and until an Event of Default shall have occurred and be continuing, all cash dividends, cash distributions, cash Proceeds and other cash amounts payable in respect of the Collateral shall be paid to the respective Pledgor. Subject to Section 3.2 hereof, the Pledgee shall be entitled to receive directly, and to retain as part of the Collateral:

(i) all other or additional stock, notes, certificates, limited liability company interests, partnership interests, instruments or other securities or property (including, but not limited to, cash dividends other than as set forth above) paid or distributed by way of dividend or otherwise in respect of the Collateral;

(ii) all other or additional stock, notes, certificates, limited liability company interests, partnership interests, instruments or other securities or property (including, but not limited to, cash) paid or distributed in respect of the Collateral by way of stock-split, spin-off, split-up, reclassification, combination of shares or similar rearrangement; and

(iii) all other or additional stock, notes, certificates, limited liability company interests, partnership interests, instruments or other securities or property (including, but not limited to, cash) which may be paid in respect of the Collateral by reason of any consolidation, merger, exchange of stock, conveyance of assets, liquidation or similar corporate reorganization.

Nothing contained in this Section 6 shall limit or restrict in any way the Pledgee's right to receive the proceeds of the Collateral in any form in accordance with Section 3 of this Agreement. All dividends, distributions or other payments which are received by the respective Pledgor contrary to the provisions of this Section 6 or Section 7 shall be received in trust for the benefit of the Pledgee, shall be segregated from other property or funds of such Pledgor and shall be forthwith paid over to the Pledgee as Collateral in the same form as so received (with any necessary endorsement).

7. REMEDIES IN CASE OF AN EVENT OF DEFAULT OR SPECIFIED DEFAULT. In the event an Event of Default shall have occurred and be continuing, the Pledgee shall be entitled to exercise all of the rights, powers and remedies (whether vested in it by this Agreement or by any other Secured Debt Agreement or by law) for the protection and enforcement of its rights in respect of the Collateral, including, without limitation, all the rights and remedies of a secured party upon default under the UCC and the Pledgee shall be entitled, without limitation, to exercise any or all of the following rights, which each Pledgor hereby agrees to be commercially reasonable:

(i) to receive all amounts payable in respect of the Collateral otherwise payable under Section 6 to such Pledgor;

(ii) to transfer all or any part of the Collateral into the Pledgee's name or the name of its nominee or nominees;

(iii) to accelerate any Pledged Note which may be accelerated in accordance with its terms, and take any other lawful action to collect upon any Pledged Note (including, without limitation, to make any demand for payment thereon);

(iv) to vote all or any part of the Collateral (whether or not transferred into the name of the Pledgee) and give all consents, waivers and ratifications in respect of the Collateral and otherwise act with respect thereto as though it were the outright owner thereof (each Pledgor hereby irrevocably constituting and appointing the Pledgee the proxy and attorney-in-fact of such Pledgor, with full power of substitution to do so); provided that prior to taking the actions described in this clause (iv), the Pledgee shall give such Pledgor at least 5 days notice of its intention to do so unless there shall have

---

occurred and be continuing any Default or Event of Default under Section 10.05 of the Credit Agreement, in which case no such notice to such Pledgor shall be required;

(v) at any time or from time to time to sell, assign and deliver, or grant options to purchase, all or any part of the Collateral, or any interest therein, at any public or private sale, without demand of performance, advertisement or notice of intention to sell or of the time or place of sale or adjournment thereof or to redeem or otherwise (all of which are hereby waived by each Pledgor), for cash, on credit or for other property, for immediate or future delivery without any assumption of credit risk, and for such price or prices and on such terms as the Pledgee in its absolute discretion may determine; provided that at least 10 days' notice of the time and place of any such sale shall be given to such Pledgor. The Pledgee shall not be obligated to make such sale of Collateral regardless of whether any such notice of sale has theretofore been given. Each purchaser at any such sale shall hold the property so sold absolutely free from any claim or right on the part of each Pledgor, and each Pledgor hereby waives and releases to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after sale hereunder, all rights, if any, of marshalling the Collateral and any other security for the Obligations or otherwise, and all rights, if any, of stay and/or appraisal which it now has or may at any time in the future have under rule of law or statute now existing or hereafter enacted. At any such sale, unless prohibited by applicable law, the Pledgee on behalf of all Secured Creditors (or certain of them) may bid for and purchase (by bidding in Obligations or otherwise) all or any part of the Collateral so sold free from any such right or equity of redemption. Neither the Pledgee nor any other Secured Creditor shall be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing nor shall any of them be under any obligation to take any action whatsoever with regard thereto; and

(vi) to set-off any and all Collateral against any and all Obligations, and to withdraw any and all cash or other Collateral from any and all Collateral Accounts and to apply such cash and other Collateral to the payment of any and all Obligations.

(b) If there shall have occurred and be continuing a Specified Default, then and in every such case but subject to the terms of the Intercreditor Agreement, the Pledgee shall be entitled to vote (and exercise all rights and powers in respect of voting) all or any part of the Collateral, (whether or not transferred into the name of the Pledgee), and give all consents, waivers and ratifications in respect of the Collateral and otherwise act with respect thereto as though it were the outright owner thereof (each Pledgor hereby irrevocably constituting and appointing the Pledgee the proxy and attorney-in-fact of such Pledgor, with full power of substitution to do so).

8. REMEDIES, ETC., CUMULATIVE. Each right, power and remedy of the Pledgee provided for in this Agreement or any other Secured Debt Agreement, or now or hereafter existing at law or in equity or by statute shall be cumulative and concurrent and shall be in addition to every other such right, power or remedy. The exercise or beginning of the exercise by the Pledgee or any other Secured Creditor of any one or more of the rights,

powers or remedies provided for in this Agreement or any other Secured Debt Agreement or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by the Pledgee or any other Secured Creditor of all such other rights, powers or remedies, and no failure or delay on the part of the Pledgee or any other

---

Secured Creditor to exercise any such right, power or remedy shall operate as a waiver thereof. Unless otherwise required by the Credit Documents, no notice to or demand on any Pledgor in any case shall entitle such Pledgor to any other or further notice or demand in similar other circumstances or constitute a waiver of any of the rights of the Pledgee or any other Secured Creditor to any other or further action in any circumstances without demand or notice. The Secured Creditors agree that this Agreement may be enforced only by the action of the Pledgee, acting upon the instructions of the Required Lenders (or, after the date on which all Credit Document Obligations have been paid in full, the holders of at least a majority of the outstanding Other Obligations) and that no other Secured Creditor shall have any right individually to seek to enforce or to enforce this Agreement or to realize upon the security to be granted hereby, it being understood and agreed that such rights and remedies may be exercised by the Pledgee or the holders of at least a majority of the outstanding Other Obligations, as the case may be, for the benefit of the Secured Creditors upon the terms of this Agreement and the other Credit Documents.

9. APPLICATION OF PROCEEDS. (a) All moneys collected by the Pledgee upon any sale or other disposition of the Collateral pursuant to the terms of this Agreement, together with all other moneys received by the Pledgee hereunder, shall be applied to the payment of the Obligations in the manner provided in the Security Agreement.

(b) It is understood and agreed that the Pledgors shall remain jointly and severally liable to the extent of any deficiency between the amount of proceeds of the Collateral hereunder and the aggregate amount of the Obligations.

10. PURCHASERS OF COLLATERAL. Upon any sale of the Collateral by the Pledgee hereunder (whether by virtue of the power of sale herein granted, pursuant to judicial process or otherwise), the receipt of the Pledgee or the officer making such sale of the purchase money paid as consideration pursuant to such sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold, and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Pledgee or such officer or be answerable in any way for the misapplication or nonapplication thereof.

11. INDEMNITY. Each Pledgor jointly and severally agrees (i) to indemnify, reimburse and hold harmless the Pledgee and each other Secured Creditor and their respective successors, assigns, employees, agents and affiliates (individually an "Indemnitee", and collectively, the "Indemnitees") from and against any and all obligations, damages, injuries, penalties, claims, demands, losses, judgments and liabilities (including, without limitation, liabilities for penalties) of whatsoever kind or nature, and (ii) to reimburse each Indemnitee for all reasonable costs, expenses and disbursements, including reasonable attorneys' fees and expenses, in each case arising out of or resulting from this Agreement or the exercise by any Indemnitee of any right or remedy granted to it hereunder or under any other Secured Debt Agreement (but excluding any obligations, damages, injuries, penalties, claims, demands, losses, judgments and liabilities (including, without limitation, liabilities for penalties) or expenses of whatsoever kind or nature to the extent incurred or arising by reason of gross negligence or willful misconduct of such Indemnitee (as determined by a court of competent jurisdiction in a final and non-appealable decision)). In no event shall the Pledgee hereunder be liable, in the absence of gross negligence or willful misconduct on its part (as determined by a court of competent jurisdiction in a final and non-appealable decision), for any matter or thing in connection with this Agreement other than to account for monies or other property actually

---

received by it in accordance with the terms hereof. If and to the extent that the obligations of any Pledgor under this Section 11 are unenforceable for any reason, such Pledgor hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable law. The indemnity obligations of each Pledgor contained in this Section 11 shall continue in full force and effect notwithstanding the full payment of all the Notes issued under the Credit Agreement, the termination of all Secured Hedging Agreements and Letters of Credit, and the payment of all other Obligations and notwithstanding the discharge thereof.

12. FURTHER ASSURANCES; POWER OF ATTORNEY. (a) Each Pledgor agrees that it will join with the Pledgee in executing and, at such Pledgor's own expense, file and refile under the UCC or other applicable law such financing statements, continuation statements and other documents in such offices as the Pledgee (acting on its own or on the instructions of the Required Lenders) may reasonably deem necessary or appropriate and wherever required or permitted by law in order to perfect and preserve the Pledgee's security interest in the Collateral hereunder and hereby authorizes the Pledgee to file financing statements and amendments thereto relative to all or any part of the Collateral (including, without limitation, financing statements which list the Collateral specifically and/or "all assets" as collateral) without the signature of such Pledgor where permitted by law, and agrees to do such further acts and things and to execute and deliver to the Pledgee such additional conveyances, assignments, agreements and instruments as the Pledgee may reasonably require or deem advisable to carry into effect the purposes of this Agreement or to further assure and confirm unto the Pledgee its rights, powers and remedies hereunder or thereunder.

(b) Each Pledgor hereby appoints the Pledgee such Pledgor's attorney-in-fact, with full authority in the place and stead of such Pledgor and in the name of such Pledgor or otherwise, from time to time after the occurrence and during the continuance of an Event of Default, in the Pledgee's discretion to take any action and to execute any instrument which the Pledgee may deem necessary or advisable to accomplish the purposes of this Agreement.

13. THE PLEDGEE AS FIRST-LIEN COLLATERAL AGENT. The Pledgee will hold in accordance with this Agreement all items of the Collateral at any time received under this Agreement. It is expressly understood, acknowledged and agreed by each Secured Creditor that by accepting the benefits of this Agreement each such Secured Creditor acknowledges and agrees that the obligations of the Pledgee as holder of the Collateral and interests therein and with respect to the disposition thereof, and otherwise under this Agreement, are only those expressly set forth in this Agreement. The Pledgee shall act hereunder on the terms and conditions set forth herein and in Section 12 of the Credit Agreement.

14. TRANSFER BY THE PLEDGORS. No Pledgor will sell or otherwise dispose of, grant any option with respect to, or mortgage, pledge or otherwise encumber any of the Collateral or any interest therein (except in accordance with the terms of this Agreement and the other Secured Debt Agreements).

15. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE PLEDGORS. (a) Each Pledgor represents, warrants and covenants that:

(i) it is the legal, beneficial and record owner of, and has good and marketable title to, all Collateral consisting of one or more Securities, Partnership

---

Interests and Limited Liability Company Interests and that it has sufficient interest in all Collateral in which a security interest is purported to be created hereunder for such security interest to attach (subject, in each case, to no pledge, lien, mortgage, hypothecation, security interest, charge, option, Adverse Claim or other encumbrance whatsoever, except the liens and security interests created by this Agreement);

(ii) it has full power, authority and legal right to pledge all the Collateral pledged by it pursuant to this Agreement;

(iii) this Agreement has been duly authorized, executed and delivered by such Pledgor and constitutes a legal, valid and binding obligation of such Pledgor enforceable against such Pledgor in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws generally affecting creditors' rights and by equitable principles (regardless of whether enforcement is sought in equity or at law);

(iv) except to the extent already obtained or made (or, in the case of the filing of UCC-1 Financing Statements, as will be made within 10 days of the Initial Borrowing Date), no consent of any other party (including, without limitation, any stockholder, member, partner or creditor of such Pledgor or any of its Subsidiaries) and no consent, license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority is required to be obtained by such Pledgor in connection with (a) the execution, delivery or performance of this Agreement, (b) the validity or enforceability of this Agreement (except as set forth in clause (iii) above), (c) the perfection or enforceability of the Pledgee's security interest in the Collateral or (d) except for compliance with or as may be required by applicable securities laws, the exercise by such Pledgee of any of its rights or remedies provided herein;

(v) neither the execution, delivery and performance by such Pledgor of this Agreement nor compliance by such Pledgor with the terms and provisions hereof, nor the consummation of the transactions contemplated herein, will contravene any material provision of any material applicable law, statute, rule or regulation or any order, judgment, writ, injunction, award or decree of any court, arbitrator or governmental authority, domestic or foreign, applicable to such Pledgor, or violate any provision of the certificate of incorporation, by-laws, operating agreement, certificate of partnership, partnership agreement, certificate of limited liability company or limited liability company agreement of such Pledgor or any of its Subsidiaries or of any securities issued by such Pledgor or any of its Subsidiaries, nor, except as specifically described on Schedule XII of the Credit Agreement will it in any material respect conflict or be inconsistent with or result in any breach of, any of the terms, covenants, conditions or provisions, or constitute a default under or, (other than pursuant to this Agreement) result in the creation or imposition of (or the obligation to create or impose) any lien or encumbrance (other than the Liens created by the Security Documents) upon any of the property or assets of such Pledgor or any of its Subsidiaries pursuant to the terms of any mortgage, deed of trust, indenture, lease, loan agreement, credit agreement or any other material contract, agreement, instrument or undertaking to which such Pledgor or any of its Subsidiaries is a party or by which it or any of its assets are bound or to which it may be subject (including, without limitation, the Existing Indebtedness Agreements);

(vi) all of the Collateral (consisting of Securities, Limited Liability Company Interests or Partnership Interests) has been duly and validly issued, is fully paid and non-assessable and is subject to no options to purchase or similar rights;

(vii) each of the Pledged Notes constitutes, or when executed by the obligor thereof will constitute, the legal, valid and binding obligation of such obligor, enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws generally affecting creditors' rights and by equitable principles (regardless of whether enforcement is sought in equity or at law);

(viii) the pledge, collateral assignment and delivery to the Pledgee of the Collateral consisting of Certificated Securities and Pledged Notes pursuant to this Agreement creates a valid and perfected first priority security interest in such Securities, and the proceeds thereof, subject to no prior Lien or encumbrance or to any agreement purporting to grant to any third party a Lien or encumbrance on the property or assets of such Pledgor which would include the Securities and the Pledgee is entitled to all the rights, priorities and benefits afforded by the UCC or other relevant law as enacted in any relevant jurisdiction to perfect security interests in respect of such Collateral; and

(ix) "control" (as defined in Section 8-106 of the UCC) has been obtained by the Pledgee over all Collateral consisting of Securities (including Notes which are Securities) with respect to which such "control" may be obtained pursuant to Section 8-106 of the UCC.

(b) Each Pledgor covenants and agrees that it will defend the Pledgee's right, title and security interest in and to the Securities and the proceeds thereof against the claims and demands of all persons whomsoever; and each Pledgor covenants and agrees that it will have like title to and right to pledge any other property at any time hereafter pledged to the Pledgee as Collateral hereunder and will likewise defend the right thereto and security interest therein of the Pledgee and the other Secured Creditors.

(c) Each Pledgor covenants and agrees that it will take no action which would violate any of the terms of any Secured Debt Agreement.

16. LEGAL NAMES; TYPE OF ORGANIZATION (AND WHETHER A REGISTERED ORGANIZATION AND/OR A TRANSMITTING UTILITY); JURISDICTION OF ORGANIZATION; LOCATION; ORGANIZATIONAL IDENTIFICATION NUMBERS; CHANGES THERETO; ETC. The exact legal name of each Pledgor, the type of organization of such Pledgor, whether or not such Pledgor is a Registered Organization, the jurisdiction of organization of such Pledgor, such Pledgor's Location, the organizational identification number (if any) of each Pledgor, and whether or not such Pledgor is a Transmitting Utility, is listed on Annex A hereto for such Pledgor. No Pledgor shall change its legal name, its type of organization, its status as a Registered Organization (in the case of a Registered Organization), its status as a Transmitting Utility or as a Person which is not a Transmitting Utility, as the case may be, its jurisdiction of organization, its Location, or its organizational identification number (if any), except that any such changes shall be

permitted (so long as not in violation of the applicable requirements of the Secured Debt Agreements and so long as same do not involve (x) a Registered Organization ceasing to constitute same or (y) any Pledgor changing its jurisdiction

---

of organization or Location from the United States or a State thereof to a jurisdiction of organization or Location, as the case may be, outside the United States or a State thereof) if (i) it shall have given to the Collateral Agent not less than 15 days' prior written notice of each change to the information listed on Annex A (as adjusted for any subsequent changes thereto previously made in accordance with this sentence), together with a supplement to Annex A which shall correct all information contained therein for such Pledgor, and (ii) in connection with the respective such change or changes, it shall have taken all action reasonably requested by the Collateral Agent to maintain the security interests of the Collateral Agent in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect. In addition, to the extent that any Pledgor does not have an organizational identification number on the date hereof and later obtains one, such Pledgor shall promptly thereafter deliver a notification to the Collateral Agent of such organizational identification number and shall take all actions reasonably satisfactory to the Collateral Agent to the extent necessary to maintain the security interest of the Collateral Agent in the Collateral intended to be granted hereby fully perfected and in full force and effect.

17. PLEDGORS' OBLIGATIONS ABSOLUTE, ETC. The obligations of each Pledgor under this Agreement shall be absolute and unconditional and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever (other than termination of this Agreement pursuant to Section 19 hereof), including, without limitation:

(i) any renewal, extension, amendment or modification of, or addition or supplement to or deletion from any Secured Debt Agreement (other than this Agreement in accordance with its terms), or any other instrument or agreement referred to therein, or any assignment or transfer of any thereof;

(ii) any waiver, consent, extension, indulgence or other action or inaction under or in respect of any such agreement or instrument or this Agreement (other than a waiver, consent or extension with respect to this Agreement in accordance with its terms);

(iii) any furnishing of any additional security to the Pledgee or its assignee or any acceptance thereof or any release of any security by the Pledgee or its assignee;

(iv) any limitation on any party's liability or obligations under any such instrument or agreement or any invalidity or unenforceability, in whole or in part, of any such instrument or agreement or any term thereof; or

(v) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to any Pledgor or any Subsidiary of any Pledgor, or any action taken with respect to this Agreement by any trustee or receiver, or by any court, in any such proceeding, whether or not such Pledgor shall have notice or knowledge of any of the foregoing.

18. REGISTRATION, ETC. (a) If an Event of Default shall have occurred and be continuing and any Pledgor shall have received from the Pledgee a written request or requests that such Pledgor cause any registration, qualification or compliance under any federal or state securities law or laws to be effected with respect to all or any part of the Collateral

---

consisting of Securities, Limited Liability Company Interests or Partnership Interests, such Pledgor as soon as practicable and at its expense will use its best efforts to cause such registration to be effected (and be kept effective) and will use its best efforts to cause such qualification and compliance to be effected (and be kept effective) as may be so requested and as would permit or facilitate the sale and distribution of such Collateral consisting of Securities, Limited Liability Company Interests or Partnership Interests, including, without limitation, registration under the Securities Act of 1933, as then in effect (or any similar statute then in effect), appropriate qualifications under applicable blue sky or other state securities laws and appropriate compliance with any other governmental requirements; provided, that the Pledgee shall furnish to such Pledgor such information regarding the Pledgee as such Pledgor may request in writing and as shall be required in connection with any such registration, qualification or compliance. Each Pledgor will cause the Pledgee to be kept reasonably advised in writing as to the progress of each such registration, qualification or compliance and as to the completion thereof, will furnish to the Pledgee such number of prospectuses, offering circulars and other documents incident thereto as the Pledgee from time to time may reasonably request, and will indemnify, to the extent permitted by law, the Pledgee and all other Secured Creditors participating in the distribution of such Collateral consisting of Securities, Limited Liability Company Interests or Partnership Interests against all claims, losses, damages and liabilities caused by any untrue statement (or alleged untrue statement) of a material fact contained therein (or in any related registration statement, notification or the like) or by any omission (or alleged omission) to state therein (or in any related registration statement, notification or the like) a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as the same may have been caused by an untrue statement or omission based upon information furnished in writing to such Pledgor by the Pledgee expressly for use therein.

(b) If at any time when the Pledgee shall determine to exercise its right to sell all or any part of the Collateral consisting of Securities, Limited Liability Company Interests or Partnership Interests pursuant to Section 7, and such Collateral or the part thereof to be sold shall not, for any reason whatsoever, be effectively registered under the Securities Act of 1933, as then in effect, the Pledgee may, in its sole and absolute discretion, sell such Collateral or part thereof by private sale in such manner and under such circumstances as the Pledgee may deem necessary or advisable in order that such sale may legally be effected without such registration. Without limiting the generality of the foregoing, in any such event the Pledgee, in its sole and absolute discretion: (i) may proceed to make such private sale notwithstanding that a registration statement for the purpose of registering such Collateral or part thereof shall have been filed under such Securities Act; (ii) may approach and negotiate with a single possible purchaser to effect such sale; and (iii) may restrict such sale to a purchaser who will represent and agree that such purchaser is purchasing for its own account, for investment, and not with a view to the distribution or sale of such Collateral or part thereof. In the event of any such sale, the Pledgee shall incur no responsibility or liability for selling all or any part of the Collateral at a price which the Pledgee, in its sole and absolute discretion, may in good faith deem reasonable under the circumstances, notwithstanding the possibility that a substantially higher price might be realized if the sale were deferred until the registration as aforesaid.

19. TERMINATION; RELEASE. (a) On the Termination Date (as defined below), this Agreement shall terminate (provided that all indemnities set forth herein including, without limitation, in Section 11 hereof shall survive any such termination) and the Pledgee, at the request and expense of the respective Pledgor, will execute and deliver to such Pledgor a

---

proper instrument or instruments acknowledging the satisfaction and termination of this Agreement (including, without limitation, UCC termination statements and instruments of satisfaction, discharge and/or reconveyance), and will duly assign, transfer and deliver to such Pledgor (without recourse and without any representation or warranty) such of the Collateral as may be in the possession of the Pledgee and as has not theretofore been sold or otherwise applied or released pursuant to this Agreement, together with any moneys at the time held by the Pledgee or any of its sub-agents hereunder and, with respect to any Collateral consisting of an Uncertificated Security (other than an Uncertificated Security credited on the books of a Clearing Corporation), a Partnership Interest or a Limited Liability Company Interest, a termination of the agreement relating thereto executed and delivered by the issuer of such Uncertificated Security pursuant to Section 3.2(a)(ii) or by the respective partnership or limited liability company pursuant to Section 3.2(a)(iv). As used in this Agreement, "Termination Date" shall mean the date upon which the Total Commitments and all Secured Hedging Agreements have been terminated, no Letter of Credit or Note is outstanding (and all Loans have been paid in full), all Letters of Credit have been terminated, and all other Obligations (provided for in the Credit Documents for which no claim has been made), other than indemnitees have been paid in full.

(b) In the event that any part of the Collateral is sold or otherwise disposed of (to a Person other than a Credit Party) (x) at any time prior to the time at which all Credit Document Obligations have been paid in full and all Commitments and Letters of Credit under the Credit Agreement have been terminated, in connection with a sale or disposition permitted by Section 9.02 of the Credit Agreement or is otherwise released at the direction of the Required Lenders (or all the Lenders if required by Section 13.01 of the Credit Agreement) or (y) at any time thereafter, to the extent permitted by the other Secured Debt Agreements, and in the case of clauses (x) and (y), the proceeds of such sale or disposition (or from such release) are applied in accordance with the terms of the Credit Agreement or such other Secured Debt Agreement, as the case may be, to the extent required to be so applied, the Pledgee, at the request and expense of such Pledgor, will duly assign, transfer and deliver to such Pledgor (without recourse and without any representation or warranty) such of the Collateral as is then being (or has been) so sold or released and as may be in possession of the Pledgee and has not theretofore been released pursuant to this Agreement and to the extent requested by such Pledgor, deliver UCC termination statements and instruments of satisfaction, discharge and/or reconveyance.

(c) At any time that any Pledgor desires that Collateral be released as provided in the foregoing Section 19(a) or (b), it shall deliver to the Pledgee a certificate signed by a principal executive officer of such Pledgor stating that the release of the respective Collateral is permitted pursuant to Section 19(a) or (b). If reasonably requested by the Pledgee (although the Pledgee shall have no obligation to make any such request), the relevant Pledgor shall furnish appropriate legal opinions (from counsel reasonably acceptable to the Pledgee) to the effect set forth in the immediately preceding sentence. The Pledgee shall have no liability whatsoever to any Secured Creditor as the result of any release of Collateral by it as permitted by this Section 19.

20. NOTICES, ETC. All notices and other communications hereunder shall be in writing and shall be delivered or mailed by first class mail, postage prepaid, addressed:

(i) if to any Pledgor, at its address set forth opposite its signature below;

(ii) if to the Pledgee, at:

Bank of America, N.A., as First-Lien Collateral Agent
Mailcode CA5-701-05-19
1455 Market Street, 5th Floor
San Francisco, CA 94103
Telephone: (415) 436-3495
Facsimile: (415) 503-5006
Attention: Charles Graber

with a copy to:

Bank of America, N.A., as First-Lien Collateral Agent
Mailcode NC1-007-13-06
100 N. Tryon Street, 13th Floor
Charlotte, NC 28255
Telephone: (704) 388-6415
Facsimile: (704) 409-0564
Attention: Laura Clark

(iii) if to any Lender (other than the Pledgee), at such address as such Lender shall have specified in the Credit Agreement;

(iv) if to any Other Creditor, at such address as such Other Creditor shall have specified in writing to the Borrower and the Pledgee;

or at such address as shall have been furnished in writing by any Person described above to the party required to give notice hereunder.

21. PLEDGEE NOT A PARTNER OR LIMITED LIABILITY COMPANY MEMBER. (a) Nothing herein shall be construed to make the Pledgee or any other Secured Creditor liable as a member of any limited liability company or partnership and neither the Pledgee nor any other Secured Creditor by virtue of this Agreement or otherwise (except as referred to in the following sentence) shall have any of the duties, obligations or liabilities of a member of any limited liability company or partnership. The parties hereto expressly agree that, unless the Pledgee shall become the absolute owner of Collateral consisting of a Limited Liability Company Interest or Partnership Interest pursuant hereto, this Agreement shall not be construed as creating a partnership or joint venture among the Pledgee, any other Secured Creditor and/or any Pledgor.

(b) Except as provided in the last sentence of paragraph (a) of this Section 21, the Pledgee, by accepting this Agreement, did not intend to become a member of any limited liability company or partnership or otherwise be deemed to be a co-venturer with respect to any Pledgor or any limited liability company or partnership either before or after an Event of Default shall have occurred. The Pledgee shall have only those powers set forth herein and the Secured Creditors shall assume none of the duties, obligations or liabilities of a member of any limited liability company or partnership or any Pledgor except as provided in the last sentence of paragraph (a) of this Section 21.

(c) The Pledgee and the other Secured Creditors shall not be obligated to perform or discharge any obligation of any Pledgor as a result of the pledge hereby effected.

(d) The acceptance by the Pledgee of this Agreement, with all the rights, powers, privileges and authority so created, shall not at any time or in any event obligate the Pledgee or any other Secured Creditor to appear in or defend any action or proceeding relating to the Collateral to which it is not a party, or to take any action hereunder or thereunder, or to expend any money or incur any expenses or perform or discharge any obligation, duty or liability under the Collateral.

22. WAIVER; AMENDMENT. Except as contemplated by Sections 19 and 28 hereof, none of the terms and conditions of this Agreement may be changed, waived, discharged or terminated in any manner whatsoever unless such change, waiver, discharge or termination is in writing duly signed by each Pledgor directly and adversely affected thereby and the Collateral Agent(with the consent of (x) the Required Lenders (or, to the extent required by Section 13.01 of the Credit Agreement, all of the Lenders) at all times prior to the time at which all Credit Document Obligations (other than those arising from indemnities for which no request has been made) have been paid in full and all Commitments and Letters of Credit under the Credit Agreement have been terminated or (y) the holders of at least a majority of the outstanding Other Obligations at all times after the time at which all Credit Document Obligations (other than those arising from indemnities for which no request has been made) have been paid in full and all Commitments and Letters of Credit under the Credit Agreement have been terminated, provided that any change, waiver, modification or variance affecting the rights and benefits of a single Class (as defined below) of Secured Creditors (and not all Secured Creditors in a like or similar manner) shall require the written consent of the Requisite Creditors (as defined below) of such Class of Secured Creditors. For the purpose of this Agreement, the term "Class" shall mean each class of Secured Creditors, i.e., whether (x) the Lender Creditors as holders of the Credit Document Obligations or (y) the Other Creditors as holders of the Other Obligations. For the purpose of this Agreement, the term "Requisite Creditors" of any Class shall mean each of (x) with respect to each of the Credit Document Obligations, the Required Lenders and (y) with respect to the Other Obligations, the holders of more than 50% of all obligations outstanding from time to time under the Secured Hedging Agreements.

23. MISCELLANEOUS. This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect, subject to release and/or termination as set forth in Section 19, (ii) be binding upon each Pledgor, its successors and assigns; provided, however, that no Pledgor shall assign any of its rights or obligations hereunder without the prior written consent of the Pledgee (with the prior written consent of the Required Lenders or to the extent required by Section 13.01 of the Credit Agreement, all of the Lenders), and (iii) inure, together with the rights and remedies of the Pledgee hereunder, to the benefit of the Pledgee, the other Secured Parties and their respective successors, transferees and assigns. The headings of the several sections and subsections in this Agreement are for purposes of reference only and shall not limit or define the meaning hereof. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. In the event that any provision of this Agreement shall prove to be invalid or unenforceable, such provision shall be deemed to be severable from the other provisions of this Agreement which shall remain binding on all parties hereto. All agreements, statements, representations and warranties made by each Pledgor herein or in any certificate or other instrument delivered by such Pledgor or on its behalf under this Agreement

shall be considered to have been relied upon by the Secured Creditors and shall survive the execution and delivery of this Agreement and the other Secured Debt Agreements regardless of any investigation made by the Secured Creditors or on their behalf.

24. GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE; WAIVER OF JURY TRIAL. (A) THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, IN EACH CASE WHICH ARE LOCATED IN THE COUNTY OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH PLEDGOR HEREBY IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS. EACH PLEDGOR HEREBY FURTHER IRREVOCABLY WAIVES ANY CLAIM THAT ANY SUCH COURTS LACK PERSONAL JURISDICTION OVER SUCH PLEDGOR, AND AGREES NOT TO PLEAD OR CLAIM IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT BROUGHT IN ANY OF THE AFORESAID COURTS THAT ANY SUCH COURT LACKS PERSONAL JURISDICTION OVER SUCH PLEDGOR. EACH PLEDGOR FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO ANY SUCH PLEDGOR AT ITS ADDRESS FOR NOTICES AS PROVIDED IN SECTION 20 ABOVE, SUCH SERVICE TO BECOME EFFECTIVE 30 DAYS AFTER SUCH MAILING. EACH PLEDGOR HEREBY IRREVOCABLY WAIVES ANY OBJECTION TO SUCH SERVICE OF PROCESS AND FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY ACTION OR PROCEEDING COMMENCED HEREUNDER OR UNDER ANY OTHER CREDIT DOCUMENT THAT SUCH SERVICE OF PROCESS WAS IN ANY WAY INVALID OR INEFFECTIVE. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE PLEDGEE UNDER THIS AGREEMENT, OR ANY SECURED CREDITOR, TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANY PLEDGOR IN ANY OTHER JURISDICTION.

(B) EACH PLEDGOR HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID ACTIONS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT BROUGHT IN THE COURTS REFERRED TO IN CLAUSE (a) ABOVE AND HEREBY FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

25. ADDITIONAL PLEDGORS. It is understood and agreed that any Subsidiary of the Borrower that is required to become a party to this Agreement after the date hereof pursuant to the requirements of the Credit Agreement shall automatically become a Pledgor hereunder by (x) executing a counterpart hereof and/or a Subsidiary assumption agreement, in each case in form and substance satisfactory to the Pledgee, (y) delivering supplements to Annexes A through F hereto as are necessary to cause such Annexes to be complete and accurate with respect to such additional Pledgor on such date and (z) taking all actions as specified in Section 3 of this Agreement as would have been taken by such Pledgor had it been an original party to this Agreement, in each case with all documents required above to be delivered to the Pledgee and with all documents and actions required to be taken above to be taken to the reasonable satisfaction of the Pledgee.

26. RECOURSE. This Agreement is made with full recourse to the Pledgors and pursuant to and upon all the representations, warranties, covenants and agreements on the part of the Pledgors contained herein and in the other Secured Debt Agreements and otherwise in writing in connection herewith or therewith.

27. FRAUDULENT CONVEYANCE; ETC. It is the desire and intent of each Pledgor and the Secured Creditors that this Agreement shall be enforced against each Pledgor to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Notwithstanding anything to the contrary contained herein, in furtherance of the foregoing, it is noted that the obligations of each Pledgor constituting a Subsidiary Guarantor have been limited as, and to the extent, provided in Section 27 of the Subsidiaries Guaranty.

28. RELEASE OF PLEDGORS. If at any time all of the Equity Interests of any Pledgor owned by the Borrower or any of its Subsidiaries are sold (to a Person other than a Credit Party) in a transaction permitted pursuant to the Credit Agreement (and which does not violate the terms of any other Secured Debt Agreement then in effect), then, such Pledgor shall be released as a Pledgor pursuant to this Agreement without any further action hereunder (it being understood that the sale of all of the equity interests in any Person that owns, directly or indirectly, all of the equity interests in any Pledgor shall be deemed to be a sale of all of the equity interests in such Pledgor for purposes of this Section), and the Pledgee is authorized and directed to execute and deliver such instruments of release as are reasonably satisfactory to it. At any time that the Borrower desires that a Pledgor be released from this Agreement as provided in this Section 28, the Borrower shall deliver to the Pledgee a certificate signed by a principal executive officer of the Borrower stating that the release of such Pledgor is permitted pursuant to this Section 28. If requested by Pledgee (although the Pledgee shall have no obligation to make any such request), the Borrower shall furnish legal opinions (from counsel acceptable to the Pledgee) to the effect set forth in the immediately preceding sentence. The Pledgee shall have no liability whatsoever to any other Secured Creditor as a result of the release of any Pledgor by it in accordance with, or which it believes to be in accordance with, this Section 28.

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

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

ENERSYS,
as a Pledgor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

ENERSYS CAPITAL INC.,
as a Pledgor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

ENERSYS DELAWARE INC.,
as a Pledgor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

ESFINCO, INC.,
as a Pledgor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991

ESRMCO, INC.,
as a Pledgor

Facsimile: (610) 208-1671
Attention: Michael T. Philion

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

HAWKER ENERGY PRODUCTS INC.,
as a Pledgor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

HAWKER POWER SYSTEMS, INC.,
as a Pledgor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

POWERSAFE STANDBY BATTERIES INC.,
as a Pledgor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

HAWKER POWERSOURCE, INC.,
as a Pledgor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

NEW PACIFICO REALTY, INC.,
as a Pledgor

By: _____
Name:
Title:

Accepted and Agreed to:

BANK OF AMERICA, N.A.,
as First Lien Collateral Agent and Pledgee

By _____
Name:
Title:

SCHEDULE OF LEGAL NAMES, TYPE OF ORGANIZATION
(AND WHETHER A REGISTERED ORGANIZATION AND/OR
A TRANSMITTING UTILITY), JURISDICTION OF ORGANIZATION,
LOCATION AND ORGANIZATIONAL IDENTIFICATION NUMBERS

Exact Legal Name of Each Pledgor	Registered Organization? (Yes/No)	Jurisdiction of Organization	Pledgor's Location (for purposes of NY UCC § 9-307)	Pledgor's Organization Identification Number (or, if it has none, so indicate)	Transmitting Utility? (Yes/No)

LIST OF STOCK

LIST OF NOTES

LIST OF LIMITED LIABILITY COMPANY INTERESTS

LIST OF PARTNERSHIP INTERESTS

LIST OF CHIEF EXECUTIVE OFFICES

Form of Agreement Regarding Uncertificated Securities, Limited Liability Company Interests and Partnership Interests

AGREEMENT (as amended, modified or supplemented from time to time, this "Agreement"), dated as of , , among each of the undersigned pledgors (each a "Pledgor" and, collectively, the "Pledgors"), , not in its individual capacity but solely as Collateral Agent (the "Pledgee" or "First-Lien Collateral Agent"), and , as the issuer of the Uncertificated Securities, Limited Liability Company Interests and/or Partnership Interests (each as defined below) (the "Issuer").

W I T N E S S E T H :

WHEREAS, each Pledgor and the Pledgee are entering into a Pledge Agreement, dated as of March 17, 2004 (as amended, amended and restated, modified or supplemented from time to time, the "Pledge Agreement"), under which, among other things, in order to secure the payment of the Obligations (as defined in the Pledge Agreement), each Pledgor will pledge to the Pledgee for the benefit of the Secured Creditors (as defined in the Pledge Agreement), and grant a security interest in favor of the Pledgee for the benefit of the Secured Creditors in, all of the right, title and interest of such Pledgor in and to any and all (1) "uncertificated securities" (as defined in Section 8-102(a)(18) of the Uniform Commercial Code, as adopted in the State of New York) ("Uncertificated Securities"), (2) Partnership Interests (as defined in the Pledge Agreement) and (3) Limited Liability Company Interests (as defined in the Pledge Agreement), in each case issued from time to time by the Issuer, whether now existing or hereafter from time to time acquired by such Pledgor (with all of such Uncertificated Securities, Partnership Interests and Limited Liability Company Interests being herein collectively called the "Issuer Pledged Interests"); and

WHEREAS, each Pledgor desires the Issuer to enter into this Agreement in order to perfect the security interest of the Pledgee under the Pledge Agreement in the Issuer Pledged Interests, to vest in the Pledgee control of the Issuer Pledge Interests and to provide for the rights of the parties under this Agreement;

NOW THEREFORE, in consideration of the premises and the mutual promises and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Each Pledgor hereby irrevocably authorizes and directs the Issuer, and the Issuer hereby agrees, to comply with any and all instructions and orders originated by the Pledgee (and its successors and assigns) regarding any and all of the Issuer Pledged Interests without the further consent by the registered owner (including the respective Pledgor), and not to comply with any instructions or orders regarding any or all of the Issuer Pledged Interests originated by any person or entity other than the Pledgee (and its successors and assigns) or a court of competent jurisdiction.

2. The Issuer hereby certifies that (i) no notice of any security interest, lien or other encumbrance or claim affecting the Issuer Pledged Interests (other than the security interest

of the Pledgee) has been received by it, and (ii) the security interest of the Pledgee in the Issuer Pledged Interests has been registered in the books and records of the Issuer.

3. The Issuer hereby represents and warrants that (i) the pledge by the Pledgors of, and the granting by the Pledgors of a security interest in, the Issuer Pledged Interests to the Pledgee, for the benefit of the Secured Creditors, does not violate the charter, by-laws, partnership agreement, membership agreement or any other agreement governing the Issuer or the Issuer Pledged Interests, and (ii) the Issuer Pledged Interests are fully paid and nonassessable.

4. All notices, statements of accounts, reports, prospectuses, financial statements and other communications to be sent to any Pledgor by the Issuer in respect of the Issuer will also be sent to the Pledgee at the following address:

Bank of America, N.A., as First-Lien Collateral Agent and Pledgee
Mailcode CA5-701-05-19
1455 Market Street, 5th Floor
San Francisco, CA 94103
Telephone: (415) 436-3495
Facsimile: (415) 503-5006
Attention: Charles Graber

with a copy to:

Bank of America, N.A., as First-Lien Collateral Agent and Pledgee
Mailcode NC1-007-13-06
100 N. Tryon Street, 13th Floor
Charlotte, NC 28255
Telephone: (704) 388-6415
Facsimile: (704) 409-0564
Attention: Laura Clark

5. Until the Pledgee shall have delivered written notice to the Issuer that all of the Obligations have been paid in full and this Agreement is terminated, the Issuer will send any and all redemptions, distributions, interest or other payments in respect of the Issuer Pledged Interests from the Issuer for the account of the Pledgor only by wire transfers to the following address:

_____
_____
_____
_____
[Account Information]
ABA No.: _____
Account in the Name of: _____
Account No.: _____

6. Except as expressly provided otherwise in Sections 4 and 5, all notices, instructions, orders and communications hereunder shall be sent or delivered by mail, telex,

---

telecopy or overnight courier service and all such notices and communications shall, when mailed, telexed, telecopied or sent by overnight courier, be effective when deposited in the mails or delivered to the overnight courier, prepaid and properly addressed for delivery on such or the next Business Day, or sent by telex or telecopier, except that notices and communications to the Pledgee shall not be effective until received by the Pledgee. All notices and other communications shall be in writing and addressed as follows:

(a) if to any Pledgor, at:

(b) if to the Pledgee, at the address given in Section 4 hereof:

(c) if to the Issuer, at:

_____
_____
_____
_____
Attention: _____
Telephone No.: _____
Telecopier No.: _____

or at such other address as shall have been furnished in writing by any Person described above to the party required to give notice hereunder. As used in this Section 6, "Business Day" means any day other than a Saturday, Sunday, or other day in which banks in New York are authorized to remain closed.

7. This Agreement shall be binding upon the successors and assigns of each Pledgor and the Issuer and shall inure to the benefit of and be enforceable by the Pledgee and its successors and assigns. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which shall constitute one instrument. In the event that any provision of this Agreement shall prove to be invalid or unenforceable, such provision shall be deemed to be severable from the other provisions of this Agreement which shall remain binding on all parties hereto. None of the terms

and conditions of this Agreement may be changed, waived, modified or varied in any manner whatsoever except in writing signed by the Pledgee, the Issuer and any Pledgor which at such time owns any Issuer Pledged Interests.

8. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to its principles of conflict of laws.

IN WITNESS WHEREOF, each Pledgor, the Pledgee and the Issuer have caused this Agreement to be executed by their duly elected officers duly authorized as of the date first above written.

[_____],
as Pledgor

By _____
Name:
Title:

BANK OF AMERICA, N.A.,
not in its individual capacity but solely as
Collateral Agentand Pledgee

By _____
Name:
Title:

[_____],
as the Issuer

By _____
Name:
Title:

SECURITY AGREEMENT

among

ENERSYS,

VARIOUS SUBSIDIARIES OF ENERSYS

and

BANK OF AMERICA, N.A.,
as First-Lien Collateral Agent

Dated as of March 17, 2004

TABLE OF CONTENTS

SECURITY AGREEMENT

SECURITY AGREEMENT, dated as of March 17, 2004 (as the same may be amended, restated, modified and/or supplemented from time to time in accordance with the terms hereof, this "Agreement"), among each of the undersigned (each, an "Assignor" and, together with each other entity which becomes a party hereto pursuant to Section 10.13, collectively, the "Assignors") and Bank of America, N.A., as First-Lien Collateral Agent (the "First-Lien Collateral Agent"), for the benefit of the Secured Creditors (as defined below). Except as otherwise defined herein, terms used herein and defined in the Credit Agreement (as defined below) shall be used herein as therein defined.

W I T N E S S E T H:

WHEREAS, EnerSys ("Holdings"), EnerSys Capital Inc. (the "Borrower"), various financial institutions from time to time party thereto (the "Lenders") and Bank of America, N.A., as Administrative Agent (in such capacity, the "Administrative Agent" and, together with the Lenders, the First-Lien Collateral Agent, each Letter of Credit Issuer, the Documentation Agent, the Syndication Agent and the Pledgee, the "Lender Creditors"), have entered into a Credit Agreement, dated as of March 17, 2004, providing for the making of Loans to the Borrower and the issuance of, and participation in, Letters of Credit for the account of the Borrower as contemplated therein (as used herein, the term "Credit Agreement" means the Credit Agreement described above in this paragraph as amended, restated, modified, extended, renewed, replaced, supplemented, restructured and/or refinanced from time to time);

WHEREAS, the Borrower and/or one or more of its Subsidiaries may at any time and from time to time (i) enter into one or more Interest Rate Protection Agreements or Other Hedging Agreements with one or more Lenders or any affiliate thereof, (ii) enter into one or more Commodities Agreements with one or more Lenders or any affiliate thereof or (iii) maintain Existing Interest Rate Protection Agreements with any financial institution (each such Lender, affiliate or other financial institution, even if the respective Lender subsequently ceases to be a Lender under the Credit Agreement for any reason, together with such Lender's, affiliate's or other financial institution's successors and assigns, if any, collectively, the "Other Creditors" and together with the Lender Creditors are herein called, the "Secured Creditors");

WHEREAS, pursuant to the Credit Agreement Party Guaranty, each of Holdings and the Borrower have unconditionally guaranteed to the Secured Creditors the payment when due of all Relevant Guaranteed Obligations as described therein;

WHEREAS, pursuant to the Subsidiaries Guaranty, each Subsidiary Guarantor has jointly and severally guaranteed to the Secured Creditors the payment when due of all Guaranteed Obligations as described therein;

WHEREAS, it is a condition precedent to the making of Loans to the Borrower and the issuance of, and participation in, Letters of Credit for the account of the Borrower under the Credit Agreement, and to the Other Creditors entering into and/or maintaining Secured Hedging Agreements, that each Assignor shall have executed and delivered to the First-Lien Collateral Agent this Agreement; and

WHEREAS, each Assignor will obtain benefits from the incurrence of Loans by, and the issuance of Letters of Credit for the account of, the Borrower under the Credit Agreement and the entering into and/or maintaining of Secured Hedging Agreements and, accordingly, each Assignor desires to execute this Agreement to satisfy the condition precedent described in the preceding paragraph;

NOW, THEREFORE, in consideration of the benefits accruing to each Assignor, the receipt and sufficiency of which are hereby acknowledged, each Assignor hereby makes the following representations and warranties to the First-Lien Collateral Agent and hereby covenants and agrees with the First-Lien Collateral Agent as follows:

ARTICLE I

SECURITY INTERESTS

1.1. Grant of Security Interests. (a) As security for the prompt and complete payment and performance when due of all of the Obligations, each Assignor does hereby assign and transfer unto the First-Lien Collateral Agent, and does hereby pledge and grant to the First-Lien Collateral Agent for the benefit of the Secured Creditors, a continuing security interest in, all of the right, title and interest of such Assignor in, to and under all of the following, whether now existing or hereafter from time to time acquired:

(i) each and every Receivable;

(ii) all cash;

(iii) the Cash Collateral Account and all monies, securities, Instruments and other investments deposited or required to be deposited in the Cash Collateral Account;

(iv) all Chattel Paper (including, without limitation, all Tangible Chattel Paper and all Electronic Chattel Paper);

(v) all Commercial Tort Claims;

(vi) all computer programs of such Assignor and all intellectual property rights therein and all other proprietary information of such Assignor, including but not limited to Domain Names and Trade Secret Rights;

(vii) Contracts, together with all Contract Rights arising thereunder;

(viii) all Copyrights;

(ix) all Equipment;

(x) all Deposit Accounts and all other demand, deposit, time, savings, cash management, passbook and similar accounts maintained by such Assignor with any Person and all monies, securities, Instruments and other investments deposited or required to be deposited in any of the foregoing;

(xi) all Documents;

(xii) all General Intangibles;

(xiii) all Goods;

(xiv) all Instruments;

(xv) all Inventory;

(xvi) all Investment Property;

(xvii) all Letter-of-Credit Rights (whether or not the respective letter of credit is evidenced by a writing);

(xviii) all Marks, together with the registrations and right to all renewals thereof, and the goodwill of the business of such Assignor symbolized by the Marks;

(xix) all Patents;

(xx) all Permits;

(xxi) all Software and all Software licensing rights, all writings, plans, specifications and schematics, all engineering drawings, customer lists, goodwill and licenses, and all recorded data of any kind or nature, regardless of the medium of recording;

(xxii) all Supporting Obligations; and

(xxiii) all Proceeds and products of any and all of the foregoing (all of the above, the "Collateral").

(b) The security interest of the First-Lien Collateral Agent under this Agreement extends to all Collateral of the kind which is the subject of this Agreement which any Assignor may acquire at any time during the continuation of this Agreement. Notwithstanding anything to the contrary contained herein, the Collateral shall at no time include any items which would at such time constitute Excluded Collateral.

(c) Notwithstanding anything herein to the contrary, the relative rights and remedies of First-Lien Collateral Agent shall be subject to and governed by the terms of the

---

Intercreditor Agreement at any time the Intercreditor Agreement is in effect. In the event of any inconsistency between the terms hereof and the Intercreditor Agreement, the Intercreditor Agreement shall control at any time the Intercreditor Agreement is in effect.

1.2. Power of Attorney. Each Assignor hereby constitutes and appoints the First-Lien Collateral Agent its true and lawful attorney, irrevocably, with full power after the occurrence of and during the continuance of an Event of Default (in the name of such Assignor or otherwise) to act, require, demand, receive, compound and give acquittance for any and all monies and claims for monies due or to become due to such Assignor under or arising out of the Collateral, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which the First-Lien Collateral Agent may deem to be necessary or advisable to accomplish the purposes of this Agreement, which appointment as attorney is coupled with an interest.

ARTICLE II

GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS

Each Assignor represents, warrants and covenants, which representations, warranties and covenants shall survive execution and delivery of this Agreement, as follows:

2.1. Necessary Filings. (i) All filings, registrations and recordings necessary or appropriate to create, preserve, protect and perfect the security interest granted by such Assignor to the First-Lien Collateral Agent for the benefit of the Secured Creditors hereby in respect of the Collateral have been accomplished (or, in the case of Collateral for which it is necessary to file a UCC-1 financing statement or make a filing with the United States Trademark and Patent Office or United States Copyright Office in order to perfect a security interest in such Collateral, such filings will be accomplished within 10 days following the Initial Borrowing Date (or to the extent such Collateral is acquired after the Initial Borrowing Date, within 10 days following the date of the acquisition of such Collateral)), and (ii) the security interest granted to the First-Lien Collateral Agent pursuant to this Agreement in and to the Collateral constitutes (or, in the case of Collateral referred to in the parenthetical in clause (i) above, upon compliance with the requirements of such parenthetical, will constitute) a perfected security interest therein prior to the rights of all other Persons therein (except as otherwise permitted by the Credit Documents (including Section 3.9 of this Agreement with respect to Deposit Accounts)) and subject to no other Liens (other than Permitted Liens) and is entitled to all the rights, priorities and benefits afforded by the Uniform Commercial Code or other relevant law as enacted in any relevant jurisdiction to perfected security interests.

2.2. No Liens. Such Assignor is, and as to all Collateral acquired by it from time to time after the date hereof such Assignor will be, the owner of all Collateral free from any Lien, security interest, encumbrance or other right, title or interest of any Person (other than Permitted Liens and Liens created under this Agreement) and such Assignor shall defend the Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein adverse to the First-Lien Collateral Agent.

2.3. Other Financing Statements. As of the date hereof, there is no financing statement evidencing a valid security interest against Holdings or any of its Subsidiaries (or similar statement or instrument of registration under the law of any jurisdiction) covering or purporting to cover any interest of any kind in the Collateral (other than (x) those created under this Agreement, (y) as may be filed in connection with Permitted Liens and (z) those with respect to which appropriate termination statements executed by the secured lender thereunder have been delivered to the Administrative Agent pursuant to the terms of the Credit Agreement), and so long as the Total Commitment has not been terminated or any Note or Letter of Credit remains outstanding or any of the Obligations (other than arising from indemnities for which no request has been made) remain unpaid or any Secured Hedging Agreement remains in effect or any Obligations are owed with respect thereto, such Assignor will not execute or authorize to be filed in any public office any financing statement (or similar statement or instrument of registration under the law of any jurisdiction) relating to the Collateral, except financing statements filed or to be filed in respect of and covering the security interests granted hereby by such Assignor or as permitted by the Credit Agreement.

2.4. Chief Executive Office; Records. The chief executive office of such Assignor is located at the address or addresses indicated on Annex A hereto. During the period of the four calendar months preceding the date of this Agreement, the chief executive office of such Assignor has not been located at any address other than that indicated on Annex A in accordance with the immediately preceding sentence, in each case unless each such other address is also indicated on Annex A hereto for such Assignor.

2.5. Location of Inventory and Equipment. All Inventory and Equipment held on the date hereof by such Assignor is located at one of the locations shown on Annex B hereto.

2.6. Recourse. This Agreement is made with full recourse to each Assignor and pursuant to and upon all the warranties, representations, covenants and agreements on the part of such Assignor contained herein, in the other Credit Documents, in the Secured Hedging Agreements and otherwise in writing in connection herewith or therewith.

2.7. Legal Names; Type of Organization (and Whether a Registered Organization and/or a Transmitting Utility); Jurisdiction of Organization; Location; Organizational Identification Numbers; Changes Thereto; etc. The exact legal name of each Assignor, the type of organization of such Assignor, whether or not such Assignor is a Registered Organization, the jurisdiction of organization of such Assignor, such Assignor's Location, the organizational identification number (if any) of such Assignor, and whether or not such Assignor is a Transmitting Utility, is listed on Annex C hereto for such Assignor. Such Assignor shall not change its legal name, its type of organization, its status as a Registered Organization (in the case of a Registered Organization), its status as a Transmitting Utility or as a Person which is not a Transmitting Utility, as the case may be, its jurisdiction of organization, its Location, or its organizational identification number (if any) from that used on Annex C hereto, except that any such changes shall be permitted (so long as not in violation of the applicable requirements of the Credit Agreement and so long as same do not involve (x) a Registered Organization ceasing to constitute same or (y) such Assignor changing its jurisdiction of organization or Location from the United States or a State thereof to a jurisdiction of organization or Location, as the case may be, outside the United States or a State thereof) if (i) it shall have given to the First-Lien

---

Collateral Agent not less than 15 days' prior written notice of each change to the information listed on Annex C (as adjusted for any subsequent changes thereto previously made in accordance with this sentence), together with a supplement to Annex C which shall correct all information contained therein for such Assignor, and (ii) in connection with the respective such change or changes, it shall have taken all action reasonably requested by the First-Lien Collateral Agent to maintain the security interests of the First-Lien Collateral Agent in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect. In addition, to the extent that such Assignor does not have an organizational identification number on the date hereof and later obtains one, such Assignor shall promptly thereafter notify the First-Lien Collateral Agent of such organizational identification number and shall take all actions reasonably satisfactory to the First-Lien Collateral Agent to the extent necessary to maintain the security interest of the First-Lien Collateral Agent in the Collateral intended to be granted hereby fully perfected and in full force and effect.

2.8. Trade Names; Etc. Such Assignor has or operates in any jurisdiction under, or in the preceding five years has had or has operated in any jurisdiction under, no trade names, fictitious names or other names except its legal name as specified in Annex C and such other trade or fictitious names as are listed on Annex D hereto for such Assignor. Such Assignor shall not assume or operate in any jurisdiction under any new trade, fictitious or other name until (i) it shall have given to the First-Lien Collateral Agent not less than 30 days' written notice of its intention so to do, clearly describing such new name and the jurisdictions in which such new name will be used and providing such other information in connection therewith as the First-Lien Collateral Agent may reasonably request and (ii) with respect to such new name, it shall have taken all action reasonably requested by the First-Lien Collateral Agent to maintain the security interest of the First-Lien Collateral Agent in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect.

2.9. Certain Significant Transactions. During the one year period preceding the date of this Agreement, no Person shall have merged or consolidated with or into any Assignor, and no Person shall have liquidated into, or transferred all or substantially all of its assets to, any Assignor, in each case except as described in Annex E hereto. With respect to any transactions so described in Annex E hereto, the respective Assignor shall have furnished such information with respect to the Person (and the assets of the Person and locations thereof) which merged with or into or consolidated with such Assignor, or was liquidated into or transferred all or substantially all of its assets to such Assignor, and shall have furnished to the First-Lien Collateral Agent such UCC lien searches as may have been requested with respect to such Person and its assets, to establish that no security interest (excluding Permitted Liens) continues perfected on the date hereof with respect to any Person described above (or the assets transferred to the respective Assignor by such Person), including without limitation pursuant to Section 9-316(a)(3) of the UCC.

2.10. Non-UCC Property. The aggregate fair market value (as determined by the Assignors in good faith) of all property of the Assignors of the type described in clause (1) of Section 9-311(a) of the UCC does not exceed $5,000,000. If the aggregate value of all such property at any time owned by all Assignors exceeds $5,000,000, the Assignors shall provide prompt written notice thereof to the First-Lien Collateral Agent and, upon the request of the First-Lien Collateral Agent, the Assignors shall promptly (and in any event within 30 days) take

---

such actions (at their own cost and expense) as may be required under the respective United States or other laws, regulations or treaties referenced in Section 9-311(a)(1) of the UCC to perfect the security interests granted herein in any Collateral where the filing of a financing statement does not perfect the security interest in such property in accordance with the provisions of Section 9-311(a)(1) of the UCC.

2.11. As-Extracted Collateral; Timber-to-be-Cut. On the date hereof, such Assignor does not own, or expect to acquire, any property which constitutes, or would constitute, As-Extracted Collateral or Timber-to-be-Cut. If at any time after the date of this Agreement such Assignor owns, acquires or obtains rights to any As-Extracted Collateral or Timber-to-be-Cut, such Assignor shall furnish the First-Lien Collateral Agent with prompt written notice thereof (which notice shall describe in reasonable detail the As-Extracted Collateral and/or Timber-to-be-Cut and the locations thereof) and shall take all actions as may be deemed reasonably necessary or desirable by the First-Lien Collateral Agent to perfect the security interest of the First-Lien Collateral Agent therein.

2.12. Collateral in the Possession of a Bailee. If any Inventory or other Goods are at any time in the possession of a bailee, such Assignor shall promptly notify the First-Lien Collateral Agent thereof and, if requested by the First-Lien Collateral Agent, shall use its commercially reasonable efforts to promptly obtain an acknowledgment from such bailee, in form and substance reasonably satisfactory to the First-Lien Collateral Agent, that the bailee holds such Collateral for the benefit of the First-Lien Collateral Agent and shall act upon the instructions of the First-Lien Collateral Agent, without the further consent of such Assignor. The First-Lien Collateral Agent agrees with such Assignor that the First-Lien Collateral Agent shall not give any such instructions unless an Event of Default has occurred and is continuing or would occur after taking into account any action by the respective Assignor with respect to any such bailee.

ARTICLE III

SPECIAL PROVISIONS CONCERNING RECEIVABLES; CONTRACT RIGHTS; INSTRUMENTS

3.1. Additional Representations and Warranties. As of the time when each of its material Receivables arises, each Assignor shall be deemed to have represented and warranted that such Receivable, and all records, papers and documents relating thereto (if any) are genuine and accurate in all material respects, and that all papers and documents (if any) relating thereto (i) will represent in all material respects the genuine legal, valid and binding (except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws generally affecting creditors' rights and by equitable principles, regardless of whether enforcement is sought in equity or law) obligation of the account debtor evidencing indebtedness unpaid and owed by the respective account debtor arising out of the performance of labor or services or the sale or lease and delivery of the inventory, materials, equipment or merchandise listed therein, or both, (ii) will be the only original writings evidencing and embodying such obligation of the account debtor named therein (other than copies created for general accounting purposes), (iii) will evidence true, legal and

---

valid obligations, enforceable in accordance with their respective terms (except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws generally affecting creditors' rights and by equitable principles (regardless of whether enforcement is sought in equity or law)) and (iv) will be in compliance and will conform in all material respects with all applicable federal, state and local laws and applicable laws of any relevant foreign jurisdiction.

3.2. Maintenance of Records. Each Assignor will keep and maintain at its own cost and expense satisfactory and complete records of its Receivables and Contracts, including, but not limited to, originals or copies of all documentation (including each Contract), if any, with respect thereto, records of all payments received, all credits granted thereon, all merchandise returned and all other dealings therewith, and such Assignor will make the same available on such Assignor's premises to the First-Lien Collateral Agent for inspection, at such Assignor's own cost and expense, at any and all reasonable times and intervals as the First-Lien Collateral Agent may request, but no more than two times in any calendar year unless an Event of Default has occurred and is continuing. Upon the occurrence and during the continuance of an Event of Default and at the request of the First-Lien Collateral Agent, such Assignor shall, at its own cost and expense, deliver all tangible evidence of its Receivables and Contract Rights (including, without limitation, all documents, if any, evidencing the Receivables and all Contracts) and such books and records to the First-Lien Collateral Agent or to its representatives (copies of which evidence and books and records may be retained by such Assignor). If the First-Lien Collateral Agent so directs, such Assignor shall legend, in form and manner satisfactory to the First-Lien Collateral Agent, the Receivables and the Contracts, as well as books, records and documents of such Assignor evidencing or pertaining to such Receivables and Contracts with an appropriate reference to the fact that such Receivables and Contracts have been assigned to the First-Lien Collateral Agent and that the First-Lien Collateral Agent has a security interest therein.

3.3. Direction to Account Debtors; Contracting Parties; etc. Upon the occurrence and during the continuance of an Event of Default, and if the First-Lien Collateral Agent so directs any Assignor, such Assignor agrees (x) to cause all payments on account of the Receivables and Contracts to be made directly to the Cash Collateral Account, (y) that the First-Lien Collateral Agent may, at its option, directly notify the obligors with respect to any Receivables and/or under any Contracts to make payments with respect thereto as provided in preceding clause (x), and (z) that the First-Lien Collateral Agent may enforce collection of any such Receivables or Contracts and may adjust, settle or compromise the amount of payment thereof, in the same manner and to the same extent as such Assignor. Upon the occurrence and during the continuance of an Event of Default, without notice to or assent by any Assignor, the First-Lien Collateral Agent may apply any or all amounts then in, or thereafter deposited in, the Cash Collateral Account in the manner provided in Section 7.4 of this Agreement. The costs and expenses (including attorneys' fees) of collection, whether incurred by any Assignor or the First-Lien Collateral Agent, shall be borne by such Assignor.

3.4. Modification of Terms; etc. Except in accordance with such Assignor's ordinary course of business and consistent with reasonable business judgment (and, in the case of any Accounts Receivable Facility Assets, except in accordance with the provisions of the Accounts Receivable Facility Documents), no Assignor shall rescind or cancel any indebtedness evidenced by any Receivable or under any Contract, or modify any term thereof or make any

---

adjustment with respect thereto, or extend or renew the same, or compromise or settle any material dispute, claim, suit or legal proceeding relating thereto, or sell any Receivable or Contract, or interest therein, without the prior written consent of the First-Lien Collateral Agent. No Assignor will do anything to

impair the rights of the First-Lien Collateral Agent in the Receivables or Contracts, it being understood that nothing herein shall prevent any Assignor from entering into or performing its obligations under the Accounts Receivable Facility Documents.

3.5. Collection. Each Assignor shall use reasonable efforts to endeavor to cause to be collected from the account debtor named in each of its Receivables or obligor under any Contract, as and when due (including, without limitation, amounts, services or products which are delinquent, such amounts, services or products to be collected in accordance with generally accepted lawful collection procedures) any and all amounts, services or products owing under or on account of such Receivable or Contract, and apply forthwith upon receipt thereof all such amounts, services or products as are so collected to the outstanding balance of such Receivable or under such Contract, except that, prior to the occurrence of an Event of Default, any Assignor may allow in the ordinary course of business as adjustments to amounts, services or products owing under its Receivables and Contracts (i) an extension or renewal of the time or times of payment or exchange, or settlement for less than the total unpaid balance, which such Assignor finds appropriate in accordance with reasonable business judgment and (ii) a refund or credit due as a result of returned or damaged merchandise or improperly performed services. The costs and expenses (including, without limitation, attorneys' fees) of collection, whether incurred by an Assignor or the First-Lien Collateral Agent, shall be borne by the relevant Assignor.

3.6. Instruments. If any Assignor owns or acquires any Instrument constituting Collateral and having a face amount in excess of $500,000, such Assignor will within 10 days notify the First-Lien Collateral Agent thereof, and upon request by the First-Lien Collateral Agent, will promptly deliver such Instrument (to the extent such Instrument is not otherwise required to be delivered to the First-Lien Collateral Agent pursuant to the Pledge Agreement) to the First-Lien Collateral Agent appropriately endorsed to the order of the First-Lien Collateral Agent as further security hereunder; provided, however, that the aggregate amount of all Instruments and Tangible Chattel Paper not delivered to the First-Lien Collateral Agent pursuant to this Section 3.6 and Section 3.12 hereof shall not exceed $2,500,000 at any time.

3.7. Further Actions. Each Assignor will, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the First-Lien Collateral Agent from time to time such vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports and other assurances or instruments and take such further steps relating to its Receivables, Contracts, Instruments and other property or rights covered by the security interest hereby granted, as the First-Lien Collateral Agent may reasonably request to preserve and protect its security interest in the Collateral.

3.8. Assignors Remain Liable Under Contracts. Anything herein to the contrary notwithstanding, the Assignors shall remain liable under each of the Contracts to observe and perform all of the conditions and obligations to be observed and performed by them thereunder, all in accordance with and pursuant to the terms and provisions of each Contract. Neither the

---

First-Lien Collateral Agent nor any other Secured Creditor shall have any obligation or liability under any Contract by reason of or arising out of this Agreement or the receipt by the First-Lien Collateral Agent or any other Secured Creditor of any payment relating to such Contract pursuant hereto, nor shall the First-Lien Collateral Agent or any other Secured Creditor be obligated in any manner to perform any of the obligations of any Assignor under or pursuant to any Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any performance by any party under any Contract, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to them or to which they may be entitled at any time or times.

3.9. Deposit Accounts; Etc. (a) No Assignor maintains, or at any time after the date of this Agreement shall establish or maintain, any demand, time, savings, passbook or similar account, except for such accounts maintained with a bank (as defined in Section 9-102 of the UCC) whose jurisdiction (determined in accordance with Section 9-304 of the UCC) is within a State of the United States. Annex F hereto accurately sets forth, as of the date of this Agreement, for each Assignor, each Deposit Account maintained by such Assignor (including a description thereof and the respective account number), the name of the respective bank with which such Deposit Account is maintained, and the jurisdiction of the respective bank with respect to such Deposit Account. For each Subject Deposit Account, the respective Assignor shall cause the bank with which such Subject Deposit Account is maintained to execute and deliver to the First-Lien Collateral Agent, within 60 days after the date of this Agreement, a "control agreement" in the form of Annex G hereto (appropriately completed), with such changes thereto as may be reasonably acceptable to the First-Lien Collateral Agent. If any bank with which a Subject Deposit Account is maintained refuses to, or does not, enter into such a "control agreement", then the respective Assignor shall promptly (and in any event within 60 days after the date of this Agreement) close the respective Subject Deposit Account and transfer all balances therein to (x) the Cash Collateral Account, (y) another Subject Deposit Account subject to a "control agreement" and meeting the requirements of this Section 3.9(a) or (z) another Deposit Account subject to a "control agreement" and meeting the requirements of this Section 3.9(a) as if such Deposit Account were a Subject Deposit Account (each such Deposit Account referred to in this clause (z), an "Alternate Perfected Deposit Account"). If any bank with which a Subject Deposit Account is maintained refuses to subordinate all its claims with respect to such Subject Deposit Account to the First-Lien Collateral Agent's security interest therein on terms reasonably satisfactory to the First-Lien Collateral Agent, then the First-Lien Collateral Agent, at its option, may (x) require that such Subject Deposit Account be terminated in accordance with the immediately preceding sentence or (y) agree to a "control agreement" without such subordination, provided that in such event the First-Lien Collateral Agent may at any time, at its option, subsequently require that such Subject Deposit Account be terminated (within 30 days after notice from the First-Lien Collateral Agent) in accordance with the requirements of the immediately preceding sentence. If any Assignor intends to close a Subject Deposit Account in accordance with the terms of the respective "control agreement" for such Subject Deposit Account, then the respective Assignor shall, immediately prior to closing such Subject Deposit Account, transfer all balances therein to the Cash Collateral Account, another Subject Deposit Account or an Alternate Perfected Deposit Account.

(b) After the date of this Agreement, no Assignor shall establish any new demand, time, savings, passbook or similar account, except for Deposit Accounts established and

---

maintained with banks and meeting the requirements of the first sentence of preceding clause (a). At the time any such Deposit Account is established, the respective Assignor shall furnish to the First-Lien Collateral Agent a supplement to Annex F hereto containing the relevant information with respect to the respective Deposit Account and the bank with which same is established.

(c) Each Assignor covenants and agrees to transfer, by the close of business on each Business Day (in the city where the respective Deposit Account is maintained), any and all cash and other funds on deposit in each Deposit Account of such Assignor to a Subject Deposit Account or an Alternate Perfected Deposit Account, provided that, in the case of a Deposit Account that is an Excluded Local Deposit Account, all Cash and other funds on

deposit in such Excluded Local Deposit Account in excess of $50,000 shall be transferred, by the close of business on the Business Day (in the city where the respective Excluded Local Deposit Account is maintained) following the date of initial deposit of such cash and other funds in such Excluded Local Deposit Account, to a Subject Deposit Account or an Alternate Perfected Deposit Account.

3.10. Letter-of-Credit Rights. If any Assignor is at any time a beneficiary under a letter of credit with a stated amount of $1,000,000 or more, such Assignor shall promptly notify the First-Lien Collateral Agent thereof and, at the request of the First-Lien Collateral Agent, such Assignor shall, pursuant to an agreement in form and substance reasonably satisfactory to the First-Lien Collateral Agent, use its commercially reasonable efforts to (i) arrange for the issuer and any confirmer of such letter of credit to consent to an assignment to the First-Lien Collateral Agent of the proceeds of any drawing under such letter of credit or (ii) arrange for the First-Lien Collateral Agent to become the transferee beneficiary of such letter of credit, with the First-Lien Collateral Agent agreeing, in each case, that the proceeds of any drawing under the letter of credit are to be applied as provided in this Agreement after the occurrence and during the continuance of an Event of Default.

3.11. Commercial Tort Claims. All Commercial Tort Claims of each Assignor in existence on the date of this Agreement are described in Annex H hereto. If any Assignor shall at any time after the date of this Agreement acquire a Commercial Tort Claim in an amount (taking the greater of the aggregate claimed damages thereunder or the reasonably estimated value thereof) of $1,000,000 or more, such Assignor shall promptly notify the First-Lien Collateral Agent thereof in a writing signed by such Assignor and describing the details thereof and shall grant to the First-Lien Collateral Agent in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to the First-Lien Collateral Agent.

3.12. Chattel Paper. Upon the request of the First-Lien Collateral Agent made at any time or from time to time, each Assignor shall promptly furnish to the First-Lien Collateral Agent a list of all Electronic Chattel Paper held or owned by such Assignor. Furthermore, if requested by the First-Lien Collateral Agent, each Assignor shall promptly take all actions which are reasonably practicable so that the First-Lien Collateral Agent has "control" of all Electronic Chattel Paper in accordance with the requirements of Section 9-105 of the UCC. Each Assignor will promptly (and in any event within 10 days) following any request by the First-Lien Collateral Agent, deliver all of its Tangible Chattel Paper with a value of $1,000,000 or more to the First-Lien Collateral Agent; provided, however, that the aggregate amount of all Tangible

---

Chattel Paper and Instruments not delivered to the First-Lien Collateral Agent pursuant to this Section 3.12 or Section 3.6 hereof shall not exceed $2,500,000 at any time.

3.13. Further Actions. Each Assignor will, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the First-Lien Collateral Agent from time to time such vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, certificates, reports and other assurances or instruments and take such further steps, including any and all actions as may be necessary or required under the Federal Assignment of Claims Act, relating to its Receivables, Contracts, Instruments and other property or rights covered by the security interest hereby granted, as the First-Lien Collateral Agent may reasonably require.

ARTICLE IV

SPECIAL PROVISIONS CONCERNING TRADEMARKS AND DOMAIN NAMES

4.1. Additional Representations and Warranties. Each Assignor represents and warrants that it is the true, lawful, sole and exclusive owner of or otherwise has the right to use the Marks and Domain Names listed in Annex I hereto and that said listed Marks and Domain Names (i) constitute all the Marks and Domain Names that such Assignor presently owns or uses in connection with its business and (ii) include all Marks and applications for Marks registered in the United States Patent and Trademark Office (or the equivalent thereof in any foreign country), all material unregistered Marks that such Assignor now owns, licenses or uses in connection with its business on the date hereof and all Domain Names that such Assignor owns or uses in connection with its business on the date hereof. Each Assignor further warrants that it has no knowledge, as of the date hereof, of any material third party claim that any aspect of such Assignor's present or contemplated business operations infringes or will infringe any rights in any trademark, service mark or trade name. Each Assignor represents and warrants that it is the beneficial and record owner of all trademark registrations and applications listed in Annex I hereto and designated as "owned" thereon and that said registrations are valid, subsisting and have not been canceled and that such Assignor is not aware of any material third party claim that any of said registrations is invalid or unenforceable, or that there is any reason that any of said applications will not pass to registration. Each Assignor represents and warrants that upon the recordation of an Assignment of Security Interest in United States Trademarks and Patents in the form of Annex L hereto in the United States Patent and Trademark Office, together with filings on Form UCC-1 pursuant to this Agreement, all filings, registrations and recordings necessary or appropriate to perfect the security interest granted to the First-Lien Collateral Agent in the United States Marks covered by this Agreement under federal law will have been accomplished. Each Assignor agrees to execute such an Assignment of Security Interest in United States Trademarks and Patents covering all right, title and interest in each United States Mark, and the associated goodwill, of such Assignor, and to record the same. Each Assignor hereby grants to the First-Lien Collateral Agent an absolute power of attorney to sign, upon the occurrence and during the continuance of an Event of Default, any document which may be required by the U.S. Patent and Trademark Office or secretary of state or equivalent governmental agency of any

---

State of the United States or any foreign jurisdiction in order to effect an absolute assignment of all right, title and interest in each Mark and/or Domain Name, and record the same.

4.2. Licenses and Assignments. Each Assignor hereby agrees not to divest itself of any right under any Mark or Domain Name absent prior written approval of the First-Lien Collateral Agent (which approval shall not be unreasonably withheld), except as otherwise permitted by this Agreement or the Credit Agreement.

4.3. Infringements. Each Assignor agrees, promptly upon learning thereof, to notify the First-Lien Collateral Agent in writing of the name and address of, and to furnish such pertinent information that may be available with respect to, (i) any party who such Assignor believes is infringing or diluting or otherwise violating in any material respect any of such Assignor's rights in and to any Mark or Domain Name, or (ii) with respect to any party claiming that such Assignor's use of any Mark or Domain Name violates in any material respect any property right of that party. Each Assignor further

agrees, unless otherwise agreed by the First-Lien Collateral Agent, to prosecute, in accordance with reasonable business practices, any Person infringing any Mark or Domain Name owned by such Assignor.

4.4. Preservation of Marks. Each Assignor agrees to use its Marks and Domain Names in interstate or foreign commerce, as the case may be, during the time in which this Agreement is in effect, sufficiently to preserve such Marks as valid and subsisting trademarks or service marks under the laws of the United States or the relevant foreign jurisdiction; provided that no Assignor shall be obligated to preserve any Mark to the extent the Assignor determines, in its reasonable business judgment, that the preservation of such Mark is no longer economically desirable in the conduct of its business.

4.5. Maintenance of Registration. Each Assignor shall, at its own expense and in accordance with reasonable business practices, process all documents required to maintain Mark and Domain Name registrations, including but not limited to affidavits of continued use and applications for renewals of registration in the United States Patent and Trademark Office for all of its registered Marks pursuant to 15 U.S.C. §§ 1058, 1059 and 1065 or any foreign equivalent thereof, as applicable, and shall pay all fees and disbursements in connection therewith and shall not abandon any such filing of affidavit of use or any such application of renewal prior to the exhaustion of all administrative and judicial remedies without prior written consent of the First-Lien Collateral Agent; provided that no Assignor shall be obligated to maintain any Mark and/or Domain Name to the extent such Assignor determines, in its reasonable business judgment, that the maintenance of such Mark and/or Domain Name is no longer economically desirable in the conduct of its business.

4.6. Future Registered Marks and Domain Names. If any registration for any Mark issued hereafter to any Assignor as a result of any application now or hereafter pending before the United States Patent and Trademark Office or any Domain Name is registered by any Assignor, within 30 days of receipt of such certificate, such Assignor shall deliver to the First-Lien Collateral Agent a copy of such certificate, and an assignment for security in such Mark and/or Domain Name, to the First-Lien Collateral Agent and at the expense of such Assignor, confirming the assignment for security in such Mark and/or Domain Name to the First-Lien Collateral Agent hereunder, the form of such assignment for security to be substantially the same

---

as the form hereof or in such other form as may be reasonably satisfactory to the First-Lien Collateral Agent.

4.7. Remedies. If an Event of Default shall occur and be continuing, the First-Lien Collateral Agent may, by written notice to the relevant Assignor, take any or all of the following actions: (i) declare the entire right, title and interest of such Assignor in and to each of the Marks and Domain Names, together with all trademark rights and rights of protection to the same and the goodwill of such Assignor's business symbolized by said Marks or Domain Names and the right to recover for past infringements thereof, vested in the First-Lien Collateral Agent for the benefit of the Secured Creditors, in which event such rights, title and interest shall immediately vest, in the First-Lien Collateral Agent for the benefit of the Secured Creditors, and the First-Lien Collateral Agent shall be entitled to exercise the power of attorney referred to in Section 4.1 to execute, cause to be acknowledged and notarized and to record an absolute assignment with the applicable agency; (ii) take and use or sell the Marks or Domain Names and the goodwill of such Assignor's business symbolized by the Marks or Domain Names and the right to carry on the business and use the assets of such Assignor in connection with which the Marks or Domain Names have been used; and (iii) direct such Assignor to refrain, in which event such Assignor shall refrain, from using the Marks or Domain Names in any manner whatsoever, directly or indirectly, and, if requested by the First-Lien Collateral Agent, change such Assignor's corporate name to eliminate therefrom any use of any Mark or Domain Name and execute such other and further documents that the First-Lien Collateral Agent may request to further confirm this and to transfer ownership of the Marks or Domain Names and registrations and any pending trademark applications therefor in the United States Patent and Trademark Office or any equivalent government agency or office in any foreign jurisdiction to the First-Lien Collateral Agent.

ARTICLE V

SPECIAL PROVISIONS CONCERNING PATENTS, COPYRIGHTS AND TRADE SECRETS

5.1. Additional Representations and Warranties. Each Assignor represents and warrants that it is the true and lawful exclusive owner of or otherwise has the right to use all (i) Trade Secrets Rights and proprietary information necessary to operate the business of such Assignor, (ii) rights in the Patents of such Assignor listed in Annex J hereto and that said Patents constitute all the patents and applications for patents that such Assignor now owns or that are otherwise necessary in the conduct of the business of such Assignor, and (iii) rights in the Copyrights of such Assignor listed in Annex K hereto, and that such Copyrights constitute all registrations of copyrights and applications for copyright registrations that such Assignor now owns or that are otherwise necessary in the conduct of the business of such Assignor. Each Assignor further represents and warrants that it has the right to use and practice under all Patents and Copyrights that it owns, uses or under which it practices and has the right to exclude others from using or practicing under any Patents it owns. Each Assignor further warrants that it has no knowledge of any material third party claim that any aspect of such Assignor's present or contemplated business operations infringes or will infringe any rights in any Patent or Copyright or that such Assignor has misappropriated any Trade Secret, Trade Secret Rights or proprietary

---

information. Each Assignor represents and warrants that upon the recordation of an Assignment of Security Interest in United States Trademarks and Patents in the form of Annex L hereto in the United States Patent and Trademark Office and the recordation of an Assignment of Security Interest in United States Copyrights in the form of Annex M hereto in the United States Copyright Office, together with filings on Form UCC-1 pursuant to this Agreement, all filings, registrations and recordings necessary or appropriate to perfect the security interest granted to the First-Lien Collateral Agent in the United States Patents and United States Copyrights covered by this Agreement under federal law will have been accomplished. Upon obtaining any Patent, each Assignor agrees to execute an Assignment of Security Interest in United States Trademarks and Patents covering all right, title and interest in each United States Patent of such Assignor and to record the same, and upon obtaining any Copyright, to execute such an Assignment of Security Interest in United States Copyrights covering all right, title and interest in each United States Copyright of such Assignor and to record the same. Each Assignor hereby grants to the First-Lien Collateral Agent an absolute power of attorney to sign, upon the occurrence and during the continuance of any Event of Default, any document which may be required by the U.S. Patent and Trademark Office or equivalent governmental agency in any foreign jurisdiction or the U.S. Copyright Office or equivalent governmental agency in any foreign jurisdiction in order to effect an absolute assignment of all right, title and interest in each Patent and Copyright of such Assignor, as the case may be, and to record the same.

5.2. Licenses and Assignments. Each Assignor hereby agrees not to divest itself of any right under any Patent or Copyright absent prior written approval of the First-Lien Collateral Agent (which approval shall not be unreasonably withheld), except as otherwise permitted by this Agreement or the Credit Agreement.

5.3. Infringements. Each Assignor agrees, promptly upon learning thereof, to furnish the First-Lien Collateral Agent in writing with all pertinent information available to such Assignor with respect to any infringement, contributing infringement or active inducement to infringe any of such Assignor's rights in any Patent or Copyright of such Assignor or to any claim that the practice of any Patent or the use of any Copyright violates any property right of a third party, or with respect to any misappropriation of any Trade Secret Right of such Assignor or any claim that practice of any Trade Secret Right of such Assignor violates any property right of a third party. Each Assignor further agrees, absent direction of the First-Lien Collateral Agent to the contrary, to prosecute, in accordance with reasonable business practices, any Person infringing any Patent or Copyright of such Assignor or any Person misappropriating any Trade Secret Right of such Assignor.

5.4. Maintenance of Patents and Copyrights. At its own expense, each Assignor shall make timely payment of all post-issuance fees required pursuant to applicable law to maintain in force rights under each of its Patents, and to apply as permitted pursuant to applicable law for any renewal of each of its Copyrights, in any case absent prior written consent of the First-Lien Collateral Agent; provided, that, no Assignor shall be obligated to pay any such fees or apply for any such renewal to the extent that such Assignor determines, in its reasonable business judgment, that the maintenance of such Patent or Copyright is no longer economically desirable in the conduct of its business.

5.5. Prosecution of Patent or Copyright Applications. At its own expense, each Assignor shall prosecute, in accordance with reasonable business practices, all of its applications for Patents listed in Annex J hereto and for Copyrights listed in Annex K hereto and shall not abandon any such application prior to exhaustion of all administrative and judicial remedies, absent written consent of the First-Lien Collateral Agent.

5.6. Other Patents and Copyrights. Within 30 days of the acquisition or issuance of a United States Patent or of a Copyright registration, or of filing of an application for a United States Patent or Copyright registration, the relevant Assignor shall deliver to the First-Lien Collateral Agent a copy of said Patent or Copyright registration or certificate or registration of, or application therefor, as the case may be, with an assignment for security as to such Patent or Copyright, as the case may be, to the First-Lien Collateral Agent and at the expense of such Assignor, confirming the assignment for security, the form of such assignment for security to be substantially the same as the form hereof or in such other form as may be reasonably satisfactory to the First-Lien Collateral Agent.

5.7. Remedies. If an Event of Default shall occur and be continuing, the First-Lien Collateral Agent may by written notice to the relevant Assignor, take any or all of the following actions: (i) declare the entire right, title, and interest of such Assignor in each of the Patents and Copyrights vested in the First-Lien Collateral Agent for the benefit of the Secured Creditors, in which event such right, title, and interest shall immediately vest in the First-Lien Collateral Agent for the benefit of the Secured Creditors, and the First-Lien Collateral Agent shall be entitled to exercise the power of attorney referred to in Section 5.1 to execute, cause to be acknowledged and notarized and to record an absolute assignment with the applicable agency; (ii) take and use, practice or sell the Patents, Copyrights and Trade Secret Rights; and (iii) direct such Assignor to refrain, in which event such Assignor shall refrain, from practicing the Patents and using the Copyrights and/or Trade Secret Rights directly or indirectly, and such Assignor shall execute such other and further documents as the First-Lien Collateral Agent may request further to confirm this and to transfer ownership of the Patents, Copyrights and Trade Secret Rights to the First-Lien Collateral Agent for the benefit of the Secured Creditors.

ARTICLE VI

PROVISIONS CONCERNING ALL COLLATERAL

6.1. Protection of First-Lien Collateral Agent's Security. Each Assignor will do nothing to impair the rights of the First-Lien Collateral Agent in the Collateral. Each Assignor will at all times keep its Inventory and Equipment insured in favor of the First-Lien Collateral Agent, at such Assignor's own expense to the extent and in the manner provided in the Credit Agreement and the other Credit Documents. All policies or certificates with respect to such material insurance (and any other material insurance maintained by such Assignor) shall (i) be endorsed to the First-Lien Collateral Agent's satisfaction for the benefit of the First-Lien Collateral Agent (including, without limitation, by naming the First-Lien Collateral Agent as loss payee and naming each of the Lenders, the Administrative Agent and the First-Lien Collateral Agent as additional insureds); (ii) state that such insurance policies shall not be canceled or materially revised without 30 days' prior written notice thereof by the insurer to the First-Lien

---

Collateral Agent; and (iii) be deposited (or certified copies of such policies or certificates shall be deposited) with the First-Lien Collateral Agent to the extent, at the times and in the manner specified in the Credit Agreement. If any Assignor shall fail to insure its Inventory and Equipment in accordance with the preceding sentence, or if any Assignor shall fail to so endorse and deposit all policies or certificates with respect thereto, the First-Lien Collateral Agent shall have the right (but shall be under no obligation) to procure such insurance and such Assignor agrees to promptly reimburse the First-Lien Collateral Agent for all costs and expenses of procuring such insurance. Except as otherwise permitted to be retained or expended by the relevant Assignor pursuant to the Credit Agreement, the First-Lien Collateral Agent shall, at the time such proceeds of such insurance are distributed to the Secured Creditors, apply such proceeds in accordance with the Credit Agreement, or after the Obligations have been accelerated or otherwise become due and payable, in accordance with Section 7.4. Each Assignor assumes all liability and responsibility in connection with the Collateral acquired by it and the liability of such Assignor to pay the Obligations shall in no way be affected or diminished by reason of the fact that such Collateral may be lost, destroyed, stolen, damaged or for any reason whatsoever unavailable to such Assignor.

6.2. Warehouse Receipts Non-Negotiable. Each Assignor agrees that if any warehouse receipt or receipt in the nature of a warehouse receipt is issued with respect to any of its Inventory, such warehouse receipt or receipt in the nature thereof shall not be "negotiable" (as such term is used in Section 7-104 of the Uniform Commercial Code as in effect in any relevant jurisdiction or under other relevant law).

6.3. Further Actions. Each Assignor will, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the First-Lien Collateral Agent from time to time such lists, descriptions and designations of its Collateral, warehouse receipts, receipts in the nature of warehouse receipts, bills of lading, documents of title, vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports and other assurances or instruments and take such further steps relating to the Collateral and other property or rights covered by the security interest hereby granted, which the First-Lien Collateral Agent deems reasonably appropriate or advisable to perfect, preserve or protect its security interest in the Collateral.

6.4. Financing Statements. Each Assignor agrees to execute and deliver to the First-Lien Collateral Agent such financing statements, in form acceptable to the First-Lien Collateral Agent, as the First-Lien Collateral Agent may from time to time reasonably request or as are reasonably necessary or desirable in the opinion of the First-Lien Collateral Agent to establish and maintain a valid, enforceable, first priority perfected security interest in the Collateral as provided herein and the other rights and security contemplated hereby all in accordance with the Uniform Commercial Code as enacted in any and all relevant jurisdictions or any other relevant law. Each Assignor will pay any applicable filing fees, recordation taxes and related expenses relating to its Collateral. Each Assignor hereby authorizes the First-Lien Collateral Agent to file any such financing statements without the signature of such Assignor where permitted by law (and such authorization includes describing the Collateral as "all assets" of such Assignor).

6.5. Additional Information. Each Assignor will, at its own expense, from time to time upon the reasonable request of the First-Lien Collateral Agent, promptly (and in any event within 15 days after its receipt of the respective request) furnish to the First-Lien Collateral Agent such information with respect to the Collateral (including the identity of the Collateral or such components thereof as may have been requested by the Agent, the value and location of such Collateral, etc.) as may be requested by the First-Lien Collateral Agent. Without limiting the forgoing, each Assignor agrees that it shall promptly (and in any event within 10 days after its receipt of the respective request) furnish to the First-Lien Collateral Agent such updated Annexes hereto as may from time to time be reasonably requested by the First-Lien Collateral Agent.

ARTICLE VII

REMEDIES UPON OCCURRENCE OF EVENT OF DEFAULT

7.1. Remedies; Obtaining the Collateral Upon Default. Each Assignor agrees that, if any Event of Default shall have occurred and be continuing, then and in every such case, the First-Lien Collateral Agent, in addition to any rights now or hereafter existing under applicable law, shall have all rights as a secured creditor under the Uniform Commercial Code, and such additional rights and remedies to which a secured creditor is entitled under the laws in effect, in all relevant jurisdictions and may also:

(i) personally, or by agents or attorneys, immediately take possession of the Collateral or any part thereof, from such Assignor or any other Person who then has possession of any part thereof with or without notice or process of law, and for that purpose may enter upon such Assignor's premises where any of the Collateral is located and remove the same and use in connection with such removal any and all services, supplies, aids and other facilities of such Assignor;

(ii) instruct the obligor or obligors on any agreement, instrument or other obligation (including, without limitation, the Receivables and the Contracts) constituting the Collateral to make any payment required by the terms of such agreement, instrument or other obligation directly to the First-Lien Collateral Agent;

(iii) instruct all banks which have entered into a control agreement with the First-Lien Collateral Agent to transfer all monies, securities and instruments held by such depositary bank to the Cash Collateral Account and withdraw all monies, securities and instruments in the Cash Collateral Account for application to the Obligations in accordance with Section 7.4;

(iv) sell, assign or otherwise liquidate, or direct such Assignor to sell, assign or otherwise liquidate, any or all of the Collateral or any part thereof in accordance with Section 7.2, or direct the relevant Assignor to sell, assign or otherwise liquidate any or all of the Collateral or any part thereof, and, in each case, take possession of the proceeds of any such sale or liquidation;

(v) take possession of the Collateral or any part thereof, by directing the relevant Assignor in writing to deliver the same to the First-Lien Collateral Agent at any place or places designated by the First-Lien Collateral Agent, in which event such Assignor shall at its own expense:

(x) forthwith cause the same to be moved to the place or places so designated by the First-Lien Collateral Agent and there delivered to the First-Lien Collateral Agent;

(y) store and keep any Collateral so delivered to the First-Lien Collateral Agent at such place or places pending further action by the First-Lien Collateral Agent as provided in Section 7.2; and

(z) while the Collateral shall be so stored and kept, provide such guards, other security and maintenance services as shall be necessary to protect the same and to preserve and maintain them in good condition; and

(vi) license or sublicense, whether on an exclusive or nonexclusive basis, any Marks, Domain Names, Patents or Copyrights included in the Collateral for such term and on such conditions and in such manner as the First-Lien Collateral Agent shall in its sole judgment determine;

(vii) apply any monies constituting Collateral or proceeds thereof in accordance with the provisions of Section 7.4; and

(viii) take any other action as specified in clauses (1) through (5), inclusive, of Section 9-607 of the UCC;

it being understood that each Assignor's obligation so to deliver the Collateral is of the essence of this Agreement and that, accordingly, upon application to a court of equity having jurisdiction, the First-Lien Collateral Agent shall be entitled to a decree requiring specific performance by such Assignor of said obligation. The Secured Creditors agree that this Agreement may be enforced only by the action of the Administrative Agent or the First-Lien Collateral Agent, in each case acting upon the instructions of the Required Lenders (or, after the date on which all Credit Document Obligations have been paid in full, the holders of at least the majority of the outstanding Other Obligations) and that no other Secured Creditor shall have any right individually to seek to enforce or to enforce this Agreement or to realize upon the security to be granted hereby, it being understood and agreed that such rights and remedies may be exercised by the Administrative Agent or the First-Lien Collateral Agent or the holders of at least a majority of the outstanding Other Obligations, as the case may be, for the benefit of the Secured Creditors upon the terms of this Agreement and the Credit Agreement.

7.2. Remedies; Disposition of the Collateral. Any Collateral repossessed by the First-Lien Collateral Agent under or pursuant to Section 7.1 and any other Collateral whether or not so repossessed by the First-Lien Collateral Agent, may be sold, assigned, leased or otherwise disposed of under one or more contracts or as an entirety, and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner, at such time or times, at such place or places and on such terms as the First-Lien Collateral Agent may, in compliance

---

with any mandatory requirements of applicable law, determine to be commercially reasonable. Any of the Collateral may be sold, leased or otherwise disposed of, in the condition in which the same existed when taken by the First-Lien Collateral Agent or after any overhaul or repair at the expense of the relevant Assignor which the First-Lien Collateral Agent shall determine to be commercially reasonable. Any such disposition which shall be a private sale or other private proceedings permitted by such requirements shall be made upon not less than 10 days written notice to the relevant Assignor specifying the time at which such disposition is to be made and the intended sale price or other consideration therefor, and shall be subject, for the 10 days after the giving of such notice, to the right of the relevant Assignor or any nominee of such Assignor to acquire the Collateral involved at a price or for such other consideration at least equal to the intended sale price or other consideration so specified. Any such disposition which shall be a public sale permitted by such requirements shall be made upon not less than 10 days' written notice to the relevant Assignor specifying the time and place of such sale and, in the absence of applicable requirements of law, shall be by public auction (which may, at the First-Lien Collateral Agent's option, be subject to reserve), after publication of notice of such auction not less than 10 days prior thereto in two newspapers in general circulation to be selected by the First-Lien Collateral Agent. To the extent permitted by any such requirement of law, the First-Lien Collateral Agent on behalf of the Secured Creditors (or certain of them) may bid for and become the purchaser of the Collateral or any item thereof, offered for sale in accordance with this Section without accountability to the relevant Assignor. If, under mandatory requirements of applicable law, the First-Lien Collateral Agent shall be required to make a disposition of the Collateral within a period of time which does not permit the giving of notice to the relevant Assignor as hereinabove specified, the First-Lien Collateral Agent need give such Assignor only such notice of disposition as shall be reasonably practicable in view of such mandatory requirements of applicable law. Each Assignor agrees to do or cause to be done all such other acts and things as may be reasonably necessary to make such sale or sales of all or any portion of the Collateral of such Assignor valid and binding and in compliance with any and all applicable laws, regulations, orders, writs, injunctions, decrees or awards of any and all courts, arbitrations or governmental instrumentalities, domestic or foreign, having jurisdiction over any such sale or sales, all at such Assignor's expense.

7.3. Waiver of Claims. Except as otherwise provided in this Agreement, EACH ASSIGNOR HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, NOTICE AND JUDICIAL HEARING IN CONNECTION WITH THE COLLATERAL AGENT'S TAKING POSSESSION OR THE COLLATERAL AGENT'S DISPOSITION OF ANY OF THE COLLATERAL, INCLUDING, WITHOUT LIMITATION, ANY AND ALL PRIOR NOTICE AND HEARING FOR ANY PREJUDGMENT REMEDY OR REMEDIES AND ANY SUCH RIGHT WHICH SUCH ASSIGNOR WOULD OTHERWISE HAVE UNDER THE LAW OF THE UNITED STATES OR OF ANY STATE, and such Assignor hereby further waives, to the extent permitted by law:

(i) all damages occasioned by such taking of possession except any damages which are the direct result of the First-Lien Collateral Agent's gross negligence or willful misconduct;

(ii) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of the First-Lien Collateral Agent's rights hereunder; and

(iii) all rights of redemption, appraisement, valuation, stay, extension or moratorium now or hereafter in force under any applicable law in order to prevent or delay the enforcement of this Agreement or the absolute sale of the Collateral or any portion thereof, and each Assignor, for itself and all who may claim under it, insofar as it or they now or hereafter lawfully may, hereby waives the benefit of all such laws.

Any sale of, or the grant of options to purchase, or any other realization upon, any Collateral shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of the relevant Assignor therein and thereto, and shall be a perpetual bar both at law and in equity against such Assignor and against any and all Persons claiming or attempting to claim the Collateral so sold, optioned or realized upon, or any part thereof, from, through and under such Assignor.

7.4. Application of Proceeds. (a) All moneys collected by the First-Lien Collateral Agent upon any sale or other disposition of the Collateral (or, to the extent the Pledge Agreement or any other Security Document requires proceeds of collateral thereunder to be applied in accordance with the provisions of this Agreement, the Pledgee under the Pledge Agreement or the collateral agent under such other Security Document), together with all other moneys received by the First-Lien Collateral Agent hereunder, shall be applied as follows:

(i) first, to the payment of all Obligations owing to the Pledgee or the First-Lien Collateral Agent of the type described in clauses (iii), (iv) and (v) of the definition of "Obligations";

(ii) second, to the extent proceeds remain after the application pursuant to the preceding clause (i), to the payment of all amounts owing to any Agent of the type described in clauses (v) and (vi) of the definition of "Obligations";

(iii) third, to the extent proceeds remain after the application pursuant to the preceding clauses (i) and (ii), an amount equal to the outstanding Primary Obligations shall be paid to the Secured Creditors as provided in Section 7.4(e), with each Secured Creditor receiving an amount equal to its outstanding Primary Obligations or, if the proceeds are insufficient to pay in full all such Primary Obligations, its Pro Rata Share of the amount remaining to be distributed; provided however that Secured Creditors with Primary Obligations constituting Other Obligations arising under, or in respect of, Commodities Agreements shall not be entitled to receive more than $10,000,000 as a result of the application of the proceeds of Collateral pursuant to this clause (iii), with any excess proceeds of Collateral to be distributed after such threshold is reached to be applied to all other Primary Obligations as otherwise required above (as if no further Primary Obligations constituting Other Obligations arising under, or in respect of, Commodities Agreements were then outstanding);

(iv) fourth, to the extent proceeds remain after the application pursuant to the preceding clauses (i), (ii) and (iii), an amount equal to the outstanding Secondary Obligations shall be paid to the Secured Creditors as provided in Section 7.4(e), with each Secured Creditor receiving an amount equal to its outstanding Secondary Obligations or, if the proceeds are insufficient to pay in full all such Secondary Obligations, its Pro Rata Share of the amount remaining to be distributed; provided however that Secured Creditors with Secondary Obligations constituting Other Obligations arising under, or in respect of, Commodities Agreements shall not be entitled to receive more than $10,000,000 as a result of the application of the proceeds of Collateral pursuant to preceding clause (iii) and this clause (iv), with any excess proceeds of Collateral to be distributed after such threshold is reached to be applied to all other Secondary Obligations as otherwise required above (as if no further Secondary Obligations constituting Other Obligations arising under, or in respect of, Commodities Agreements were then outstanding);

(v) fifth, to the extent proceeds remain after the application pursuant to the preceding clauses (i), (ii), (iii) and (iv), an amount equal to the outstanding Tertiary Obligations shall be paid to the relevant Other Creditors as provided in Section 7.4(e), with each relevant Other Creditor receiving an amount equal to its outstanding Tertiary Obligations or, if the proceeds are insufficient to pay in full all such Tertiary Obligations, its Pro Rata Share of the amount remaining to be distributed; and

(vi) sixth, to the extent proceeds remain after the application pursuant to the preceding clauses (i) through (v), inclusive, and following the termination of this Agreement pursuant to Section 10.8(a) hereof, to the relevant Assignor or to whoever may be lawfully entitled to receive such surplus.

(b) For purposes of this Agreement (w) "Pro Rata Share" shall mean, when calculating a Secured Creditor's portion of any distribution or amount, that amount (expressed as a percentage) equal to a fraction the numerator of which is the then unpaid amount of such Secured Creditor's Primary Obligations or Secondary Obligations, as the case may be, and the denominator of which is the then outstanding amount of all Primary Obligations or Secondary Obligations, as the case may be, provided that in the circumstances contemplated by the provisos in clauses 7.4(a)(iii) and (iv), Primary Obligations and Secondary Obligations constituting Other Obligations arising under, or in respect of, Commodities Agreements shall be excluded in determining the Primary Obligations and Secondary Obligations as used in determining a given Secured Creditor's "Pro Rata Share" pursuant to this definition, (x) "Primary Obligations" shall mean (i) in the case of the Credit Document Obligations, all principal of, and interest on, all Loans under the Credit Agreement, all Unpaid Drawings theretofore made (together with all interest accrued thereon), the aggregate Stated Amounts of all Letters of Credit issued (or deemed issued) under the Credit Agreement, and all Fees and (ii) in the case of the Other Obligations, all amounts due under the Secured Hedging Agreements (other than indemnities, fees (including, without limitation, attorneys' fees) and similar obligations and liabilities), (y) "Secondary Obligations" shall mean all Obligations other than Primary Obligations and Tertiary Obligations and (z) "Tertiary Obligations" shall mean all Other Obligations (if any) arising under, or in respect of, Commodities Agreements which remain outstanding after giving effect to the application of Collateral proceeds pursuant to Sections 7.4(a)(i), (ii), (iii) and (iv).

(c) When payments to Secured Creditors are based upon their respective Pro Rata Shares, the amounts received by such Secured Creditors hereunder shall, subject to the proviso to the definition of "Pro Rata Share", be applied (for purposes of making determinations under this Section 7.4 only) (i) first, to their Primary Obligations, (ii) second, to their Secondary Obligations and (ii) third, to their Tertiary Obligations.

(d) Each of the Secured Creditors agrees and acknowledges that if the Lender Creditors are to receive a distribution on account of undrawn amounts with respect to Letters of Credit issued (or deemed issued) under the Credit Agreement (which shall only occur after all outstanding Loans and Unpaid Drawings with respect to such Letters of Credit have been paid in full), such amounts shall be paid to the Administrative Agent under the Credit Agreement and held by it, for the equal and ratable benefit of the Lender Creditors, as cash security for the repayment of Obligations owing to the Lender Creditors as such. If any amounts are held as cash security pursuant to the immediately preceding sentence, then upon the termination of all outstanding Letters of Credit, and after the application of all such cash security to the repayment of all Obligations owing to the Lender Creditors after giving effect to the termination of all such Letters of Credit, if there remains any excess cash, such excess cash shall be returned by the Agent to the First-Lien Collateral Agent for distribution in accordance with Section 7.4(a) hereof.

(e) Except as set forth in Section 7.4(d), all payments required to be made hereunder shall be made (x) if to the Lender Creditors, to the Administrative Agent under the Credit Agreement for the account of the Lender Creditors, and (y) if to the Other Creditors, to the trustee, paying agent or other similar representative (each, a "Representative") for the Other Creditors or, in the absence of such a Representative, directly to the Other Creditors.

(f) For purposes of applying payments received in accordance with this Section 7.4, the First-Lien Collateral Agent shall be entitled to rely upon (i) the Administrative Agent under the Credit Agreement and (ii) the Representative for the Other Creditors or, in the absence of such a Representative, upon the Other Creditors for a determination (which the Administrative Agent, each Representative for any Secured Creditors and the Secured Creditors agree (or shall agree) to provide upon request of the First-Lien Collateral Agent) of the outstanding Primary Obligations, Secondary Obligations and Tertiary Obligations owed to the Lender Creditors or the Other Creditors, as the case may be. Unless it has actual knowledge (including by way of written notice from a Lender Creditor or an Other Creditor) to the contrary, the Administrative Agent and each Representative, in furnishing information pursuant to the preceding sentence, and the First-Lien Collateral Agent, in acting hereunder, shall be entitled to assume that no Secondary Obligations are outstanding. Unless it has actual knowledge (including by way of written notice from an Other Creditor) to the contrary, the First-Lien Collateral Agent, in acting hereunder, shall be entitled to assume that no Secured Hedging Agreements are in existence.

(g) It is understood and agreed that each of the Assignors shall remain liable to the extent of any deficiency between (x) the amount of the proceeds of the Collateral hereunder and (y) the aggregate amount of the sums referred to in clause (a) of this Section with respect to the relevant Assignor.

7.5. Remedies Cumulative. Each and every right, power and remedy hereby specifically given to the First-Lien Collateral Agent shall be in addition to every other right, power and remedy specifically given under this Agreement, the Secured Hedging Agreements or the other Credit Documents or now or hereafter existing at law, in equity or by statute and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by the First-Lien Collateral Agent. All such rights, powers and remedies shall be cumulative and the exercise or the beginning of the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the First-Lien Collateral Agent in the exercise of any such right, power or remedy and no renewal or extension of any of the Obligations shall impair any such right, power or remedy or shall be construed to be a waiver of any Default or Event of Default or an acquiescence therein. No notice to or demand on any Assignor in any case shall entitle it to any other or further notice or demand in similar or other

circumstances or constitute a waiver of any of the rights of the First-Lien Collateral Agent to any other or further action in any circumstances without notice or demand. In the event that the First-Lien Collateral Agent shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the First-Lien Collateral Agent may recover expenses, including attorneys' fees, and the amounts thereof shall be included in such judgment.

7.6. Discontinuance of Proceedings. In case the First-Lien Collateral Agent shall have instituted any proceeding to enforce any right, power or remedy under this Agreement by foreclosure, sale, entry or otherwise, and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the First-Lien Collateral Agent, then and in every such case the relevant Assignor, the First-Lien Collateral Agent and each holder of any of the Obligations shall be restored to their former positions and rights hereunder with respect to the Collateral subject to the security interest created under this Agreement, and all rights, remedies and powers of the First-Lien Collateral Agent shall continue as if no such proceeding had been instituted.

ARTICLE VIII

INDEMNITY

8.1. Indemnity. (a) Each Assignor jointly and severally agrees to indemnify, reimburse and hold the First-Lien Collateral Agent, each other Secured Creditor and their respective successors, permitted assigns, employees, agents and servants (hereinafter in this Section 8.1. referred to individually as an "Indemnitee," and, collectively, as "Indemnitees") harmless from any and all liabilities, obligations, losses, damages, injuries, penalties, claims, demands, actions, suits, judgments and any and all costs, expenses or disbursements (including attorneys' fees and expenses) (for the purposes of this Section 8.1, the foregoing are collectively called "expenses") of whatsoever kind and nature imposed on, asserted against or incurred by any of the Indemnitees in any way relating to or arising out of this Agreement, any Secured Hedging Agreement, any other Credit Document or any other document executed in connection herewith or therewith or in any other way connected with the administration of the transactions contemplated hereby or thereby or the enforcement of any of the terms of, or the preservation of

---

any rights under any thereof, or in any way relating to or arising out of the manufacture, ownership, ordering, purchase, delivery, control, acceptance, lease, financing, possession, operation, condition, sale, return or other disposition, or use of the Collateral (including, without limitation, latent or other defects, whether or not discoverable), the violation of the laws of any country, state or other governmental body or unit, any tort (including, without limitation, claims arising or imposed under the doctrine of strict liability, or for or on account of injury to or the death of any Person (including any Indemnitee), or property damage), or contract claim; provided that no Indemnitee shall be indemnified pursuant to this Section 8.1(a) for losses, damages or liabilities to the extent caused by the gross negligence or willful misconduct of such Indemnitee. Each Assignor agrees that upon written notice by any Indemnitee of the assertion of such a liability, obligation, loss, damage, injury, penalty, claim, demand, action, suit or judgment, the relevant Assignor shall assume full responsibility for the defense thereof. Each Indemnitee agrees to use its best efforts to promptly notify the relevant Assignor of any such assertion of which such Indemnitee has knowledge.

(b) Without limiting the application of Section 8.1(a), each Assignor agrees, jointly and severally, to pay, or reimburse the First-Lien Collateral Agent for any and all fees, costs and expenses of whatever kind or nature incurred in connection with the creation, preservation or protection of the First-Lien Collateral Agent's Liens on, and security interest in, the Collateral, including, without limitation, all fees and taxes in connection with the recording or filing of instruments and documents in public offices, payment or discharge of any taxes or Liens upon or in respect of the Collateral, premiums for insurance with respect to the Collateral and all other fees, costs and expenses in connection with protecting, maintaining or preserving the Collateral and the First-Lien Collateral Agent's interest therein, whether through judicial proceedings or otherwise, or in defending or prosecuting any actions, suits or proceedings arising out of or relating to the Collateral.

(c) Without limiting the application of Section 8.1(a) or (b), each Assignor agrees, jointly and severally, to pay, indemnify and hold each Indemnitee harmless from and against any loss, costs, damages and expenses which such Indemnitee may suffer, expend or incur in consequence of or growing out of any misrepresentation by any Assignor in this Agreement, any Secured Hedging Agreement, any other Credit Document or in any writing contemplated by or made or delivered pursuant to or in connection with this Agreement, any Secured Hedging Agreement or any other Credit Document.

(d) If and to the extent that the obligations of any Assignor under this Section 8.1 are unenforceable for any reason, such Assignor hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable law.

8.2. Indemnity Obligations Secured by Collateral; Survival. Any amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement shall constitute Obligations secured by the Collateral. The indemnity obligations of each Assignor contained in this Article VIII shall continue in full force and effect notwithstanding the full payment of all the Notes issued under the Credit Agreement, the termination of all Secured Hedging Agreements and Letters of Credit, and the payment of all other Obligations and notwithstanding the discharge thereof.

ARTICLE IX

DEFINITIONS

The following terms shall have the meanings herein specified. Such definitions shall be equally applicable to the singular and plural forms of the terms defined.

"Administrative Agent" shall have the meaning provided in the recitals to this Agreement.

"Agreement" shall have the meaning provided in the preamble to this Agreement.

"Alternate Perfected Deposit Account" shall have the meaning provided in Section 3.9(a) of this Agreement.

"As-Extracted Collateral" shall mean "as-extracted collateral" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Assignor" shall have the meaning provided in the preamble to this Agreement.

"Borrower" shall have the meaning provided in the recitals to this Agreement.

"Cash Collateral Account" shall mean a non-interest bearing cash collateral account maintained with, and in the sole dominion and control of, the First-Lien Collateral Agent for the benefit of the Secured Creditors.

"Chattel Paper" shall have the meaning provided in the Uniform Commercial Code as in effect on the date hereof in the State of New York. Without limiting the foregoing, the term "Chattel Paper" shall in any event include all Tangible Chattel Paper and all Electronic Chattel Paper.

"Class" shall have the meaning provided in Section 10.2 of this Agreement.

"Collateral" shall have the meaning provided in Section 1.1(a) of this Agreement.

"Commercial Tort Claims" shall mean "commercial tort claims" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Contract Rights" shall mean all rights of any Assignor under each Contract, including, without limitation, (i) any and all rights to receive and demand payments under any or all Contracts, (ii) any and all rights to receive and compel performance under any or all Contracts and (iii) any and all other rights, interests and claims now existing or in the future arising in connection with any or all Contracts.

"Contracts" shall mean all contracts between any Assignor and one or more additional parties (including, without limitation, any Secured Hedging Agreements, licensing

---

agreements and any partnership agreements, joint venture agreements and limited liability company agreements).

"Copyrights" shall mean any U.S. or foreign copyright owned by any Assignor, including any registrations of any Copyright, in the U.S. Copyright Office or the equivalent thereof in any foreign country, as well as any application for a U.S. or foreign copyright registration now or hereafter made with the U.S. Copyright Office or the equivalent thereof in any foreign jurisdiction by any Assignor.

"Credit Agreement" shall have the meaning provided in the recitals to this Agreement.

"Credit Document Obligations" shall have the meaning provided in the definition of "Obligations" in this Article IX.

"Default" shall mean any event which, with notice or lapse of time, or both, would constitute an Event of Default.

"Deposit Accounts" shall mean all "deposit accounts" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Documents" shall have the meaning provided in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Domain Names" shall mean all Internet domain names and associated URL addresses in or to which any Assignor now or hereafter has any right, title or interest.

"Electronic Chattel Paper" shall mean "electronic chattel paper" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Equipment" shall mean any "equipment" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York, and in any event, shall include, but shall not be limited to, all machinery, equipment, furnishings, fixtures and vehicles now or hereafter owned by any Assignor and any and all additions, substitutions and replacements of any of the foregoing and all accessions thereto, wherever located, together with all attachments, components, parts, equipment and accessories installed thereon or affixed thereto.

"Event of Default" shall mean any Event of Default under, and as defined in, the Credit Agreement or any payment default under any Secured Hedging Agreement and shall in any event, without limitation, include any payment default on any of the Obligations after the expiration of any applicable grace period.

"Excluded Local Deposit Account" shall mean (x) each Deposit Account listed on Annex F hereto and designated as an "Excluded Local Deposit Account" thereon and (y) certain other Deposit Accounts from time to time not listed on Annex F hereto (all of such Excluded Local Deposit Accounts described in preceding clauses (x) and (y) shall, in any such

---

case, be local deposit accounts (and not top-tier concentration accounts or mid-tier concentration accounts (as jointly determined, in the case of accounts designated as "Excluded Local Deposit Accounts" after the date of this Agreement, by the First-Lien Collateral Agent and the relevant Assignor))).

"First-Lien Collateral Agent" shall have the meaning provided in the preamble to this Agreement.

"Excluded Collateral" shall mean, on and after the Accounts Receivable Facility Transaction Date, any Accounts Receivable Facility Assets for so long as, and to the extent, same have been sold or transferred pursuant to the Accounts Receivable Facility Documents, provided that at such time as, and to the extent that, any such Excluded Collateral is repurchased by or reconveyed to, an Assignor, such Accounts Receivable Facility Assets shall cease to constitute Excluded Collateral.

"General Intangibles" shall mean "general intangibles" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Goods" shall mean "goods" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Health-Care-Insurance Receivable" shall mean any "health-care-insurance receivable" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Holdings" shall have the meaning provided in the recitals to this Agreement.

"Indemnitee" shall have the meaning provided in Section 8.1 of this Agreement.

"Instrument" shall mean "instruments" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Inventory" shall mean merchandise, inventory and goods, and all additions, substitutions and replacements thereof, wherever located, together with all goods, supplies, incidentals, packaging materials, labels, materials and any other items used or usable in manufacturing, processing, packaging or shipping same; in all stages of production — from raw materials through work-in-process to finished goods — and all products and proceeds of whatever sort and wherever located and any portion thereof which may be returned, rejected, reclaimed or repossessed by the First-Lien Collateral Agent from any Assignor's customers, and shall specifically include all "inventory" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York, now or hereafter owned by any Assignor.

"Investment Property" shall mean "investment property" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Lender Creditors" shall have the meaning provided in the recitals to this Agreement.

"Lenders" shall have the meaning provided in the recitals to this Agreement.

"Letter-of-Credit Rights" shall mean "letter-of-credit rights" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Liens" shall mean any security interest, mortgage, pledge, lien, claim, charge, encumbrance, title retention agreement, lessor's interest in a financing lease or analogous instrument, in, of, or on any Assignor's property.

"Location" of any Assignor, shall mean such Assignor's "location" as determined pursuant to Section 9-307 of the UCC.

"Marks" shall mean all right, title and interest in and to any U.S. or foreign trademarks, service marks and trade names now held or hereafter acquired by any Assignor, including any registration or application for registration of any trademarks and service marks in the United States Patent and Trademark Office, or the equivalent thereof in any State of the United States or in any foreign country, and any trade dress including logos, designs, trade names, company names, business names, fictitious business names and other business identifiers in connection with which any of these registered or unregistered marks are used.

"Obligations" shall mean (i) the full and prompt payment when due (whether at the stated maturity, by acceleration or otherwise) of all obligations (including obligations which, but for the automatic stay under Section 362(a) of the Bankruptcy Code, would become due) and liabilities (including, without limitation, indemnities, fees and interest thereon and all interest that accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency, reorganization or similar proceeding of Holdings or any other Credit Party at the rate provided for in the respective documentation, whether or not a claim for post-petition interest is allowed in any such case, proceeding or other action) of each Assignor owing to the Lender Creditors, now existing or hereafter incurred under, arising out of or in connection with any Credit Document to which such Assignor is a party (including all such obligations and indebtedness under any Guaranty to which such Assignor is a party) and the due performance and compliance by each Assignor with the terms, conditions and agreements of each such Credit Document (all such obligations and liabilities under this clause (i), except to the extent consisting of obligations or indebtedness with respect to Secured Hedging Agreements, being herein collectively called the "Credit Document Obligations"); (ii) the full and prompt payment when due (whether at the stated maturity, by acceleration or otherwise) of all obligations (including obligations which, but for the automatic stay under Section 362(a) of the Bankruptcy Code, would become due) and liabilities (including, without limitation, indemnities, fees and interest thereon and all interest that accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency, reorganization or similar proceeding of Holdings or any other Credit Party at the rate provided for in the respective documentation, whether or not a claim for post-petition interest is allowed in any such case, proceeding or other action) of each Assignor owing to the Other Creditors, now existing or hereafter incurred under, arising out of or in connection with each Secured Hedging Agreement, whether such Secured Hedging Agreement is now in existence or hereafter arises, including, in the case of each Guarantor, all obligations under the respective Guaranty in respect of Secured Hedging Agreements, and the

---

due performance and compliance by each Assignor with all of the terms, conditions and agreements contained in any such Secured Hedging Agreement (all such obligations and indebtedness under this clause (ii) being herein collectively called the "Other Obligations"); (iii) any and all sums advanced by the First-Lien Collateral Agent in order to preserve the Collateral or preserve its security interest in the Collateral; (iv) in the event of any proceeding for the collection or enforcement of any indebtedness, obligations, or liabilities of each Assignor referred to in clauses (i), (ii) and (iii) after an Event of Default shall have occurred and be continuing, the reasonable expenses of re-taking, holding, preparing for sale or lease, selling or otherwise disposing of or realizing on the Collateral, or of any exercise by the First-Lien Collateral Agent of its rights hereunder, together with reasonable attorneys' fees and court costs; (v) all amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement under Section 8.1 of this Agreement; and (vi) all amounts owing

to any Agent pursuant to any of the Credit Documents in its capacity as such. It is acknowledged and agreed that the "Obligations" shall include extensions of credit of the types described above, whether outstanding on the date of this Agreement or extended from time to time after the date of this Agreement.

"Other Creditors" shall have the meaning provided in the recitals to this Agreement.

"Other Obligations" shall have the meaning provided in the definition of "Obligations" in this Article IX.

"Patents" shall mean any patents in or to which any Assignor now or hereafter has any right, title or interest therein, and any divisions, continuations (including, but not limited to, continuations-in-parts) and improvements thereof, as well as any application for a patent now or hereafter made by any Assignor.

"Permits" shall mean, to the extent permitted to be assigned by the terms thereof or by applicable law, all licenses, permits, rights, orders, variances, franchises or authorizations (including certificates of need) of or from any governmental authority or agency.

"Primary Obligations" shall have the meaning provided in Section 7.4(b) of this Agreement.

"Pro Rata Share" shall have the meaning provided in Section 7.4(b) of this Agreement.

"Proceeds" shall have the meaning provided in the Uniform Commercial Code as in effect in the State of New York on the date hereof or under other relevant law and, in any event, shall include, but not be limited to, (i) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to the First-Lien Collateral Agent or any Assignor from time to time with respect to any of the Collateral, (ii) any and all payments (in any form whatsoever) made or due and payable to any Assignor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental authority (or any person acting under color of governmental authority) and (iii) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Receivables" shall mean any "account" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York, and in any event shall include but shall not be limited to, all rights to payment of any monetary obligation, whether or not earned by performance, (i) for property that has been or is to be sold, leased, licensed, assigned or otherwise disposed of, (ii) for services rendered or to be rendered, (iii) for a policy of insurance issued or to be issued, (iv) for a secondary obligation incurred or to be incurred, (v) for energy provided or to be provided, (vi) for the use or hire of a vessel under a charter or other contract, (vii) arising out of the use of a credit or charge card or information contained on or for use with the card, or (viii) as winnings in a lottery or other game of chance operated or sponsored by a State, governmental unit of a State, or person licensed or authorized to operate the game by a State or governmental unit of a State. Without limiting the foregoing, the term "account" shall include all Health-Care-Insurance Receivables.

"Registered Organization" shall have the meaning provided in the Uniform Commercial Code in effect in the State of New York.

"Representative" shall have the meaning provided in Section 7.4(e) of this Agreement.

"Requisite Creditors" shall have the meaning provided in Section 10.2 of this Agreement.

"Secondary Obligations" shall have the meaning provided in Section 7.4(b) of this Agreement.

"Secured Creditors" shall have the meaning provided in the recitals to this Agreement.

"Secured Hedging Agreement" shall mean and include each Interest Rate Protection Agreement, each Commodities Agreement and each Other Hedging Agreement entered into by the Borrower and/or one or more of its Subsidiaries with any Other Creditor (including each Existing Interest Rate Protection Agreement).

"Software" shall mean "software" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Subject Deposit Account" shall mean each Deposit Account listed on Annex F hereto and designated as a "Subject Deposit Account" thereon.

"Supporting Obligations" shall mean any "supporting obligation" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York, now or hereafter owned by any Assignor, or in which any Assignor has any rights, and, in any event, shall include, but shall not be limited to all of such Assignor's rights in any Letter-of-Credit Right or secondary obligation that supports the payment or performance of, and all security for, any Receivables, Chattel Paper, Document, General Intangible, Instrument or Investment Property.

"Tangible Chattel Paper" shall mean "tangible chattel paper" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Termination Date" shall have the meaning provided in Section 10.8 of this Agreement.

"Tertiary Obligations" shall have the meaning provided in Section 7.4(b) of this Agreement.

"Timber-to-be-Cut" shall mean "timber-to-be-cut" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Trade Secret Rights" shall mean the rights of any Assignor in any Trade Secret it holds.

"Trade Secrets" means any secretly held existing engineering and other data, information, production procedures and other know-how relating to the design, manufacture, assembly, installation, use, operation, marketing, sale and servicing of any products or business of an Assignor in any location, whether written or not written.

"Transmitting Utility" shall have the meaning given such term in Section 9-102(a)(80) of the UCC.

"UCC" shall mean the Uniform Commercial Code as in effect from time to time in the relevant jurisdiction.

ARTICLE X

MISCELLANEOUS

10.1. Notices. Except as otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been duly given or made when delivered to the party to which such notice, request, demand or other communication is required or permitted to be given or made under this Agreement, addressed:

(a) if to any Assignor, at its address set forth opposite its signature below;

(b) if to the First-Lien Collateral Agent:

Bank of America, N.A.,
Mailcode CA5-701-05-19
1455 Market Street, 5th Floor
San Francisco, CA 94103
Telephone: (415) 436-3495
Facsimile: (415) 503-5006
Attention: Charles Graber

---

with a copy to:

Bank of America, N.A., as First-Lien Collateral Agent
Mailcode NC1-007-13-06
100 N. Tryon Street, 13th Floor
Charlotte, NC 28255
Telephone: (704) 388-6415
Facsimile: (704) 409-0564
Attention: Laura Clark

(c) if to any Lender Creditor (other than the First-Lien Collateral Agent), at such address as such Lender Creditor shall have specified pursuant to the Credit Agreement; and

(d) if to any Other Creditor, at such address as such Other Creditor shall have specified in writing to each Assignor and the First-Lien Collateral Agent;

or at such other address as shall have been furnished in writing by any Person described above to the party required to give notice hereunder.

10.2. Waiver; Amendment. None of the terms and conditions of this Agreement may be changed, waived, modified or varied in any manner whatsoever unless in writing duly signed by each Assignor directly and adversely affected thereby and the First-Lien Collateral Agent (with the consent of (x) the Required Lenders (or all the Lenders if required by Section 13.01 of the Credit Agreement) at all times prior to the time at which all Credit Document Obligations (other than those arising from indemnities for which no request has been made) have been paid in full and all Commitments and Letters of Credit under the Credit Agreement have been terminated or (y) the holders of at least a majority of the outstanding Other Obligations at all times after the time on which all Credit Document Obligations have been paid in full and all Commitments and Letters of Credit under the Credit Agreement have been terminated); provided, however, that any change, waiver, modification or variance affecting the rights and benefits of a single Class (as defined below) of Secured Creditors (and not all Secured Creditors in a like or similar manner) shall require the written consent of the Requisite Creditors (as defined below) of such Class of Secured Creditors. For the purpose of this Agreement, the term "Class" shall mean each class of Secured Creditors, i.e., whether (x) the Lender Creditors as holders of the Credit Document Obligations or (y) the Other Creditors as the holders of the Other Obligations. For the purpose of this Agreement, the term "Requisite Creditors" of any Class shall mean each of (x) with respect to the Credit Document Obligations, the Required Lenders and (y) with respect to the Other Obligations, the holders of at least a majority of all obligations outstanding from time to time under Secured Hedging Agreements.

10.3. Obligations Absolute. The obligations of each Assignor hereunder shall remain in full force and effect without regard to, and shall not be impaired by, (a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of such Assignor; (b) any exercise or non-exercise, or any waiver of, any right, remedy, power or privilege under or in respect of this Agreement, any other Credit Document or any Secured Hedging Agreement; or (c) any renewal, extension, amendment or modification of or

---

addition or supplement to or deletion from any Credit Document or any Secured Hedging Agreement or any security for any of the Obligations; (d) any waiver, consent, extension, indulgence or other action or inaction under or in respect of any such agreement or instrument including, without limitation, this Agreement; (e) any furnishing of any additional security to the First-Lien Collateral Agent or its assignee or any acceptance thereof or any release of any security by the First-Lien Collateral Agent or its assignee; or (f) any limitation on any party's liability or obligations under any such instrument or agreement or any invalidity or unenforceability, in whole or in part, of any such instrument or agreement or any term thereof; whether or not any Assignor shall have

notice or knowledge of any of the foregoing. The rights and remedies of the First-Lien Collateral Agent herein provided are cumulative and not exclusive of any rights or remedies which the First-Lien Collateral Agent would otherwise have.

10.4. Successors and Assigns. This Agreement shall be binding upon each Assignor and its successors and assigns and shall inure to the benefit of the First-Lien Collateral Agent and its successors and assigns; provided that no Assignor may transfer or assign any or all of its rights or obligations hereunder except in accordance with the Credit Agreement and the Secured Hedging Agreements. All agreements, statements, representations and warranties made by each Assignor herein or in any certificate or other instrument delivered by such Assignor or on its behalf under this Agreement shall be considered to have been relied upon by the Secured Creditors and shall survive the execution and delivery of this Agreement, the other Credit Documents and the Secured Hedging Agreements regardless of any investigation made by the Secured Creditors or on their behalf.

10.5. Headings Descriptive. The headings of the several sections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

10.6. Governing Law. (a) THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK, COUNTY OF NEW YORK, OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH ASSIGNOR HEREBY IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS. EACH ASSIGNOR HEREBY FURTHER IRREVOCABLY WAIVES ANY CLAIM THAT ANY SUCH COURTS LACK JURISDICTION OVER SUCH ASSIGNOR, AND AGREES NOT TO PLEAD OR CLAIM IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT BROUGHT IN ANY OF THE AFORESAID COURTS THAT ANY SUCH COURT LACKS JURISDICTION OVER SUCH ASSIGNOR. EACH ASSIGNOR FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO ANY SUCH ASSIGNOR AT ITS ADDRESS FOR NOTICES AS PROVIDED

IN SECTION 10.1 ABOVE, SUCH SERVICE TO BECOME EFFECTIVE 30 DAYS AFTER SUCH MAILING. EACH ASSIGNOR HEREBY IRREVOCABLY WAIVES ANY OBJECTION TO SUCH SERVICE OF PROCESS AND FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY ACTION OR PROCEEDING COMMENCED HEREUNDER OR UNDER ANY OTHER CREDIT DOCUMENT THAT SUCH SERVICE OF PROCESS WAS IN ANY WAY INVALID OR INEFFECTIVE. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE COLLATERAL AGENT UNDER THIS AGREEMENT, OR ANY SECURED CREDITOR, TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANY ASSIGNOR IN ANY OTHER JURISDICTION.

(b) EACH ASSIGNOR HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID ACTIONS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT BROUGHT IN THE COURTS REFERRED TO IN CLAUSE (a) ABOVE AND HEREBY FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

10.7. Assignor's Duties. It is expressly agreed, anything herein contained to the contrary notwithstanding, that each Assignor shall remain liable to perform all of the obligations, if any, assumed by it with respect to the Collateral and the First-Lien Collateral Agent shall not have any obligations or liabilities with respect to any Collateral by reason of or arising out of this Agreement, nor shall the First-Lien Collateral Agent be required or obligated in any manner to perform or fulfill any of the obligations of any Assignor under or with respect to any Collateral.

10.8. Termination; Release. (a) After the Termination Date (as defined below), this Agreement shall terminate (provided that all indemnities set forth herein including, without limitation, in Section 8.1 hereof shall survive such termination) and the First-Lien Collateral Agent, at the request and expense of the respective Assignor, will promptly execute and deliver to such Assignor a proper instrument or instruments (including Uniform Commercial Code termination statements on form UCC-3) acknowledging the satisfaction and termination of this Agreement, and will duly assign, transfer and deliver to such Assignor (without recourse and without any representation or warranty) such of the Collateral as may be in the possession of the First-Lien Collateral Agent and as has not theretofore been sold or otherwise applied or released pursuant to this Agreement. As used in this Agreement, "Termination Date" shall mean the date upon which the Total Commitment and all Secured Hedging Agreements have been terminated, no Note is outstanding (and all Loans have been paid in full), all Letters of Credit have been

---

terminated and all other Obligations (other than those arising from indemnities for which no request has been made) then owing have been paid in full.

(b) In the event that any part of the Collateral is sold or otherwise disposed of (to a Person other than Holdings or a Subsidiary thereof) (x) at any time prior to the time at which all Credit Document Obligations have been paid in full and all Commitments under the Credit Agreement have been terminated, (i) in connection with a sale or other disposition permitted by Section 9.02 of the Credit Agreement or (ii) pursuant to a sale consented to in writing by the Required Lenders (or all the Lenders if required by Section 13.01 of the Credit Agreement) or (y) at any time thereafter, in accordance with the terms of the Secured Hedging Agreements, and the proceeds of any such sale or disposition are applied in accordance with the terms of the Credit Agreement or such Secured Hedging Agreements, as the case may be, to the extent required to be so applied, the First-Lien Collateral Agent, at the request and expense of such Assignor, will (i) duly assign, transfer and deliver to such Assignor (without recourse and without any representation or warranty) such of the Collateral as is then being (or has been) so sold, disposed of or released and as may be in the possession of the First-Lien Collateral Agent and has not theretofore been released pursuant to this Agreement and/or (ii) execute such releases and discharges in respect of such Collateral as is then being (or has been) so sold, disposed of or released as such Assignor may reasonably request.

(c) In the event that any part of the Collateral is pledged (or is to be pledged concurrently with any release or subordination effected pursuant to this Section 10.8(c)) in support of permitted secured Indebtedness pursuant to the provisions of Section 9.03(xviii) and 9.04(xviii) of the Credit Agreement, the First-Lien Collateral Agent, at the request and expense of the relevant Assignor, will (i) duly assign, transfer and deliver to such Assignor (without recourse and without any representation or warranty) such of the Collateral then being pledged in support of such other Indebtedness (to the extent such Collateral is of the type permitted to be pledged in support of such Indebtedness pursuant to the provisions of Section 9.03(xviii) of the Credit Agreement), as may be in the possession of the First-Lien Collateral Agent and has not theretofore been released pursuant to this Agreement and/or (ii) execute such releases, discharges or lien subordination agreements in respect of such Collateral as is then being pledged in support of such other Indebtedness as such Assignor may reasonably request.

(d) At any time that the respective Assignor desires that Collateral be released as provided in the foregoing Section 10.8(a) or (b), it shall deliver to the First-Lien Collateral Agent a certificate signed by an Authorized Officer stating that the release of the respective Collateral is permitted pursuant to Section 10.8(a) or (b). If requested by the First-Lien Collateral Agent (although the First-Lien Collateral Agent shall have no obligation to make any such request), the relevant Assignor shall furnish appropriate legal opinions (from counsel, which may be in-house counsel, reasonably acceptable to the First-Lien Collateral Agent) to the effect set forth in the immediately preceding sentence. The First-Lien Collateral Agent shall have no liability whatsoever to any Secured Creditor as the result of any release of Collateral by it as permitted (or which the First-Lien Collateral Agent in the absence of gross negligence or willful misconduct believes to be permitted) by this Section 10.8.

(e) If at any time all of the equity interests of any Assignor owned by the Borrower or any of its Subsidiaries are sold (to a Person other than a Credit Party) in a

---

transaction permitted pursuant to the Credit Agreement (and which does not violate the terms of any other Secured Debt Agreement then in effect), then, such Assignor shall be released as an Assignor pursuant to this Agreement without any further action hereunder (it being understood that the sale of all of the equity interests in any Person that owns, directly or indirectly, all of the equity interests in any Assignor shall be deemed to be a sale of all of the equity interests in such Assignor for purposes of this Section), and the First-Lien Collateral Agent is authorized and directed to execute and deliver such instruments of release as are reasonably satisfactory to it. At any time that the Borrower desires that an Assignor be released from this Agreement as provided in this Section 10.8(e), the Borrower shall deliver to the First-Lien Collateral Agent a certificate signed by a principal executive officer of the Borrower stating that the release of such Assignor is permitted pursuant to this Section 10.8(e). If requested by First-Lien Collateral Agent (although the First-Lien Collateral Agent shall have no obligation to make any such request), the Borrower shall furnish legal opinions (from counsel acceptable to the First-Lien Collateral Agent) to the effect set forth in the immediately preceding sentence. The First-Lien Collateral Agent shall have no liability whatsoever to any other Secured Creditor as a result of the release of any Assignor by it in accordance with, or which it believes to be in accordance with, this Section 10.8(e).

10.9. Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with the Borrower and the First-Lien Collateral Agent.

10.10. The First-Lien Collateral Agent. The First-Lien Collateral Agent will hold in accordance with this Agreement all items of the Collateral at any time received under this Agreement. It is expressly understood and agreed that the obligations of the First-Lien Collateral Agent as holder of the Collateral and interests therein and with respect to the disposition thereof, and otherwise under this Agreement, are only those expressly set forth in this Agreement. The First-Lien Collateral Agent shall act hereunder on the terms and conditions set forth in Section 12 of the Credit Agreement.

10.11. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.12. Fraudulent Conveyance; Etc. It is the desire and intent of each Assignor and the Secured Creditors that this Agreement shall be enforced against each Assignor to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Notwithstanding anything to the contrary contained herein, in furtherance of the foregoing, it is noted that the obligations of each Subsidiary Guarantor constituting an Assignor are limited as, and to the extent, provided in Section 24 of the Subsidiaries Guaranty.

10.13. Additional Assignors. It is understood and agreed that any Subsidiary of the Borrower that is required to become a party to this Agreement after the date hereof pursuant to the requirements of the Credit Agreement shall become an Assignor hereunder by (x) executing a counterpart hereof and delivering same to the First-Lien Collateral Agent, or by executing and delivering to the First-Lien Collateral Agent an assumption agreement in form and substance satisfactory to the First-Lien Collateral Agent, (y) delivering supplements to Annexes A through M hereto as are necessary to cause such annexes to be complete and accurate with respect to such additional Assignor on such date and (z) taking all actions as specified in this Agreement as would have been taken by such Assignor had it been an original party to this Agreement, in each case with all documents required above to be delivered to the First-Lien Collateral Agent and with all documents and actions required above to be taken to the reasonable satisfaction of the First-Lien Collateral Agent.

* * *

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

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671

ENERSYS,
as an Assignor

Attention: Michael T. Philion

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

ENERSYS CAPITAL INC.,
as an Assignor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

ENERSYS DELAWARE INC.,
as an Assignor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

ESFINCO, INC.,
as an Assignor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

ESRMCO, INC.,
as an Assignor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

HAWKER ENERGY PRODUCTS INC.,
as an Assignor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

HAWKER POWER SYSTEMS, INC.,
as an Assignor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

POWERSAFE STANDBY BATTERIES INC.,
as an Assignor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

HAWKER POWERSOURCE, INC.,
as an Assignor

By: _____
Name:

Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

NEW PACIFICO REALTY, INC.,
as an Assignor

By: _____
Name:
Title:

Accepted and Agreed to

BANK OF AMERICA, N.A.,
as First Lien Collateral Agent, as Assignee

By _____
Title:

ANNEX A
TO
SECURITY AGREEMENT

SCHEDULE OF CHIEF EXECUTIVE OFFICES/RECORD LOCATIONS

ANNEX B
TO
SECURITY AGREEMENT

SCHEDULE OF INVENTORY AND EQUIPMENT LOCATIONS

ANNEX C
TO
SECURITY AGREEMENT

SCHEDULE OF LEGAL NAMES, TYPE OF ORGANIZATION
(AND WHETHER A REGISTERED ORGANIZATION AND/OR
A TRANSMITTING UTILITY), JURISDICTION OF ORGANIZATION,
LOCATION AND ORGANIZATIONAL IDENTIFICATION NUMBERS

Exact Legal Name of Each Assignor	Type of Organization (or, if the Assignor is an Individual, so indiate)	Registered Organization? (Yes/No)	Jurisdiction of Organization	Assignor's Location (for purposes of NY UCC § 9-307)	Assignor's Organization Identification Number (or, if it has none, so indicate)	Transmitting Utility? (Yes/No)

ANNEX D
TO
SECURITY AGREEMENT

SCHEDULE OF TRADE AND FICTITIOUS NAMES

ANNEX E
TO
SECURITY AGREEMENT

DESCRIPTION OF CERTAIN SIGNIFICANT
TRANSACTIONS OCCURRING WITHIN ONE YEAR
PRIOR TO THE DATE OF THE SECURITY AGREEMENT

Name of Assignor	Description of any Transactions as required by Section 2.8 of the Security Agreement

ANNEX F
TO
SECURITY AGREEMENT

SCHEDULE OF DEPOSIT ACCOUNTS

Name of Assignor	Description of Deposit Account	Account Number	Name of Bank, Address and Contact Information	Jurisdiction of Bank (determined in accordance with UCC § 9-304)

ANNEX G
TO
SECURITY AGREEMENT

Form of Control Agreement Regarding Deposit Accounts

AGREEMENT (as amended, modified, restated and/or supplemented from time to time, this "Agreement"), dated as of [,], among the undersigned assignor (the "Assignor"), Bank of America, N.A., not in its individual capacity but solely as Collateral Agent under the First-Lien Security Agreement referred to below (in such capacity, the "First-Lien Collateral Agent"), Bank of America, N.A., not in its individual capacity but solely as Collateral Agent under the Second-Lien Security Agreement referred to below (in such capacity, the "Second-Lien Collateral Agent"), and [ ] (the "Deposit Account Bank"), as the bank (as defined in Section 9-102 of the UCC as in effect on the date hereof in the State of [ ] (the "UCC")) with which one or more deposit accounts (as defined in Section 9-102 of the UCC) are maintained by the Assignor (with all such deposit accounts now or at any time in the future maintained by the Assignor with the Deposit Account Bank being herein called the "Deposit Accounts").

W I T N E S S E T H :

WHEREAS, the Assignor, various other Assignors and the First-Lien Collateral Agent have entered into a First-Lien Security Agreement, dated as of March 17, 2004 (as amended, restated, modified and/or supplemented from time to time, the "First-Lien Security Agreement"), under which, among other things, in order to secure the payment of the Obligations (as defined in the First-Lien Security Agreement), the Assignor has granted a security interest to the First-Lien Collateral Agent for the benefit of the Secured Creditors (as defined in the First-Lien Security Agreement) in all of the right, title and

interest of the Assignor in and into any and all deposit accounts (as defined in Section 9-102 of the UCC) and in all monies, securities, instruments and other investments deposited therein from time to time (collectively, herein called the "First-Lien Collateral");

WHEREAS, the Assignor, various other Assignors and the Second-Lien Collateral Agent have entered into a Second-Lien Security Agreement, dated as of March 17, 2004 (as amended, restated, modified and/or supplemented from time to time, the "Second-Lien Security Agreement" and, together with the First-Lien Security Agreement, the "Security Agreements"), under which, among other things, in order to secure the payment of the Obligations (as defined in the Second-Lien Security Agreement), the Assignor has granted a security interest to the Second-Lien Collateral Agent for the benefit of the Secured Creditors (as defined in the Second-Lien Security Agreement) in all of the right, title and interest of the Assignor in and into any and all deposit accounts (as defined in Section 9-102 of the UCC) and in all monies, securities, instruments and other investments deposited therein from time to time

---

(collectively, herein called the "Second-Lien Collateral", and together with the First-Lien Collateral, the "Collateral");

WHEREAS, EnerSys, [the Assignor] [EnerSys Capital Inc.], the First-Lien Collateral Agent and the Second-Lien Collateral Agent have entered into an Intercreditor Agreement, dated as of March 17, 2004 (as amended, restated, modified and/or supplemented from time to time, the "Intercreditor Agreement"), governing the relative rights and priorities of the Secured Creditors (as defined in each Security Agreement) in respect of the Collateral; and

WHEREAS, the Assignor desires that the Deposit Account Bank enter into this Agreement in order to establish "control" (as defined in Section 9-104 of the UCC) in each Deposit Account at any time or from time to time maintained with the Deposit Account Bank, and to provide for the rights of the parties under this Agreement with respect to such Deposit Accounts;

NOW THEREFORE, in consideration of the premises and the mutual promises and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Assignor's Dealings with Deposit Accounts; Notice of Exclusive Control. Until the Deposit Account Bank shall have received from the First-Lien Collateral Agent and/or the Second-Lien Collateral Agent a Notice of Exclusive Control (as defined below), the Assignor shall be entitled to present items drawn on and otherwise to withdraw or direct the disposition of funds from the Deposit Accounts and give instructions in respect of the Deposit Accounts; provided, however, that the Assignor may not, and the Deposit Account Bank agrees that it shall not permit the Assignor to, close any Deposit Account, in any case without the prior written consent of each of the First-Lien Collateral Agent and the Second-Lien Collateral Agent. If the First-Lien Collateral Agent or the Second-Lien Collateral Agent shall give to the Deposit Account Bank a notice of the First-Lien Collateral Agent's or the Second-Lien Collateral Agent's exclusive control of the Deposit Accounts, which notice states that it is a "Notice of Exclusive Control" (a "Notice of Exclusive Control"), only the First-Lien Collateral Agent or the Second-Lien Collateral Agent, as the case may be, shall be entitled to withdraw funds from the Deposit Accounts, to give any instructions in respect of the Deposit Accounts and any funds held therein or credited thereto or otherwise to deal with the Deposit Accounts.

2. First-Lien Collateral Agent's and Second-Lien Collateral Agent's Rights to Give Instructions as to Deposit Accounts.
(a) Notwithstanding the foregoing or any separate agreement that the Assignor may have with the Deposit Account Bank, each of the First-Lien Collateral Agent and the Second-Lien Collateral Agent shall be entitled, for purposes of this Agreement, at any time to give the Deposit Account Bank instructions as to the withdrawal or disposition of any funds from time to time credited to any Deposit Account, or as to any other matters relating to any Deposit Account or any other Collateral, without further consent from the Assignor. The Assignor hereby irrevocably authorizes and instructs the Deposit Account Bank, and the Deposit Account Bank hereby agrees, to comply with any such instructions from the First-Lien Collateral Agent and/or the Second-Lien Collateral Agent without any further consent from the Assignor. Such instructions may include the giving of stop payment orders for any

---

items being presented to any Deposit Account for payment. The Deposit Account Bank shall be fully entitled to rely on, and shall comply with, such instructions from the First-Lien Collateral Agent or the Second-Lien Collateral Agent even if such instructions are contrary to any instructions or demands that the Assignor may give to the Deposit Account Bank. In case of any conflict between instructions received by the Deposit Account Bank from the First-Lien Collateral Agent or the Second-Lien Collateral Agent, on the one hand, and the Assignor, on the other hand, the instructions from the First-Lien Collateral Agent or the Second-lien Collateral Agent, as the case may be, shall prevail. In case of any conflict between instructions received by the Deposit Account Bank from the First-Lien Collateral Agent and the Second-Lien Collateral Agent, the instructions from the First-Lien Collateral Agent shall prevail.

(b) It is understood and agreed that the Deposit Account Bank's duty to comply with instructions from the First-Lien Collateral Agent and the Second-Lien Collateral Agent regarding the Deposit Accounts is absolute, and the Deposit Account Bank shall be under no duty or obligation, nor shall it have the authority, to inquire or determine whether or not such instructions are in accordance with the Security Agreements, the Intercreditor Agreement or any other Credit Document (as defined in each of the Security Agreements), nor seek confirmation thereof from the Assignor or any other Person.

3. Assignor's Exculpation and Indemnification of Depository Bank. The Assignor hereby irrevocably authorizes and instructs the Deposit Account Bank to follow instructions from each of the First-Lien Collateral Agent and the Second-Lien Collateral Agent regarding the Deposit Accounts even if the result of following such instructions from the First-Lien Collateral Agent or the Second-lien collateral Agent is that the Deposit Account Bank dishonors items presented for payment from any Deposit Account. The Assignor further confirms that the Deposit Account Bank shall have no liability to the Assignor for wrongful dishonor of such items in following such instructions from the First-Lien Collateral Agent or the Second-Lien Collateral Agent. The Deposit Account Bank shall have no duty to inquire or determine whether the Assignor's obligations to the First-Lien Collateral Agent or the Second-Lien Collateral Agent are in default or whether the First-Lien Collateral Agent or the Second-Lien Collateral Agent is entitled, under any separate agreement between the Assignor and the First-Lien Collateral Agent or the Second-Lien Collateral Agent, to give any such instructions. The Assignor further agrees to be responsible for the Deposit Account Bank's customary charges and to indemnify the Deposit Account Bank from and to hold the Deposit Account Bank harmless against any loss, cost or expense that the Deposit Account Bank may sustain or incur in acting upon instructions which the Deposit Account Bank believes in good faith to be instructions from the First-Lien Collateral Agent or the Second-Lien Collateral Agent.

4. Subordination of Security Interests; Deposit Account Bank's Recourse to Deposit Accounts. The Deposit Account Bank hereby subordinates any claims and security interests it may have against, or with respect to, any Deposit Account at any time established or maintained with it by

the Assignor (including any amounts, investments, instruments or other Collateral from time to time on deposit therein) to the security interests of the First-Lien Collateral Agent (for the benefit of the Secured Creditors under, and as defined in, the First-Lien Security Agreement) and the Second-Lien Collateral Agent (for the benefit of the Secured Creditors under, and as defined in, the Second-Lien Security Agreement), and agrees that no

---

amounts shall be charged by it to, or withheld or set-off or otherwise recouped by it from, any Deposit Account of the Assignor or any amounts, investments, instruments or other Collateral from time to time on deposit therein; provided that the Deposit Account Bank may, however, from time to time debit the Deposit Accounts for any of its customary charges in maintaining the Deposit Accounts or for reimbursement for the reversal of any provisional credits granted by the Deposit Account Bank to any Deposit Account, to the extent, in each case, that the Assignor has not separately paid or reimbursed the Deposit Account Bank therefor.

5. Representations, Warranties and Covenants of Deposit Account Bank. The Deposit Account Bank represents and warrants to the First-Lien Collateral Agent and the Second-Lien Collateral Agent and hereby agrees that:

(a) The Deposit Account Bank constitutes a "bank" (as defined in Section 9-102 of the UCC), that the jurisdiction (determined in accordance with Section 9-304 of the UCC) of the Deposit Account Bank for purposes of each Deposit Account maintained by the Assignor with the Deposit Account Bank is .

(b) The Deposit Account Bank shall not permit any Assignor to establish any demand, time, savings, passbook or other account with it which does not constitute a "deposit account" (as defined in Section 9-102 of the UCC).

(c) The Deposit Account Bank will not, without the prior written consent of each of the First-Lien Collateral Agent and the Second-Lien Collateral Agent, amend any account agreement between it and the Assignor governing any Deposit Account so that the Deposit Account Bank's jurisdiction for purposes of Section 9-304 of the UCC is other than the jurisdiction specified in the preceding clause (a). All account agreements in respect of each Deposit Account in existence on the date hereof are listed on Annex F hereto and copies of all such account agreements have been furnished to the First-Lien Collateral Agent and the Second-Lien Collateral Agent. The Deposit Account Bank will promptly furnish to the First-Lien Collateral Agent and the Second-Lien Collateral Agent a copy of the account agreement for each Deposit Account hereafter established by the Deposit Account Bank for the Assignor.

(d) The Deposit Account Bank has not entered and will not enter, into any agreement with any other Person by which the Deposit Account Bank is obligated to comply with instructions from such other Person as to the disposition of funds from any Deposit Account or other dealings with any Deposit Account or other of the Collateral.

(e) On the date hereof, the Deposit Account Bank maintains no Deposit Accounts for the Assignor other than the Deposit Accounts specifically identified in Annex F hereto.

(f) Any items or funds received by the Deposit Account Bank for the Assignor's account will be credited to said Deposit Accounts specified in paragraph (e) above or to any other Deposit Accounts hereafter established by the Deposit Account Bank for the Assignor in accordance with this Agreement.

(g) The Deposit Account Bank will promptly notify the First-Lien Collateral Agent and the Second-Lien Collateral Agent of each Deposit Account hereafter established by the Deposit Account Bank for the Assignor (which notice shall specify the account number of such Deposit Account and the location at which the Deposit Account is maintained), and each such new Deposit Account shall be subject to the terms of this Agreement in all respects.

6. Deposit Account Statements and Information. The Deposit Account Bank agrees, and is hereby authorized and instructed by the Assignor, to furnish to each of the First-Lien Collateral Agent and the Second-Lien Collateral Agent, at its address indicated below, copies of all account statements and other information relating to each Deposit Account that the Deposit Account Bank sends to the Assignor and to disclose to the First-Lien Collateral Agent and the Second-Lien Collateral Agent all information requested by the First-Lien Collateral Agent or the Second-Lien Collateral Agent, as the case may be, regarding any Deposit Account.

7. Conflicting Agreements. This Agreement shall have control over any conflicting agreement between the Deposit Account Bank and the Assignor.

8. Merger or Consolidation of Deposit Account Bank. Without the execution or filing of any paper or any further act on the part of any of the parties hereto, any bank into which the Deposit Account Bank may be merged or with which it may be consolidated, or any bank resulting from any merger to which the Deposit Account Bank shall be a party, shall be the successor of the Deposit Account Bank hereunder and shall be bound by all provisions hereof which are binding upon the Deposit Account Bank and shall be deemed to affirm as to itself all representations and warranties of the Deposit Account Bank contained herein.

9. Notices. (a) All notices and other communications provided for in this Agreement shall be in writing (including facsimile) and sent to the intended recipient at its address or telex or facsimile number set forth below:

If to the First-Lien Collateral Agent or the Second-Lien Collateral Agent, at:

Bank of America, N.A.,
Mailcode CA5-701-05-19
1455 Market Street, 5th Floor
San Francisco, CA 94103
Telephone: (415) 436-3495
Facsimile: (415) 503-5006
Attention: Charles Graber

with a copy to:

Bank of America, N.A.,
Mailcode NC1-007-13-06
100 N. Tryon Street, 13th Floor
Charlotte, NC 28255

Telephone: (704) 388-6415
Facsimile: (704) 409-0564
Attention: Laura Clark

If to the Assignor, at:

If to the Deposit Account Bank, at:

or, as to any party, to such other address or telex or facsimile number as such party may designate from time to time by notice to the other parties.

(b) Except as otherwise provided herein, all notices and other communications hereunder shall be delivered by hand or by commercial overnight courier (delivery charges prepaid), or mailed, postage prepaid, or telexed or faxed, addressed as aforesaid, and shall be effective (i) three business days after being deposited in the mail (if mailed), (ii) when delivered (if delivered by hand or courier) and (iii) or when transmitted with receipt confirmed (if telexed or faxed); provided that notices to the First-Lien Collateral Agent or the Second-Lien Collateral Agent shall not be effective until actually received by it.

10. Amendment. This Agreement may not be amended, modified or supplemented except in writing executed and delivered by all the parties hereto.

11. Binding Agreement. This Agreement shall bind the parties hereto and their successors and assign and shall inure to the benefit of the parties hereto and their successors and assigns. Without limiting the provisions of the immediately preceding sentence, the First-Lien Collateral Agent or the Second-Lien Collateral Agent may at any time or from time to time designate in writing to the Deposit Account Bank a successor First-Lien Collateral Agent or Second-Lien Collateral Agent, as the case may be (at such time, if any, as such entity becomes the "First-Lien Collateral Agent" under the First-Lien Security Agreement or the "Second-Lien Collateral Agent" under the Second-Lien Security Agreement, or at any time thereafter), and such successor shall thereafter succeed to the rights of the existing First-Lien Collateral Agent or Second-Lien Collateral Agent, as the case may be, hereunder and shall be entitled to all of the rights and benefits provided hereunder.

12. Continuing Obligations. The rights and powers granted herein to each of the First-Lien Collateral Agent and the Second-Lien Collateral Agent have been granted in order to protect and further perfect its security interests in the Deposit Accounts and other relevant Collateral and are powers coupled with an interest and will be affected neither by any purported

revocation by the Assignor of this Agreement or the rights granted to the First-Lien Collateral Agent or the Second-Lien Collateral Agent hereunder or by the bankruptcy, insolvency, conservatorship or receivership of the Assignor, the Deposit Account Bank, the First-Lien Collateral Agent or the Second-Lien Collateral Agent or by the lapse of time. The rights of the First-Lien Collateral Agent hereunder and in respect of the Deposit Accounts and the other First-Lien Collateral, and the obligations of the Assignor and Deposit Account Bank hereunder, shall continue in effect until the security interests of the First-Lien Collateral Agent in the Deposit Accounts and such other First-Lien Collateral have been terminated and the First-Lien Collateral Agent has notified the Deposit Account Bank of such termination in writing. The rights of the Second-Lien Collateral Agent hereunder and in respect of the Deposit Accounts and the other Second-Lien Collateral, and the obligations of the Assignor and Deposit Account Bank hereunder, shall continue in effect until the security interests of the Second-Lien Collateral Agent in the Deposit Accounts and such other Second-Lien Collateral have been terminated and the Second-Lien Collateral Agent has notified the Deposit Account Bank of such termination in writing.

13. Compliance with Intercreditor Agreement. The First-Lien Collateral Agent and the Second-Lien Collateral Agent hereby acknowledge and agree as between themselves that, notwithstanding anything herein to the contrary, the exercise of any right or remedy by the Second-Lien Collateral Agent hereunder (including, without limitation, its right to deliver a Notice of Exclusive Control or any other instruction to the Deposit Account Bank and to withdraw funds from a Deposit Account) is subject to the provisions of the Intercreditor Agreement.

14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

15. Counterparts. This Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing and delivering one or more counterparts.

[Remainder of this page intentionally left blank; signature page follows]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the date first written above.

Assignor:

[NAME OF ASSIGNOR]

By: _____
Name:
Title:

First-Lien Collateral Agent:

BANK OF AMERICA, N.A.

By: _____
Name:
Title:

Second-Lien Collateral Agent:

BANK OF AMERICA, N.A.

By: _____
Name:
Title:

Deposit Account Bank:

[NAME OF DEPOSIT ACCOUNT BANK]

By: _____
Name:
Title:

ANNEX H
TO
SECURITY AGREEMENT

DESCRIPTION OF COMMERCIAL TORT CLAIMS

Name of Assignor	Description of Commercial Tort Claims

ANNEX I
TO
SECURITY AGREEMENT

SCHEDULE OF MARKS AND APPLICATIONS;
INTERNET DOMAIN NAME REGISTRATIONS

[Company to Provide Schedule Updated from Existing Deal]

1. Marks and Applications:

Marks	Country	Registration No.

2. Internet Domain Name Registrations:

Marks	Country	Registration No. (or other applicable identifier)

ANNEX J
TO
SECURITY AGREEMENT

SCHEDULE OF PATENTS AND APPLICATIONS

[Company to Provide Schedule Updated from Existing Deal]

ANNEX K
TO
SECURITY AGREEMENT

SCHEDULE OF COPYRIGHTS AND APPLICATIONS

[Company to Provide Schedule Updated from Existing Deal]

ANNEX L
TO
SECURITY AGREEMENT

FORM OF GRANT OF SECURITY
INTEREST IN U.S. PATENTS AND TRADEMARKS

FOR GOOD AND VALUABLE CONSIDERATION, receipt and sufficiency of which are hereby acknowledged, , a corporation ("the Assignor") with principal offices at , hereby grants to Bank of America, N.A., as First-Lien Collateral Agent (the "Assignee") with principal offices at Mailcode NC1-001-15-04, 101 North Tryon Street, Charlotte, NC 28255, a security interest in (i) all of the Assignor's right, title and interest in and to the trademarks, trademark registrations and trademark applications (the "Marks") set forth on Schedule A attached hereto; (ii) all of the Assignor's right, title and interest in and to the patents and patent applications (the "Patents") set forth on Schedule B attached, in each case together with (iii) all Proceeds (as such term is defined in the Security Agreement referred to below) of the Marks and Patents, (iv) the goodwill of the businesses with which the Marks are associated and, (v) all causes of action arising prior to or after the date hereof for infringement of any of the Marks and Patents or unfair competition regarding the same.

THIS ASSIGNMENT OF SECURITY INTEREST (this "Grant"), effective as of , is made to secure the satisfactory performance and payment of all the Obligations of the Assignor, as such term is defined in the Security Agreement, among Assignor, the other assignors from time to time party thereto and the Assignee, dated as of March 17, 2004 (as amended, restated, modified and/or supplemented from time to time, the "Security Agreement").

This Assignment has been granted in conjunction with the security interest granted to the Assignee under the Security Agreement. The rights and remedies of the Assignee with respect to the security interest granted herein are without prejudice to, and are in addition to those set forth in the

Security Agreement, all terms and provisions of which are incorporated herein by reference. In the event that any provisions of this Grant are deemed to conflict with the Security Agreement, the provisions of the Security Agreement shall govern.

IN WITNESS WHEREOF, the undersigned have executed this Grant as of the day of , .

_____
Assignor,

By: _____
Name:
Title:

BANK OF AMERICA, N.A.,
as First-Lien Collateral Agent, as Assignee

By: _____
Name:
Title:

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this day of , , before me personally came who, being by me duly sworn, did state as follows: that [s]he is of [Name of Assignor], that [s]he is authorized to execute the foregoing Grant on behalf of said corporation and that [s]he did so by authority of the Board of Directors of said corporation.

_____
Notary Public

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this day of , , before me personally came who, being by me duly sworn, did state as follows: that [s]he is of BANK OF AMERICA, N.A., that [s]he is authorized to execute the foregoing Grant on behalf of said company and that [s]he did so by authority of said company.

_____
Notary Public

Schedule A
to Annex L

U.S. TRADEMARKS OWNED BY [NAME OF ASSIGNOR]

Mark	Reg. No.	Reg. Date

[Each Assignor to provide]

Schedule B
to Annex L

U.S. PATENTS AND PATENT
APPLICATIONS OWNED BY [NAME OF ASSIGNOR]

Patent	Patent No.	Issue Date

[Each Assignor to provide]

ANNEX M

FORM OF GRANT OF
SECURITY INTEREST IN U.S. COPYRIGHTS

WHEREAS, , a corporation (the "Assignor"), having its chief executive office at , is the owner of all right, title and interest in and to the copyrights and associated copyright registrations and applications for registration set forth in Schedule A attached hereto;

WHEREAS, BANK OF AMERICA, N.A., as First-Lien Collateral Agent, having its principal offices at Mailcode NC1-001-15-04, 101 North Tryon Street, Charlotte, NC 28255 (the "Assignee"), desires to acquire a security interest in, and lien upon all of the Assignor's right, title and interest to, said copyrights and copyright registrations and applications therefor; and

WHEREAS, the Assignor is willing to assign and grant to the Assignee a security interest in and lien upon the copyrights and copyright registrations and applications therefor described above.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, and subject to the terms and conditions of the Security Agreement, dated as of March 17, 2004, made by the Assignor, the other assignors from time to time party thereto and the Assignee (as amended, restated, modified and/or supplemented from time to time, the "Security Agreement"), the Assignor hereby assigns to the Assignee, and grants to the Assignee a security interest in, and lien upon all of the Assignor's right, title and interest to, the copyrights and copyright registrations and applications therefor set forth in Schedule A attached hereto (the "Copyrights"), together with (i) all Proceeds (as such term is defined in the Security Agreement) of the Copyrights and (ii) all causes of action arising prior to or after the date hereof for infringement of any Copyright.

THIS ASSIGNMENT OF SECURITY INTEREST (this "Grant") has been granted in conjunction with the security interest granted to the Assignee under the Security Agreement. The rights and remedies of the Assignee with respect to the security interest granted herein are without prejudice to, and are in addition to those set forth in the Security Agreement, all terms and provisions of which are incorporated herein by reference. In the event that any provisions of this Grant are deemed to conflict with the Security Agreement, the provisions of the Security Agreement shall govern.

IN WITNESS WHEREOF, the undersigned have executed this Grant at New York, New York, as of the day of , .

_____,
Assignor

By _____
Name:
Title:

BANK OF AMERICA, N.A.,
as First-Lien Collateral Agent, as Assignee

By _____
Name:
Title:

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this day of , , before me personally came , who being duly sworn, did depose and say that [s]he is of [Name of Assignor], that [s]he is authorized to execute the foregoing Grant on behalf of said corporation and that [s]he did so by authority of the Board of Directors of said corporation.

Notary Public

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this day of , , before me personally came , who being duly sworn, did depose and say that [s]he is of BANK OF AMERICA, N.A., that [s]he is authorized to execute the foregoing Grant on behalf of said corporation and that [s]he did so by authority of the Board of Directors of said corporation.

Notary Public

U.S. COPYRIGHTS OWNED BY [NAME OF ASSIGNOR]

Copyright Title	Copyright Reg. No.	Publication Date

[Each Assignor to provide]

Exhibit 10.12

EXECUTION COPY

SUBSIDIARIES GUARANTY

SUBSIDIARIES GUARANTY, (as amended, modified, restated and/or supplemented from time to time, this "Guaranty"), dated as of March 17, 2004, made by and among each of the undersigned guarantors (each, a "Guarantor" and, together with any other entity that becomes a guarantor hereunder pursuant to Section 27 hereof, the "Guarantors") in favor of Bank of America, N.A., as Administrative Agent (together with any successor administrative agent, the "Administrative Agent"), for the benefit of the Secured Creditors (as defined below). Except as otherwise defined herein, all capitalized terms used herein and defined in the Credit Agreement (as defined below) shall be used herein as therein defined.

W I T N E S S E T H :

WHEREAS, EnerSys, a Delaware corporation ("Holdings"), EnerSys Capital Inc., a Delaware corporation (the "Borrower"), the lenders from time to time party thereto (the "Lenders"), the Administrative Agent, Morgan Stanley Senior Funding, Inc., as Syndication Agent and Lehman Commercial Paper, Inc., as Documentation Agent, have entered into a Credit Agreement, dated as of March 17, 2004 (as amended, modified, restated and/or supplemented from time to time, the "Credit Agreement"), providing for the making of Loans to, and the issuance of, and participation in, Letters of Credit for the account of the Borrower, all as contemplated therein (the Lenders, each Letter of Credit Issuer, the Administrative Agent, the Collateral Agent, each other Agent and the Pledgee are herein called the "Lender Creditors");

WHEREAS, the Borrower and/or one or more of its Subsidiaries may at any time and from time to time (i) enter into one or more Interest Rate Protection Agreements or Other Hedging Agreements with one or more Lenders or any affiliate thereof, (ii) enter into one or more Commodities Agreements with one or more Lenders or any affiliate thereof and/or (iii) maintain Existing Interest Rate Protection Agreements with any financial institution (each such Lender, affiliate or financial institution, even if the respective Lender subsequently ceases to be a Lender under the Credit Agreement for any reason, together with such Lender's, affiliate's or other financial institutions' successors and assigns, if any, collectively, the "Other Creditors" and, together with the Lender Creditors, the "Secured Creditors" and each such Interest Rate Protection Agreement (including each Existing Interest Rate Protection Agreement), each such Commodities Agreement and each such Other Hedging Agreement, a "Secured Hedging Agreement");

WHEREAS, each Guarantor is a direct or indirect Wholly-Owned Domestic Subsidiary of the Borrower;

WHEREAS, it is a condition precedent to the making of Loans to the Borrower and the issuance of, and participation in, Letters of Credit for the account of the Borrower under the Credit Agreement and to the Other Creditors maintaining Secured Hedging Agreements that each Guarantor shall have executed and delivered to the Administrative Agent this Guaranty; and

---

WHEREAS, each Guarantor will obtain benefits from the incurrence of Loans by the Borrower and the issuance of, and participation in, Letters of Credit for the account of the Borrower under the Credit Agreement and the entering into and maintaining of Secured Hedging Agreements and, accordingly, desires to execute this Guaranty in order to satisfy the condition described in the preceding paragraph and to induce the Lenders to make Loans to the Borrower and issue, and/or participate in, Letters of Credit for the account of the Borrower and the Other Creditors to enter into and/or maintain Secured Hedging Agreements with the Borrower and/or one or more of its Subsidiaries;

NOW, THEREFORE, in consideration of the foregoing and other benefits accruing to each Guarantor, the receipt and sufficiency of which are hereby acknowledged, each Guarantor hereby makes the following representations and warranties to the Administrative Agent for the benefit of the Secured Creditors and hereby covenants and agrees with each other Guarantor and the Administrative Agent for the benefit of the Secured Creditors as follows:

1. Each Guarantor, jointly and severally, irrevocably, absolutely and unconditionally guarantees as a primary obligor and not merely as surety:

(i) to the Lender Creditors the full and prompt payment when due (whether at the stated maturity, by required prepayment, declaration, acceleration, demand or otherwise) of (x) the principal of, premium, if any, and interest on the Notes issued by, and the Loans made to, the Borrower under the Credit Agreement, and all reimbursement obligations and Unpaid Drawings with respect to Letters of Credit and (y) all other obligations (including, without limitation, obligations which, but for the automatic stay under Section 362(a) of the Bankruptcy Code, would become due), liabilities and indebtedness owing by the Borrower to the Lender Creditors under the Credit Agreement and each other Credit Document to which the Borrower is a party (including, without limitation, indemnities, Fees and interest thereon (including, without limitation, any interest accruing after the commencement of any bankruptcy, insolvency, receivership or similar proceeding at the rate provided for in the Credit Agreement, whether or not such interest is an allowed claim in any such proceeding)), whether now existing or hereafter incurred under, arising out of or in connection with the Credit Agreement and any such other Credit Document and the due performance and compliance by the Borrower with all of the terms, conditions and agreements contained in all such Credit Documents (all such principal, premium, interest, liabilities, indebtedness and obligations under this clause (i), except to the extent consisting of obligations or liabilities with respect to Secured Hedging Agreements, being herein collectively called the "Credit Document Obligations"); and

(ii) to each Other Creditor the full and prompt payment when due (whether at the stated maturity, by required prepayment, declaration, acceleration, demand or otherwise) of all obligations (including, without limitation, obligations which, but for the automatic stay under Section 362(a) of the Bankruptcy Code, would become due), liabilities and indebtedness (including, without limitation, any interest accruing after the commencement of any bankruptcy, insolvency, receivership or similar proceeding at the rate provided for in the respective Secured Hedging Agreements, whether or not such interest is an allowed claim in any such proceeding) owing by the Borrower and/or one or

---

more of its Subsidiaries under each Secured Hedging Agreement, whether now in existence or hereafter arising, and the due performance and compliance by the Borrower and each such Subsidiary with all of the terms, conditions and agreements contained therein (all such obligations, liabilities and indebtedness being herein collectively called the "Other Obligations", and together with the Credit Document Obligations are herein collectively called the "Guaranteed Obligations").

As used herein, the term "Guaranteed Party" shall mean the Borrower and each Subsidiary of the Borrower party to any each Secured Hedging Agreement with an Other Creditor. Each Guarantor understands, agrees and confirms that the Secured Creditors may enforce this Guaranty up to the full amount of the Guaranteed Obligations against such Guarantor without proceeding against any other Guarantor, the Borrower or any other Guaranteed Party, or against any security for the Guaranteed Obligations, or under any other guaranty covering all or a portion of the Guaranteed Obligations.

2. Additionally, each Guarantor, jointly and severally, unconditionally, absolutely and irrevocably, guarantees the payment of any and all Guaranteed Obligations whether or not due or payable by the Borrower or any other Guaranteed Party upon the occurrence in respect of the Borrower or any other Guaranteed Party of any of the events specified in Section 10.05 of the Credit Agreement, and unconditionally, absolutely and irrevocably, jointly and severally, promises to pay such Guaranteed Obligations to the Secured Creditors, or order, on demand. This Guaranty is an absolute, present and continuing guaranty of prompt payment and performance and not of collection.

3. The liability of each Guarantor hereunder is primary, absolute, joint and several, and unconditional and is exclusive and independent of any security for or other guaranty of the indebtedness of the Borrower or any other Guaranteed Party whether executed by such Guarantor, any other Guarantor, any other guarantor or by any other party, and the liability of each Guarantor hereunder shall not be affected or impaired by any circumstance or occurrence whatsoever, including, without limitation: (a) any direction as to application of payment by the Borrower or any other Guaranteed Party or by any other party, (b) any other continuing or other guaranty, undertaking or maximum liability of a Guarantor or of any other party as to the Guaranteed Obligations, (c) any payment on or in reduction of any such other guaranty or undertaking, (d) any dissolution, termination or increase, decrease or change in personnel by the Borrower or any other Guaranteed Party, (e) the failure of the Guarantor to receive any benefit from or as a result of its execution, delivery and performance of this Guaranty, (f) any payment made to any Secured Creditor on the indebtedness which any Secured Creditor repays the Borrower or any other Guaranteed Party pursuant to court order in any bankruptcy, reorganization, arrangement, moratorium or other debtor relief proceeding, and each Guarantor waives any right to the deferral or modification of its obligations hereunder by reason of any such proceeding, (g) any action or inaction by the Secured Creditors as contemplated in Section 6 hereof or (h) any invalidity, rescission, irregularity or unenforceability of all or any part of the Guaranteed Obligations or of any security therefor.

4. The obligations of each Guarantor hereunder are independent of the obligations of any other Guarantor, any other guarantor, the Borrower or any other Guaranteed Party, and a separate action or actions may be brought and prosecuted against each Guarantor

---

whether or not action is brought against any other Guarantor, any other guarantor, the Borrower or any other Guaranteed Party and whether or not any other Guarantor, any other guarantor, the Borrower or any other Guaranteed Party be joined in any such action or actions. Each Guarantor waives (to the fullest extent permitted by applicable law) the benefits of any statute of limitations affecting its liability hereunder or the enforcement thereof. Any payment by the Borrower or any other Guaranteed Party or other circumstance which operates to toll any statute of limitations as to the Borrower or such other Guaranteed Party shall operate to toll the statute of limitations as to each Guarantor.

5. Each Guarantor hereby waives (to the fullest extent permitted by applicable law) notice of acceptance of this Guaranty and notice of any liability to which it may apply, and waives promptness, diligence, presentment, demand of payment, protest, notice of dishonor or nonpayment of any such liabilities, suit or taking of other action by the Administrative Agent or any other Secured Creditor against, and any other notice to, any party liable thereon (including such Guarantor, any other Guarantor, any other guarantor, the Borrower or any other Guaranteed Party) and the Guarantor further hereby waives any and all notice of the creation, renewal, extension or accrual of any of the Guaranteed Obligations and notice or proof of reliance by any Secured Creditor upon this Guaranty, and the Guaranteed Obligations shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended, modified, supplemented or waived, in reliance upon this Guaranty.

6. Any Secured Creditor may (except as shall be required by applicable statute and cannot be waived) at any time and from time to time without the consent of, or notice to, any Guarantor, without incurring responsibility to such Guarantor, without impairing or releasing the obligations or liabilities of such Guarantor hereunder, upon or without any terms or conditions and in whole or in part:

(a) change the manner, place or terms of payment of, and/or change, increase or extend the time of payment of, renew, increase, accelerate or alter, any of the Guaranteed Obligations (including, without limitation, any increase or decrease in the rate of interest thereon or the principal amount thereof), any security therefor, or any liability incurred directly or indirectly in respect thereof, and the guaranty herein made shall apply to the Guaranteed Obligations as so changed, extended, increased, accelerated, renewed or altered;

(b) take and hold security for the payment of the Guaranteed Obligations and sell, exchange, release, surrender, impair, realize upon or otherwise deal with in any manner and in any order any property or other collateral by whomsoever at any time pledged or mortgaged to secure, or howsoever securing, the Guaranteed Obligations or any liabilities (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and/or any offset thereagainst;

(c) exercise or refrain from exercising any rights against the Borrower, any other Guaranteed Party, any other Credit Party, any Subsidiary thereof, any other guarantor of the Borrower or others or otherwise act or refrain from acting;

(d) release or substitute any one or more endorsers, Guarantors, other guarantors, the Borrower, any other Guaranteed Party or other obligors;

(e) settle or compromise any of the Guaranteed Obligations, any security therefor or any liability (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and may subordinate the payment of all or any part thereof to the payment of any liability (whether due or not) of the Borrower or any other Guaranteed Party to creditors of the Borrower or such other Guaranteed Party other than the Secured Creditors;

(f) apply any sums by whomsoever paid or howsoever realized to any liability or liabilities of the Borrower or any other Guaranteed Party to the Secured Creditors regardless of what liabilities of the Borrower or such other Guaranteed Party remain unpaid;

(g) consent to or waive any breach of, or any act, omission or default under, any of the Secured Hedging Agreements, the Credit Documents or any of the instruments or agreements referred to therein, or otherwise amend, modify or supplement any of the Secured Hedging Agreements, the Credit Documents or any of such other instruments or agreements;

(h) act or fail to act in any manner which may deprive such Guarantor of its right to subrogation against the Borrower or any other Guaranteed Party to recover full indemnity for any payments made pursuant to this Guaranty; and/or

(i) take any other action or omit to take any other action which would, under otherwise applicable principles of common law, give rise to a legal or equitable discharge of such Guarantor from its liabilities under this Guaranty (including, without limitation, any action or omission whatsoever that might otherwise vary the risk of the Guarantor or constitute a legal or equitable defense to or discharge of the liabilities of a guarantor or surety or that might otherwise limit recourse against the Guarantor).

7. No invalidity, illegality, irregularity or unenforceability of all or any part of the Guaranteed Obligations, the Credit Documents or any other agreement or instrument relating to the Guaranteed Obligations or of any security or guarantee therefor shall affect, impair or be a defense to this Guaranty, and this Guaranty shall be primary, absolute and unconditional notwithstanding the occurrence of any event or the existence of any other circumstances which might constitute a legal or equitable discharge of a surety or guarantor except payment in full in cash of the Guaranteed Obligations.

8. This Guaranty is a continuing one and all liabilities to which it applies or may apply under the terms hereof shall be conclusively presumed to have been created in reliance hereon. No failure or delay on the part of any Secured Creditor in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly specified are cumulative and not exclusive of any rights or remedies which any Secured Creditor

---

would otherwise have. No notice to or demand on any Guarantor in any case shall entitle such Guarantor to any other further notice or demand in similar or other circumstances or constitute a waiver of the rights of any Secured Creditor to any other or further action in any circumstances without notice or demand. It is not necessary for any Secured Creditor to inquire into the capacity or powers of the Borrower or any other Guaranteed Party or the officers, directors, partners or agents acting or purporting to act on its or their behalf, and any indebtedness made or created in reliance upon the professed exercise of such powers shall be guaranteed hereunder.

9. Any indebtedness of the Borrower or any other Guaranteed Party now or hereafter held by any Guarantor is hereby subordinated to the indebtedness of the Borrower or such other Guaranteed Party to the Secured Creditors; and such indebtedness of the Borrower or such other Guaranteed Party to any Guarantor, if the Administrative Agent or the Collateral Agent, after an Event of Default has occurred and is continuing, so requests, shall be collected, enforced and received by such Guarantor as trustee for the Secured Creditors and be paid over to the Secured Creditors on account of the indebtedness of the Borrower or such other Guaranteed Party to the Secured Creditors, but without affecting or impairing in any manner the liability of such Guarantor under the other provisions of this Guaranty. Prior to the transfer by any Guarantor of any note or negotiable instrument evidencing any indebtedness of the Borrower or any other Guaranteed Party to such Guarantor, such Guarantor shall mark such note or negotiable instrument with a legend that the same is subject to this subordination. Without limiting the generality of the foregoing, each Guarantor hereby agrees with the Secured Creditors that it will not exercise any right of subrogation which it may at any time otherwise have as a result of this Guaranty (whether contractual, under Section 509 of the Bankruptcy Code or otherwise) until all Guaranteed Obligations have been irrevocably paid in full in cash; provided, that if any amount shall be paid to the Guarantor on account of such subrogation rights at any time prior to the irrevocable payment in full in cash of all the Guaranteed Obligations, such amount shall be held in trust for the benefit of the Secured Creditors and shall forthwith be paid to the Secured Creditors to be credited and applied upon the Guaranteed Obligations, whether matured or unmatured, in accordance with the terms of the Credit Documents or, if the Credit Documents do not provide for the application of such amount, to be held by the Secured Creditors as collateral security for any Guaranteed Obligations thereafter existing.

10. (a) Each Guarantor waives any right to require the Secured Creditors to: (i) proceed against the Borrower, any other Guaranteed Party, any other Guarantor, any other guarantor of the Guaranteed Obligations or any other party; (ii) proceed against or exhaust any security held from the Borrower, any other Guaranteed Party, any other Guarantor, any other guarantor of the Guaranteed Obligations or any other party; or (iii) pursue any other remedy in the Secured Creditors' power whatsoever. Each Guarantor waives any defense based on or arising out of any defense of the Borrower, any other Guaranteed Party, any other Guarantor, any other guarantor of the Guaranteed Obligations or any other party other than payment in full in cash of the Guaranteed Obligations, including, without limitation, any defense based on or arising out of the disability of the Borrower, any other Guaranteed Party, any other Guarantor, any other guarantor of the Guaranteed Obligations or any other party, or the unenforceability of the Guaranteed Obligations or any part thereof from any cause, or the cessation from any cause of the liability of the Borrower or any other Guaranteed Party other than payment in full in cash of the Guaranteed Obligations. The Secured Creditors may, at their election, foreclose on any collateral serving as security held by the Administrative Agent, the Collateral Agent or the other

---

Secured Creditors by one or more judicial or nonjudicial sales, whether or not every aspect of any such sale is commercially reasonable (to the extent such sale is permitted by applicable law), or exercise any other right or remedy the Secured Creditors may have against the Borrower, any other Guaranteed Party or any other party, or any security, without affecting or impairing in any way the liability of any Guarantor hereunder except to the extent the Guaranteed Obligations have been paid in full in cash. Each Guarantor waives any defense arising out of any such election by the Secured Creditors, even though such election operates to impair or extinguish any right of reimbursement, contribution, indemnification or subrogation or other right or remedy of such Guarantor against the Borrower, any other Guaranteed Party, any other guarantor of the Guaranteed Obligations or any other party or any security.

(b) Each Guarantor waives all presentments, demands for performance, protests and notices, including, without limitation, notices of nonperformance, notices of protest, notices of dishonor, notices of acceptance of this Guaranty, and notices of the existence, creation or incurring of new or additional indebtedness. Each Guarantor has knowledge and assumes all responsibility for being and keeping itself informed of the Borrower's, each other Guaranteed Party's and each other Guarantor's financial condition, affairs and assets, and of all other circumstances bearing upon the risk of nonpayment of

the Guaranteed Obligations and the nature, scope and extent of the risks which such Guarantor assumes and incurs hereunder, and has adequate means to obtain from the Borrower, each other Guaranteed Party and each other Guarantor on an ongoing basis information relating thereto and the Borrower's, each other Guaranteed Party's and each other Guarantor's ability to pay and perform its respective Guaranteed Obligations, and agrees to assume the responsibility for keeping, and to keep, so informed for so long as this Guaranty is in effect. Each Guarantor acknowledges and agrees that (x) the Secured Creditors shall have no obligation to investigate the financial condition or affairs of the Borrower, any other Guaranteed Party or any other Guarantor for the benefit of such Guarantor nor to advise such Guarantor of any fact respecting, or any change in, the financial condition, assets or affairs of the Borrower, any other Guaranteed Party or any other Guarantor that might become known to any Secured Creditor at any time, whether or not such Secured Creditor knows or believes or has reason to know or believe that any such fact or change is unknown to such Guarantor, or might (or does) increase the risk of such Guarantor as guarantor hereunder, or might (or would) affect the willingness of such Guarantor to continue as a guarantor of the Guaranteed Obligations hereunder and (y) the Secured Creditors shall have no duty to advise any Guarantor of information known to them regarding any of the afore-mentioned circumstances or risks.

(c) Each Guarantor hereby acknowledges and agrees that no Secured Creditor nor any other Person shall be under any obligation (a) to marshal any assets in favor of the Guarantor or in payment of any or all of the liabilities of any Guaranteed Party under the Documents or the obligation of such Guarantor hereunder or (b) to pursue any other remedy that the Guarantor may or may not be able to pursue itself any right to which such Guarantor hereby waives.

(d) Each Guarantor warrants and agrees that each of the waivers set forth in Sections 4, 5 and in this Section 10 is made with full knowledge of its significance and consequences and that if any of such waivers are determined to be contrary to any applicable law

---

or public policy, such waivers shall be effective only to the maximum extent permitted by applicable law.

11. Notwithstanding anything to the contrary contained elsewhere in this Guaranty, the Secured Creditors agree (by their acceptance of the benefits of this Guaranty) that this Guaranty may be enforced only by the action of the Administrative Agent or the Collateral Agent, in each case acting upon the instructions of the Required Lenders (or, after the date on which all Credit Document Obligations have been paid in full, the holders of at least a majority of the outstanding Other Obligations) and that no other Secured Creditor shall have any right individually to seek to enforce or to enforce this Guaranty or to realize upon the security to be granted by the Security Documents, it being understood and agreed that such rights and remedies may be exercised by the Administrative Agent or the Collateral Agent or, after all the Credit Document Obligations have been paid in full, by the holders of at least a majority of the outstanding Other Obligations, as the case may be, for the benefit of the Secured Creditors upon the terms of this Guaranty and the Security Documents. The Secured Creditors further agree that this Guaranty may not be enforced against any director, officer, employee, partner, member or stockholder of any Guarantor (except to the extent such partner, member or stockholder is also a Guarantor hereunder). It is understood and agreed that the agreement in this Section 11 is among and solely for the benefit of the Secured Creditors and that, if the Required Lenders (or, after the date on which all Credit Document Obligations have been paid in full, the holders of at least a majority of the outstanding Other Obligations) so agree (without requiring the consent of any Guarantor), this Guaranty may be directly enforced by any Secured Creditor.

12. In order to induce the Lenders to make Loans to, and issue Letters of Credit for the account of, the Borrower pursuant to the Credit Agreement, and in order to induce the Other Creditors to execute, deliver and perform the Secured Hedging Agreements, each Guarantor represents, warrants and covenants that:

(a) such Guarantor (i) is a duly organized and validly existing corporation, partnership or limited liability company, as the case may be, in good standing under the laws of the jurisdiction of its organization, (ii) has the corporate, partnership or limited liability company power and authority, as the case may be, to own its property and assets and to transact the business in which it is engaged and presently proposes to engage and (iii) is duly qualified and is authorized to do business and is in good standing in each jurisdiction where the conduct of its business requires such qualification except for failures to be so qualified which, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect;

(b) such Guarantor has the corporate, partnership or limited liability company power and authority, as the case may be, to execute, deliver and perform the terms and provisions of this Guaranty and each other Document (such term, for purposes of this Guaranty, to mean each Credit Document and each Secured Hedging Agreement to which it is a party and has taken all necessary corporate, partnership or limited liability company action, as the case may be, to authorize the execution, delivery and performance by it of this Guaranty and each such other Document.

(c) such Guarantor has duly executed and delivered this Guaranty and each other Document to which it is a party, and this Guaranty and each such other Credit Document constitutes the legal, valid and binding obligation of such Guarantor enforceable in accordance with its terms, except to the extent that the enforceability hereof or thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws generally affecting creditors' rights and by equitable principles (regardless of whether enforcement is sought in equity or at law);

(d) neither the execution, delivery or performance by such Guarantor of this Guaranty or any other Document to which it is a party, nor compliance by it with the terms and provisions hereof and thereof, will (i) contravene any provision of any applicable law, statute, rule or regulation or any applicable order, writ, injunction or decree of any court or governmental instrumentality, (ii) conflict with or result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien (except pursuant to the Security Documents) upon any of the property or assets of such Guarantor or any of its Subsidiaries pursuant to the terms of any indenture, mortgage, deed of trust, loan agreement, credit agreement, or any other material agreement, contract or instrument to which such Guarantor or any of its Subsidiaries is a party or by which it or any of its property or assets is bound or to which it may be subject or (iii) violate any provision of the certificate or articles of incorporation, by-laws, partnership agreement or limited liability company agreement (or equivalent organizational documents), as the case may be, of such Guarantor or any of its Subsidiaries;

(e) no order, consent, approval, license, authorization or validation of, or filing, recording or registration with (except as have been obtained or made prior to the date when required and which remain in full force and effect), or exemption by, any governmental or public body or authority, or any subdivision thereof, is required to authorize, or is required in connection with, (i) the execution, delivery and performance of this Guaranty by such Guarantor or any other Document to which such Guarantor is a party or (ii) the legality, validity, binding effect or enforceability of this Guaranty or any other Document to which such Guarantor is a party; and

(f) there are no actions, suits or proceedings pending or, to such Guarantor's knowledge, threatened (i) with respect to this Guaranty or any other Document to which such Guarantor is a party, (ii) with respect to such Guarantor or any of its Subsidiaries that, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect or (iii) that could reasonably be expected to have a material adverse effect on the rights or remedies of the Secured Creditors or on the ability of such Guarantor to perform its obligations to the Secured Creditors hereunder and under the other Credit Documents to which it is a party.

13. Each Guarantor covenants and agrees that on and after the Effective Date and until the termination of the Total Commitment and all Secured Hedging Agreements and until such time as no Note or Letter of Credit remains outstanding (other than Letters of Credit, together with all Fees that have accrued and will accrue thereon through the stated termination

---

date of such Letters of Credit, which have been supported in a manner satisfactory to the Letter of Credit Issuer in its sole and absolute discretion) and all Guaranteed Obligations have been paid in full (other than indemnities described in Sections 12.07 and 13.05 of the Credit Agreement and analogous provisions in the Security Documents which are not then due and payable), such Guarantor will comply, and will cause each of its Subsidiaries to comply, with all of the applicable provisions, covenants and agreements contained in Sections 8 and 9 of the Credit Agreement, and will take, or will refrain from taking, as the case may be, all actions that are necessary to be taken or not taken so that no violation of any provision, covenant or agreement contained in Sections 8 and 9 of the Credit Agreement, and so that no Default or Event of Default, is caused by the actions of such Guarantor or any of its Subsidiaries.

14. The Guarantors hereby jointly and severally agree to pay all reasonable out-of-pocket costs and expenses of the Collateral Agent, the Administrative Agent and each Secured Creditor in connection with the enforcement of this Guaranty and the protection of the Secured Creditors' rights hereunder and any amendment, waiver or consent relating hereto (including, in each case, without limitation, the reasonable fees and disbursements of counsel (including in-house counsel) employed by the Collateral Agent, the Administrative Agent and each Secured Creditor).

15. This Guaranty shall be binding upon each Guarantor and its successors and assigns and shall inure to the benefit of the Secured Creditors and their successors and assigns.

16. Subject to Section 22 hereof, neither this Guaranty nor any provision hereof may be changed, waived, discharged or terminated except with the written consent of each Guarantor directly affected thereby (it being understood that the addition or release of any Guarantor hereunder shall not constitute a change, waiver, discharge or termination affecting any Guarantor other than the Guarantor so added or released) and with the written consent of either (x) the Required Lenders (or, to the extent required by Section 13.01 of the Credit Agreement, with the written consent of each Lender) at all times prior to the time at which all Credit Document Obligations have been paid in full or (y) the holders of at least a majority of the outstanding Other Obligations at all times after the time at which all Credit Document Obligations have been paid in full; provided, that any change, waiver, modification or variance affecting the rights and benefits of a single Class (as defined below) of Secured Creditors (and not all Secured Creditors in a like or similar manner) shall also require the written consent of the Requisite Creditors (as defined below) of such Class of Secured Creditors (it being understood that the addition or release of any Guarantor hereunder shall not constitute a change, waiver, discharge or termination affecting any Guarantor other than the Guarantor so added or released). For the purpose of this Guaranty, the term "Class" shall mean each class of Secured Creditors, i.e., whether (x) the Lender Creditors as holders of the Credit Document Obligations or (y) the Other Creditors as the holders of the Other Obligations. For the purpose of this Guaranty, the term "Requisite Creditors" of any Class shall mean (x) with respect to the Credit Document Obligations, the Required Lenders (or, to the extent required by Section 13.01 of the Credit Agreement, each Lender) and (y) with respect to the Other Obligations, the holders of at least a majority of all obligations outstanding from time to time under the Secured Hedging Agreements.

---

17. Each Guarantor acknowledges that an executed (or conformed) copy of each of the Credit Documents, Secured Hedging Agreements has been made available to a senior officer of such Guarantor and such officer is familiar with the contents thereof.

18. In addition to any rights now or hereafter granted under applicable law (including, without limitation, Section 151 of the New York Debtor and Creditor Law) and not by way of limitation of any such rights, upon the occurrence and during the continuance of an Event of Default (such term to mean and include any "Event of Default" as defined in the Credit Agreement and any payment default under any Secured Hedging Agreement continuing after any applicable grace period), each Secured Creditor is hereby authorized, at any time or from time to time, without notice to any Guarantor or to any other Person, any such notice being expressly waived, to set off and to appropriate and apply any and all deposits (general or special) and any other indebtedness at any time held or owing by such Secured Creditor to or for the credit or the account of such Guarantor, against and on account of the obligations and liabilities of such Guarantor to such Secured Creditor under this Guaranty, irrespective of whether or not such Secured Creditor shall have made any demand hereunder and although said obligations, liabilities, deposits or claims, or any of them, shall be contingent or unmatured.

19. Except as otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto shall be sent or delivered by mail, telegraph, telex, telecopy, cable or courier service and all such notices and communications shall, when mailed, telegraphed, telexed, telecopied, or cabled or sent by courier, be effective when deposited in the mails, delivered to the telegraph company, cable company or overnight courier, as the case may be, or sent by telex or telecopier, except that notices and communications to the Administrative Agent or any Guarantor shall not be effective until received by the Administrative Agent or such Guarantor, as the case may be. All notices and other communications shall be in writing and addressed to such party at (i) in the case of any Lender Creditor, as provided in the Credit Agreement, (ii) in the case of any Guarantor, at its address set forth opposite its signature page below, and (iii) in the case of any Other Creditor, at such address as such Other Creditor shall have specified in writing to the Guarantors; or in any case at such other address as any of the Persons listed above may hereafter notify the others in writing.

20. If any claim is ever made upon any Secured Creditor for repayment or recovery of any amount or amounts received in payment or on account of any of the Guaranteed Obligations and any of the aforesaid payees repays all or part of said amount by reason of (i) any judgment, decree or order of any court or administrative body having jurisdiction over such payee or any of its property or (ii) any settlement or compromise of any such claim effected by such payee with any such claimant (including, without limitation, the Borrower or any other Guaranteed Party), then and in such event each Guarantor agrees that any such judgment, decree, order, settlement or compromise shall be binding upon such Guarantor, notwithstanding any revocation hereof or the cancellation of any Note, any Secured Hedging Agreement or any other instrument evidencing any liability of the Borrower or any other Guaranteed Party, and such Guarantor shall be and remain liable to the aforesaid payees hereunder for the amount so repaid or recovered to the same extent as if such amount had never originally been received by any such payee.

21. (a) THIS GUARANTY AND THE RIGHTS AND OBLIGATIONS OF THE SECURED CREDITORS AND OF THE UNDERSIGNED HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK. Any legal action or proceeding with respect to this Guaranty or any other Credit Document to which any Guarantor is a party may be brought in the courts of the State of New York or of the United States of America for the Southern District of New York, in each case located within the County of New York, and, by execution and delivery of this Guaranty, each Guarantor hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. Each Guarantor hereby further irrevocably waives any claim that any such courts lack jurisdiction over such Guarantor, and agrees not to plead or claim, in any legal action or proceeding with respect to this Guaranty or any other Credit Document to which such Guarantor is a party brought in any of the aforesaid courts, that any such court lacks jurisdiction over such Guarantor. Each Guarantor further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to each Guarantor at its address set forth opposite its signature below, such service to become effective 30 days after such mailing. Each Guarantor hereby irrevocably waives any objection to such service of process and further irrevocably waives and agrees not to plead or claim in any action or proceeding commenced hereunder or under any other Credit Document to which such Guarantor is a party that such service of process was in any way invalid or ineffective. Nothing herein shall affect the right of any of the Secured Creditors to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against each Guarantor in any other jurisdiction.

(b) Each Guarantor hereby irrevocably waives (to the fullest extent permitted by applicable law) any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Guaranty or any other Credit Document to which such Guarantor is a party brought in the courts referred to in clause (a) above and hereby further irrevocably waives and agrees not to plead or claim in any such court that such action or proceeding brought in any such court has been brought in an inconvenient forum.

(c) EACH GUARANTOR AND EACH SECURED CREDITOR (BY ITS ACCEPTANCE OF THE BENEFITS OF THIS GUARANTY) HEREBY IRREVOCABLY WAIVES ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS GUARANTY, THE OTHER CREDIT DOCUMENTS TO WHICH SUCH GUARANTOR IS A PARTY OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

22. In the event that all of the capital stock or other equity interests of one or more Guarantors is sold or otherwise disposed of or liquidated in compliance with the requirements of Section 9.02 of the Credit Agreement (or such sale, other disposition or liquidation has been approved in writing by the Required Lenders (or all the Lenders if required by Section 13.01 of the Credit Agreement)) and the proceeds of such sale, disposition or liquidation are applied in accordance with the provisions of the Credit Agreement, to the extent applicable, such Guarantor shall, upon consummation of such sale or other disposition (except to the extent that such sale or disposition is to Holdings or another Subsidiary thereof), be released

---

from this Guaranty automatically and without further action and this Guaranty shall, as to each such Guarantor or Guarantors, terminate, and have no further force or effect (it being understood and agreed that the sale of one or more Persons that own, directly or indirectly, all of the capital stock or other Equity Interests of any Guarantor shall be deemed to be a sale of such Guarantor for the purposes of this Section 22).

23. At any time a payment in respect of the Guaranteed Obligations is made under this Guaranty, the right of contribution of each Guarantor against each other Guarantor shall be determined as provided in the immediately following sentence, with the right of contribution of each Guarantor to be revised and restated as of each date on which a payment (a "Relevant Payment") is made on the Guaranteed Obligations under this Guaranty. At any time that a Relevant Payment is made by a Guarantor that results in the aggregate payments made by such Guarantor in respect of the Guaranteed Obligations to and including the date of the Relevant Payment exceeding such Guarantor's Contribution Percentage (as defined below) of the aggregate payments made by all Guarantors in respect of the Guaranteed Obligations to and including the date of the Relevant Payment (such excess, the "Aggregate Excess Amount"), each such Guarantor shall have a right of contribution against each other Guarantor who has made payments in respect of the Guaranteed Obligations to and including the date of the Relevant Payment in an aggregate amount less than such other Guarantor's Contribution Percentage of the aggregate payments made to and including the date of the Relevant Payment by all Guarantors in respect of the Guaranteed Obligations (the aggregate amount of such deficit, the "Aggregate Deficit Amount") in an amount equal to (x) a fraction the numerator of which is the Aggregate Excess Amount of such Guarantor and the denominator of which is the Aggregate Excess Amount of all Guarantors multiplied by (y) the Aggregate Deficit Amount of such other Guarantor. A Guarantor's right of contribution pursuant to the preceding sentences shall arise at the time of each computation, subject to adjustment to the time of each computation; provided that no Guarantor may take any action to enforce such right until the Guaranteed Obligations have been irrevocably paid in full in cash, it being expressly recognized and agreed by all parties hereto that any Guarantor's right of contribution arising pursuant to this Section 23 against any other Guarantor shall be expressly junior and subordinate to such other Guarantor's obligations and liabilities in respect of the Guaranteed Obligations and any other obligations owing under this Guaranty. As used in this Section 23: (i) each Guarantor's "Contribution Percentage" shall mean the percentage obtained by dividing (x) the Adjusted Net Worth (as defined below) of such Guarantor by (y) the aggregate Adjusted Net Worth of all Guarantors; (ii) the "Adjusted Net Worth" of each Guarantor shall mean the greater of (x) the Net Worth (as defined below) of such Guarantor and (y) zero; and (iii) the "Net Worth" of each Guarantor shall mean the amount by which the fair saleable value of such Guarantor's assets on the date of any Relevant Payment exceeds its existing debts and other liabilities (including contingent liabilities, but without giving effect to any Guaranteed Obligations arising under this Guaranty or any guaranteed obligations arising under any guaranty of Refinancing Senior Subordinated Notes, if any) on such date. Notwithstanding anything to the contrary contained above, any Guarantor that is released from this Guaranty pursuant to Section 22 hereof shall thereafter have no contribution obligations, or rights, pursuant to this Section 23, and at the time of any such release, if the released Guarantor had an Aggregate Excess Amount or an Aggregate Deficit Amount, same shall be deemed reduced to $0, and the contribution rights and obligations of the remaining Guarantors shall be recalculated on the respective date of release (as otherwise provided above) based on the payments made hereunder by the remaining Guarantors. All parties hereto recognize and agree

---

that, except for any right of contribution arising pursuant to this Section 23 each Guarantor who makes any payment in respect of the Guaranteed Obligations shall have no right of contribution or subrogation against any other Guarantor in respect of such payment until all of the Guaranteed Obligations have been irrevocably paid in full in cash. Each of the Guarantors recognizes and acknowledges that the rights to contribution arising hereunder shall constitute an asset

in favor of the party entitled to such contribution. In this connection, each Guarantor has the right to waive its contribution right against any Guarantor to the extent that after giving effect to such waiver such Guarantor would remain solvent, in the determination of the Required Lenders.

24. Each Guarantor and each Secured Creditor (by its acceptance of the benefits of this Guaranty) hereby confirms that it is its intention that this Guaranty not constitute a fraudulent transfer or conveyance for purposes of the Bankruptcy Code, the Uniform Fraudulent Conveyance Act of any similar Federal or state law. To effectuate the foregoing intention, each Guarantor and each Secured Creditor (by its acceptance of the benefits of this Guaranty) hereby irrevocably agrees that the Guaranteed Obligations guaranteed by such Guarantor shall be limited to such amount as will, after giving effect to such maximum amount and all other (contingent or otherwise) liabilities of such Guarantor that are relevant under such laws (it being understood that it is the intention of the parties to this Guaranty and the parties to any guaranty of the Refinancing Senior Subordinated Notes that, to the maximum extent permitted under applicable laws, the liabilities in respect of the guarantees of the Refinancing Senior Subordinated Notes shall not be included for the foregoing purposes and that, if any reduction is required to the amount guaranteed by any Guarantor hereunder and with respect to the Refinancing Senior Subordinated Notes, its guarantee of amounts owing in respect of the Refinancing Senior Subordinated Notes shall first be reduced) and after giving effect to any rights to contribution pursuant to any agreement providing for an equitable contribution among such Guarantor and the other Guarantors, result in the Guaranteed Obligations of such Guarantor in respect of such maximum amount not constituting a fraudulent transfer or conveyance. Notwithstanding the provisions of the two preceding sentences, as between the Secured Creditors and the holders of any Refinancing Senior Subordinated Notes, it is agreed (and the provisions of the relevant indentures or other agreements governing the Refinancing Senior Subordinated Notes shall so provide) that any diminution (whether pursuant to court decree or otherwise) of any Guarantor's obligation to make any distribution or payment pursuant to this Guaranty shall have no force or effect for purposes of the subordination provisions contained in the respective indenture or other agreements governing any such Refinancing Senior Subordinated Notes, and that any payments received in respect of a Guarantor's obligations with respect to any Refinancing Senior Subordinated Notes shall be turned over to the holders of the "Guarantor Senior Debt" (or similar term) (as defined in each indenture or other agreements governing any Refinancing Senior Subordinated Notes) (or obligations which would have constituted "Guarantor Senior Debt" if same had not been reduced or disallowed) of such Guarantor (which "Guarantor Senior Debt" shall be calculated as if there were no diminution thereto pursuant to this Section 24 or for any other reason other than the irrevocable payment in full in cash of the respective obligations which would otherwise have constituted "Guarantor Senior Debt") until all such "Guarantor Senior Debt" (or obligations which would have constituted "Guarantor Senior Debt" if same had not been reduced or disallowed) has been irrevocably paid in full in cash.

---

25. This Guaranty may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with the Borrower and the Administrative Agent.

26. All payments made by any Guarantor hereunder will be made without setoff, counterclaim or other defense and on the same basis as payments are made by the Borrower under Sections 4.03 and 4.04 of the Credit Agreement.

27. It is understood and agreed that any Subsidiary of Holdings that is required to execute a counterpart of this Guaranty after the date hereof pursuant to the Credit Agreement shall become a Guarantor hereunder by (x) executing and delivering a counterpart hereof or an appropriate assumption agreement to the Administrative Agent, in each case as may be requested by (and in form and substance satisfactory to) the Administrative Agent and (y) taking all actions as specified in this Guaranty as would have been taken by such Guarantor had it been an original party to this Guaranty, in each case with all documents and actions required to be taken to be taken above to the reasonable satisfaction of the Administrative Agent.

* * *

IN WITNESS WHEREOF, each Guarantor has caused this Guaranty to be executed and delivered as of the date first above written.

Address:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

ENERSYS DELAWARE INC.,
as a Guarantor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

ESFINCO, INC.,
as a Guarantor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

ESRMCO, INC.,
as a Guarantor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

HAWKER ENERGY PRODUCTS INC.,
as a Guarantor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

HAWKER POWER SYSTEMS, INC.,
as a Guarantor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

POWERSAFE STANDBY BATTERIES INC.,
as a Guarantor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

HAWKER POWERSOURCE, INC.,
as a Guarantor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

NEW PACIFICO REALTY, INC.,
as a Guarantor

By: _____
Name:
Title:

Accepted and Agreed to:

BANK OF AMERICA, N.A.,
as Administrative Agent

By: _____,
Name:
Title:

Exhibit 10.13

Published CUSIP Number: 29274PAA0

SECOND-LIEN CREDIT AGREEMENT

among

ENERSYS,

ENERSYS CAPITAL INC.,

VARIOUS LENDING INSTITUTIONS,

BANK OF AMERICA, N.A.,
as Administrative Agent,

MORGAN STANLEY SENIOR FUNDING, INC.,
as Syndication Agent,

and

LEHMAN COMMERCIAL PAPER INC.,
as Documentation Agent

Dated as of March 17, 2004

BANC OF AMERICA SECURITIES LLC,
as Joint Lead Arranger and Joint Book Manager

MORGAN STANLEY SENIOR FUNDING, INC.,
as Joint Lead Arranger and Joint Book Manager

Banc of America Securities

Morgan Stanley

LEHMAN BROTHERS

TABLE OF CONTENTS

CREDIT AGREEMENT, dated as of March 17, 2004, among ENERSYS, a Delaware corporation ("Holdings"), ENERSYS CAPITAL INC., a Delaware corporation (the "Borrower"), the Lenders from time to time party hereto, Bank of America, N.A., as Administrative Agent (in such capacity, the "Administrative Agent"), Morgan Stanley Senior Funding, Inc., as Syndication Agent (in such capacity, the "Syndication Agent"), and Lehman Commercial Paper Inc., as Documentation Agent (in such capacity, the "Documentation Agent"). Unless otherwise defined herein, all capitalized terms used herein and defined in Section 11 are used herein as so defined.

W I T N E S S E T H:

WHEREAS, subject to and upon the terms and conditions herein set forth, the Lenders are willing to make available to the Borrower the credit facility provided for herein;

NOW, THEREFORE, IT IS AGREED:

SECTION 1. Amount and Terms of Credit.

1.01. Commitments. Subject to and upon the terms and conditions set forth herein, each Lender with a Commitment severally agrees to make a term loan (each, a "Second-Lien Loan" and, collectively, the "Second-Lien Loans") to the Borrower, which Second-Lien Loans:

(i) shall be incurred by the Borrower pursuant to a single drawing on the Initial Borrowing Date for the purposes described in Section 7.05(a);

(ii) shall be denominated in U.S. Dollars;

(iii) except as hereafter provided, shall, at the option of the Borrower, be incurred and maintained as, and/or converted into, Base Rate Loans or Eurodollar Loans, provided that (x) except as otherwise specifically provided in Section 1.10(b), all Second-Lien Loans made as part of the same Borrowing shall at all times consist of Second-Lien Loans of the same Type and (y) unless the Administrative Agent has determined that the Syndication Date has occurred (at which time this clause (y) shall no longer be applicable), (I) Second-Lien Loans may not be incurred or maintained as Eurodollar Loans on or prior to the fourth Business Day following the Initial Borrowing Date and (II) each Borrowing of Second-Lien Loans to be incurred or maintained as Eurodollar Loans after such fourth Business Day following the Initial Borrowing Date shall have an Interest Period of one-week; and

(iv) shall be made by each Lender in that initial aggregate principal amount as is equal to the Commitment of such Lender on the Initial Borrowing Date (before giving effect to the termination thereof on such date pursuant to Section 3.03(b)).

Once repaid, Second-Lien Loans incurred hereunder may not be reborrowed.

1.02. Minimum Borrowing Amounts, etc. The aggregate principal amount of each Borrowing of Second-Lien Loans shall not be less than the Minimum Borrowing Amount. More than one Borrowing may be incurred on any day, provided that at no time shall there be outstanding more than five Borrowings of Eurodollar Loans.

1.03. Notice of Borrowing. Whenever the Borrower desires to make a Borrowing of Second-Lien Loans hereunder, it shall give the Administrative Agent at its Notice Office, prior to 12:00 Noon (New York time), at least three Business Days' prior written notice (or telephonic notice promptly confirmed in writing) of each Borrowing of Eurodollar Loans and at least one Business Day's prior written notice (or telephonic notice promptly confirmed in writing) of each Borrowing of Base Rate Loans to be made hereunder. Each such written notice or written confirmation of telephonic notice (each, a "Notice of Borrowing") shall, except as otherwise expressly provided in Section 1.10, be irrevocable, and, in the case of each written notice and each confirmation of telephonic notice, shall be given by an Authorized Officer of the Borrower in the form of Exhibit A, appropriately completed to specify: (i) the aggregate principal amount of the Second-Lien Loans to be made pursuant to such Borrowing, (ii) the date of such Borrowing (which shall be a Business Day) and (iii) whether the respective Borrowing shall consist of Base Rate Loans or, to the extent permitted hereunder, Eurodollar Loans and, if Eurodollar Loans, the Interest Period to be initially applicable thereto. The Administrative Agent shall promptly give each Lender which is required to make Second-Lien Loans written notice (or telephonic notice promptly confirmed in writing) of each proposed Borrowing, of such Lender's proportionate share thereof and of the other matters required by the immediately preceding sentence to be specified in the Notice of Borrowing.

1.04. Disbursement of Funds. (a) Not later than 1:00 P.M. (New York time) on the date specified in each Notice of Borrowing, each Lender with a Commitment will make available its pro rata share (determined in accordance with Section 1.07), if any, of each Borrowing requested to be made on such date in the manner provided below. All amounts shall be made available to the Administrative Agent in U.S. Dollars and in immediately available funds at the Payment Office and the Administrative Agent promptly will make available to the Borrower by depositing to its account at the Payment Office the aggregate of the amounts so made available in the type of funds received. Unless the Administrative Agent shall have been notified by any Lender prior to the date of Borrowing that such Lender does not intend to make available to the Administrative Agent its portion of the Borrowing or Borrowings to be made on such date, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on such date of Borrowing, and the Administrative Agent, in reliance upon such assumption, may (in its sole discretion and without any obligation to do so) make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Lender and the Administrative Agent has made available same to the Borrower, the Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent shall promptly notify the Borrower, and the Borrower shall immediately pay such corresponding amount to the Administrative Agent. The Administrative Agent shall also be entitled to recover on demand from such Lender or the Borrower, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Administrative Agent to the Borrower to the date such

corresponding amount is recovered by the Administrative Agent, at a rate per annum equal to (x) if paid by such Lender, the overnight Federal Funds Rate or (y) if paid by the Borrower, the then applicable rate of interest, calculated in accordance with Section 1.08.

(b) Nothing in this Agreement shall be deemed to relieve any Lender from its obligation to fulfill its commitments hereunder or to prejudice any rights which the Borrower may have against any Lender as a result of any default by such Lender hereunder.

1.05. Second-Lien Loan Notes. (a) The Borrower's obligation to pay the principal of, and interest on, all the Second-Lien Loans made to it by each Lender shall be set forth on the Register maintained by the Administrative Agent pursuant to Section 13.07(c) and, subject to the provisions of Section 1.05(d), shall be evidenced by a promissory note substantially in the form of Exhibit B with blanks appropriately completed in conformity herewith (each, a "Second-Lien Loan Note" and, collectively, the "Second-Lien Loan Notes").

(b) The Second-Lien Loan Note issued to each Lender with a Commitment shall (i) be executed by the Borrower, (ii) be payable to such Lender or its registered assigns and be dated the Initial Borrowing Date (or, in the case of any Second-Lien Loan Note issued after the Initial Borrowing Date, the date of issuance thereof), (iii) be in a stated principal amount equal to the Commitment of such Lender on the Initial Borrowing Date (or, in the case of any Second-Lien Loan Note issued after the Initial Borrowing Date, in a stated principal amount equal to the outstanding principal amount of the Second-Lien Loan of such Lender on the date of the issuance thereof) and be payable in the principal amount of Second-Lien Loans evidenced thereby from time to time, (iv) mature on the Maturity Date, (v) bear interest as provided in the appropriate clause of Section 1.08 in respect of the Base Rate Loans and Eurodollar Loans, as the case may be, evidenced thereby, (vi) be subject to voluntary repayment as provided in Section 4.01 and mandatory repayment as provided in Section 4.02 and (vii) be entitled to the benefits of this Agreement and the other Credit Documents.

(c) Each Lender will note on its internal records the amount of each Second-Lien Loan made by it and each payment in respect thereof and will prior to any transfer of any of its Second-Lien Loan Notes endorse on the reverse side thereof the outstanding principal amount of Second-Lien Loans evidenced thereby. Failure to make any such notation or any error in such notation shall not affect the Borrower's obligations in respect of such Second-Lien Loans.

(d) Notwithstanding anything to the contrary contained above or elsewhere in this Agreement, Second-Lien Loan Notes shall only be delivered to Lenders which at any time specifically request the delivery of such Second-Lien Loan Notes. No failure of any Lender to request or obtain a Second-Lien Loan Note evidencing its Second-Lien Loans to the Borrower shall affect or in any manner impair the obligations of the Borrower to pay the Second-Lien Loans (and all related Obligations) which would otherwise be evidenced thereby in accordance with the requirements of this Agreement, and shall not in any way affect the security or guaranties therefor provided pursuant to the various Credit Documents. Any Lender which does not have a Second-Lien Loan Note evidencing its outstanding Second-Lien Loans shall in no event be required to make the notations otherwise described in preceding clause (e). At any time when any Lender requests the delivery of a Second-Lien Loan Note to evidence any of its Second-Lien Loans, the Borrower shall promptly execute and deliver to the respective Lender

the requested Second-Lien Loan Note in the appropriate amount or amounts to evidence such Second-Lien Loans.

1.06. Conversions. The Borrower shall have the option to convert on any Business Day occurring on or after the Initial Borrowing Date, all or a portion at least equal to the applicable Minimum Borrowing Amount of the outstanding principal amount of Second-Lien Loans made pursuant to one or more Borrowings of one or more Types of Second-Lien Loans into a Borrowing or Borrowings of another Type of Second-Lien Loan; provided that (i) except as otherwise provided in Section 1.10(b) or unless the Borrower pays all breakage costs and other amounts owing to each Lender pursuant to Section 1.11 concurrently with any such conversion, Eurodollar Loans may be converted into Base Rate Loans only on the last day of an Interest Period applicable to the Second-Lien Loans being converted, and no partial conversion of a Borrowing of Eurodollar Loans shall reduce the outstanding principal amount of the Eurodollar Loans made pursuant to such Borrowing to less than the Minimum Borrowing Amount applicable thereto, (ii) unless the Required Lenders otherwise agree, Base Rate Loans may only be converted into Eurodollar Loans if no Default or Event of Default is in existence on the date of the conversion, (iii) unless the Administrative Agent has determined that the Syndication Date has occurred (at which time this clause (iii) shall no longer be applicable), a conversion of a Base Rate Loan into a Eurodollar Loan may only be made (x) after the fourth Business Day following the Initial Borrowing Date and (y) if the Interest Period of the Eurodollar Loan into which such Base Rate Loan is converted is one week and (iv) Borrowings of Eurodollar Loans resulting from this Section 1.06 shall be limited in number as provided in Section 1.02. Each such conversion shall be effected by the Borrower by giving the Administrative Agent at its Notice Office, prior to 12:00 Noon (New York time), at least three Business Days' (or one Business Day's in the case of a conversion into Base Rate Loans) prior written notice (or telephonic notice promptly confirmed in writing) (each, a "Notice of Conversion/Continuation") in the form of Exhibit A-2, appropriately completed to specify the Second-Lien Loans to be so converted, the Borrowing(s) pursuant to which the Second-Lien Loans were made and, if to be converted into a Borrowing of Eurodollar Loans, the Interest Period to be initially applicable thereto. The Administrative Agent shall give each Lender prompt notice of any such proposed conversion affecting any of its Second-Lien Loans. Upon any such conversion, the proceeds thereof will be deemed to be applied directly on the day of such conversion to prepay the outstanding principal amount of the Second-Lien Loans being converted.

1.07. Pro Rata Borrowings. All Borrowings of Second-Lien Loans under this Agreement shall be incurred by the Borrower from the Lenders pro rata on the basis of such Lenders' Commitments as in effect on the date of the respective Borrowing. It is understood that no Lender shall be responsible for any default by any other Lender of its obligation to make Second-Lien Loans hereunder and that each Lender shall be obligated to make the Second-Lien Loans to be made by it hereunder, regardless of the failure of any other Lender to fulfill its commitments hereunder.

1.08. Interest. (a) The unpaid principal amount of each Base Rate Loan shall bear interest from the date of the Borrowing thereof until the earlier of (i) the maturity (whether by acceleration or otherwise) of such Base Rate Loan and (ii) the conversion of such Base Rate

Loan to a Eurodollar Loan pursuant to Section 1.06, at a rate per annum which shall at all times be the relevant Applicable Margin plus the Base Rate, each as in effect from time to time.

(b) The unpaid principal amount of each Eurodollar Loan shall bear interest from the date of the Borrowing thereof until the earlier of (i) the maturity (whether by acceleration or otherwise) of such Eurodollar Loan and (ii) the conversion of such Eurodollar Loan to a Base Rate Loan pursuant to Section 1.06, 1.09 or 1.10(b), as applicable, at a rate per annum which shall at all times be the relevant Applicable Margin plus the Eurodollar Rate for such Interest Period, each as in effect from time to time.

(c) Overdue principal and, to the extent permitted by law, overdue interest in respect of each Loan shall bear interest at a rate per annum equal to the greater of (x) the rate which is 2% in excess of the rate borne by such Second-Lien Loans immediately prior to the respective payment default and (y) the rate which is 2% in excess of the rate otherwise applicable to Base Rate Loans from time to time. Interest which accrues under this Section 1.08(c) shall be payable on demand.

(d) Interest shall accrue from and including the date of any Borrowing to but excluding the date of any repayment thereof and shall be payable (i) in respect of each Base Rate Loan, quarterly in arrears on each Quarterly Payment Date, (ii) in respect of each Eurodollar Loan, on (x) the date of

any conversion into a Base Rate Loan pursuant to Section 1.06, 1.09 or 1.10(b), as applicable (on the amount converted) and (y) the last day of each Interest Period applicable thereto and, in the case of an Interest Period in excess of three months, on each date occurring at three month intervals after the first day of such Interest Period and (iii) in respect of each Loan, on (x) the date of any prepayment or repayment thereof (on the amount prepaid or repaid), (y) at maturity (whether by acceleration or otherwise) and (z) after such maturity, on demand.

(e) All computations of interest hereunder shall be made in accordance with Section 13.21(b).

(f) Upon each Interest Determination Date, the Administrative Agent shall determine the Eurodollar Rate for the respective Interest Period or Interest Periods and shall promptly notify the Borrower and the Lenders thereof. Each such determination shall, absent manifest error, be final and conclusive and binding on all parties hereto.

1.09. Interest Periods. At the time the Borrower gives a Notice of Borrowing or Notice of Conversion/Continuation in respect of the making of, or conversion into, a Borrowing of Eurodollar Loans (in the case of the initial Interest Period applicable thereto) or prior to 12:00 Noon (New York time) on the third Business Day prior to the expiration of an Interest Period applicable to a Borrowing of Eurodollar Loans (in the case of any subsequent Interest Period), the Borrower shall have the right to elect by giving the Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of the Interest Period applicable to such Borrowing, which Interest Period shall, at the option of the Borrower (but otherwise subject to clause (y) of the proviso to Section 1.01(iii) and to clause (iii) of the proviso to Section 1.06), be (x) a one, two, three, six or, to the extent approved by each Lender, nine or twelve month period or (y) at all times prior to the Syndication Date (as determined by the Administrative Agent) or

to the extent approved by the Administrative Agent in its reasonable discretion, a one-week period. Notwithstanding anything to the contrary contained above:

(i) all Eurodollar Loans comprising a Borrowing shall at all times have the same Interest Period;

(ii) the initial Interest Period for any Borrowing of Eurodollar Loans shall commence on the date of such Borrowing (including the date of any conversion from a Borrowing of Base Rate Loans) and each Interest Period occurring thereafter in respect of such Borrowing shall commence on the day on which the next preceding Interest Period applicable thereto expires;

(iii) if any Interest Period for any Borrowing of Eurodollar Loans begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period, such Interest Period shall end on the last Business Day of such calendar month;

(iv) if any Interest Period would otherwise expire on a day which is not a Business Day, such Interest Period shall expire on the next succeeding Business Day, provided that if any Interest Period for any Borrowing of Eurodollar Loans would otherwise expire on a day which is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day;

(v) no Interest Period for a Borrowing of Second-Lien Loans shall be selected which would extend beyond the Maturity Date; and

(vi) no Interest Period may be elected at any time when a Default or an Event of Default is then in existence.

If upon the expiration of any Interest Period applicable to a Borrowing of Eurodollar Loans, the Borrower has failed to elect, or is not permitted to elect, a new Interest Period to be applicable to the respective Borrowing of Eurodollar Loans as provided above, the Borrower shall be deemed to have elected to convert such Borrowing into a Borrowing of Base Rate Loans effective as of the expiration date of such current Interest Period.

1.10. Increased Costs; Illegality; etc. (a) In the event that (x) in the case of clause (i) below, the Administrative Agent or (y) in the case of clauses (ii) and (iii) below, any Lender, shall have determined in good faith (which determination shall, absent manifest error, be final and conclusive and binding upon all parties hereto):

(i) on any Interest Determination Date, that, by reason of any changes arising after the Effective Date affecting the interbank Eurodollar market, adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of Eurodollar Rate; or

(ii) at any time, that such Lender shall incur increased costs or reductions in the amounts received or receivable hereunder with respect to any Eurodollar

Loans because of (x) any change since the date of this Agreement in any applicable law, governmental rule, regulation, guideline, order or request (whether or not having the force of law), or in the interpretation or administration thereof and including the introduction of any new law or governmental rule, regulation, guideline, order or request, such as, for example, but not limited to, (A) a change in the basis of taxation of payment to any Lender of the principal of or interest on such Eurodollar Loans or any other amounts payable hereunder (except for changes with respect to any tax imposed on, measured by or determined by reference to, the net income, net profits of such Lender or any franchise tax imposed in lieu thereof pursuant to the laws of the jurisdiction in which such Lender is organized, or in which such Lender's principal office or applicable lending office is located or any subdivision thereof or therein), provided, however, that the Borrower's obligations to pay any additional amounts claimed under this Section 1.10(a)(ii)(x)(A) shall be subject to the provisions contained in Section 4.04(c); provided further that taxes that are otherwise addressed by Section 4.04 are not subject to a claim under this Section 1.10 or (B) a change in official reserve requirements, but, in all events, excluding reserves required under Regulation D to the extent included in the computation of the Eurodollar Rate and/or (y) other circumstances

arising since the date of this Agreement affecting such Lender, the interbank Eurodollar market or the position of such Lender in such market (whether or not such Lender was a Lender at the time of such occurrence, but subject to the last sentence of Section 13.07(j)); or

(iii) at any time since the Effective Date, that the making or continuance of any Eurodollar Loan has become unlawful by compliance by such Lender with any law, governmental rule, regulation, guideline or order (or would conflict with any governmental rule, regulation, guideline, request or order not having the force of law but with which such Lender customarily complies even though the failure to comply therewith would not be unlawful), or has become impracticable as a result of a change or contingency occurring after the Effective Date which materially and adversely affects the interbank Eurodollar market;

then, and in any such event, such Lender (or the Administrative Agent in the case of clause (i) above) shall promptly give notice (by telephone confirmed in writing) to the Borrower, which written notice shall set forth such Lender's (or the Administrative Agent's, as the case may be) basis for asserting its rights under this Section 1.10(a) and the calculation, in reasonable detail, of any such additional amounts claimed hereunder, and (except in the case of clause (i)) to the Administrative Agent of such determination (which notice the Administrative Agent shall promptly transmit to each of the other Lenders). Thereafter, (x) in the case of clause (i) above, Eurodollar Loans shall no longer be available until such time as the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice by the Administrative Agent no longer exist, and any Notice of Borrowing or Notice of Conversion/Continuation given by the Borrower with respect to Eurodollar Loans which have not yet been incurred (including by way of conversion) shall be deemed rescinded by the Borrower, (y) in the case of clause (ii) above, the Borrower agrees, subject to the provisions of Section 13.18 (to the extent applicable), to pay to such Lender, upon written demand therefor, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Lender in its sole discretion shall determine) as shall be required to compensate such Lender for such increased costs or reductions in amounts received or receivable

hereunder but without duplication of any payments due under Section 4.04 (with the written notice as to the additional amounts owed to such Lender, submitted to the Borrower by such Lender in accordance with the foregoing to be, absent manifest error, final, conclusive and binding upon all parties hereto, although the failure to give any such notice shall not release or diminish any of the Borrower's obligations to pay additional amounts pursuant to this Section 1.10(a) upon the subsequent receipt of such notice) and (z) in the case of clause (iii) above, the Borrower shall take one of the actions specified in Section 1.10(b) as promptly as possible and, in any event, within the time period required by law.

(b) At any time that any Eurodollar Loan is affected by the circumstances described in Section 1.10(a)(ii) or (iii), the Borrower may at its sole option (and in the case of a Eurodollar Loan affected pursuant to Section 1.10(a)(iii), the Borrower shall) either (i) if the affected Eurodollar Loan is then being made pursuant to a Borrowing, cancel said Borrowing by giving the Administrative Agent telephonic notice (confirmed promptly in writing) thereof on the same date that the Borrower was notified by a Lender pursuant to Section 1.10(a)(ii) or (iii)), or (ii) if the affected Eurodollar Loan is then outstanding, upon at least three Business Days' notice to the Administrative Agent, require the affected Lender to convert each such Eurodollar Loan into a Base Rate Loan (which conversion, in the case of the circumstance described in Section 1.10(a)(iii), shall occur no later than the last day of the Interest Period then applicable to such Eurodollar Loan or such earlier day as shall be required by applicable law); provided that if more than one Lender is affected at any time, then all affected Lenders must be treated the same pursuant to this Section 1.10(b).

(c) If any Lender shall have determined after the Effective Date that the adoption or effectiveness after the Effective Date of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change after the Effective Date in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's or such other corporation's capital or assets as a consequence of such Lender's Commitment or Commitments hereunder or its obligations hereunder to a level below that which such Lender or such other corporation could have achieved but for such adoption, effectiveness, change or compliance (taking into consideration such Lender's or such other corporation's policies with respect to capital adequacy), then from time to time, upon written demand by such Lender (with a copy to the Administrative Agent), accompanied by the notice referred to in the last sentence of this clause (c), the Borrower agrees, subject to the provisions of Section 13.18 (to the extent applicable), to pay to such Lender such additional amount or amounts as will compensate such Lender or such other corporation for such reduction in the rate of return to such Lender or such other corporation. Each Lender, upon determining in good faith that any additional amounts will be payable pursuant to this Section 1.10(c), will give prompt written notice thereof to the Borrower (a copy of which shall be sent by such Lender to the Administrative Agent), which notice shall set forth such Lender's basis for asserting its rights under this Section 1.10(c) and the calculation, in reasonable detail, of such additional amounts claimed hereunder, although the failure to give any such notice shall not release or diminish the Borrower's obligations to pay additional amounts pursuant to this Section 1.10(c) upon the subsequent receipt of such notice.

A Lender's reasonable good faith determination of compensation owing under this Section 1.10(c) shall, absent manifest error, be final and conclusive and binding on all the parties hereto.

1.11. Compensation. The Borrower shall, subject to the provisions of Section 13.18 (to the extent applicable), compensate each Lender, promptly upon its written request (which request shall set forth in reasonable detail the basis for requesting such compensation), for all losses, expenses and liabilities (including, without limitation, any loss, expense or liability incurred by reason of the liquidation or reemployment of deposits or other funds required by such Lender to fund its Eurodollar Loans) which such Lender may sustain: (i) if for any reason (other than a default by such Lender or any Agent) a Borrowing of, or conversion from or into, Eurodollar Loans does not occur on a date specified therefor in a Notice of Borrowing or Notice of Conversion/Continuation given by the Borrower (whether or not withdrawn by the Borrower or deemed withdrawn pursuant to Section 1.10(a)); (ii) if any repayment (including any repayment made pursuant to Section 4.01 or 4.02 or as a result of an acceleration of the Second-Lien Loans pursuant to Section 10 or as a result of the replacement of a Lender (other than a Defaulting Lender) pursuant to Section 1.13 or 13.01(b)) or conversion of any Eurodollar Loans of the Borrower occurs on a date which is not the last day of an Interest Period applicable thereto; (iii) if any prepayment of any Eurodollar Loans is not made on any date specified in a notice of prepayment given by the Borrower; or (iv) as a consequence of (x) any other default by the Borrower to repay its Eurodollar Loans when required by the terms of this Agreement or (y) an election made by the Borrower pursuant to Section 1.10(b). Each Lender's calculation of the amount of compensation owing pursuant to this Section 1.11 shall be made in good faith. A Lender's basis for requesting compensation pursuant to this Section 1.11 and a Lender's calculation of the amount thereof, shall, absent manifest error, be final and conclusive and binding on all parties hereto.

1.12. Change of Lending Office. Each Lender agrees that upon the occurrence of any event giving rise to the operation of Section 1.10(a)(ii) or (iii), Section 1.10(c) or Section 4.04 with respect to such Lender, it will, if requested by the applicable Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Second-Lien Loans affected by such event, provided that such designation is made on such terms that such Lender and its lending 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. Nothing in this Section 1.12 shall affect or postpone any of the obligations of the Borrower or the rights of any Lender provided in Sections 1.10 and 4.04.

1.13. Replacement of Lenders. (x) If any Lender becomes a Defaulting Lender, (y) upon the occurrence of any event giving rise to the operation of Section 1.10(a)(ii) or (iii), Section 1.10(c) or Section 4.04 with respect to any Lender which results in such Lender charging to the Borrower increased costs materially in excess of the average costs being charged by the other Lenders in respect of such contingency or (z) in the case of a refusal by a Lender to consent to a proposed change, waiver, discharge or termination with respect to this Agreement which has been approved by the Required Lenders as provided in Section 13.01(b), the Borrower shall have the right, in accordance with Section 13.07(b), if no Default or Event of Default then exists or would exist after giving effect to such replacement, to replace such Lender (the "Replaced Lender") with one or more other Eligible Assignee or Assignees, none of whom shall constitute a

Defaulting Lender at the time of such replacement (collectively, the "Replacement Lender") and each of whom shall be reasonably acceptable to the Administrative Agent; provided that:

(i) at the time of any replacement pursuant to this Section 1.13, the Replacement Lender shall enter into one or more Assignment and Assumption Agreements pursuant to Section 13.07(b) (and with all fees payable pursuant to said Section 13.07(b) to be paid by the Replacement Lender) pursuant to which the Replacement Lender shall acquire all of the outstanding Second-Lien Loans of the Replaced Lender and, in connection therewith, shall pay to the Replaced Lender in respect thereof an amount equal to the sum of (x) an amount equal to the principal of, and all accrued interest on, all outstanding Second-Lien Loans of the Replaced Lender, and (y) an amount equal to all accrued, but theretofore unpaid, Fees (if any) owing to the Replaced Lender pursuant to Section 3.01; and

(ii) all obligations of the Borrower then owing to the Replaced Lender (other than those specifically described in clause (i) above in respect of which the assignment purchase price has been, or is concurrently being, paid, but including all amounts, if any, owing under Section 1.11) shall be paid in full to such Replaced Lender concurrently with such replacement.

Upon the execution of the respective Assignment and Assumption Agreements by the respective Replacement Lender, the payment of amounts referred to in clauses (i) and (ii) above, recordation of the assignment on the Register by the Administrative Agent pursuant to Section 13.07(c) and, if so requested by the Replacement Lender, delivery to the Replacement Lender of the appropriate Second-Lien Loan Note or Second-Lien Loan Notes executed by the Borrower, the Replacement Lender shall become a Lender hereunder and the Replaced Lender shall cease to constitute a Lender hereunder, except with respect to indemnification provisions under this Agreement (including, without limitation, Sections 1.10, 1.11, 4.04, 13.04, 13.05 and 13.19), which shall survive as to such Replaced Lender. In connection with any replacement of Lenders pursuant to, and as contemplated by, this Section 1.13, the Borrower hereby irrevocably authorizes the Administrative Agent to take all necessary action, in the name of the Borrower, as described above in this Section 1.13 in order to effect the replacement of the respective Lender or Lenders in accordance with the preceding provisions of this Section 1.13.

SECTION 2. Reserved.

SECTION 3. Fees; Commitments.

3.01. Fees.

(a) The Borrower shall pay to each Agent, for its own account, such fees as may be agreed to in writing from time to time between the Borrower and such Agent, when and as due.

(b) All voluntary prepayments of principal of Second-Lien Loans pursuant to Section 4.01, all mandatory prepayments of principal of Second-Lien Loans required pursuant to Section 4.02 (excluding, for avoidance of doubt, repurchases of Second-Lien Loans pursuant to Section 4.02(j)) and all repayments of principal of Second-Lien Loans required pursuant to

Section 10 as a result of the acceleration thereof, in each case prior to the second anniversary of the Initial Borrowing Date, will be subject to payment to the Administrative Agent, for the ratable account of each Lender with outstanding Second-Lien Loans, of a fee as follows: (x) if prior to the first anniversary of the Initial Borrowing Date, an amount equal to 2.0% of the aggregate principal amount of such prepayment or repayment and (y) if payable on or after the first anniversary of the Initial Borrowing Date and prior to the second anniversary of the Initial Borrowing Date, an amount equal to 1.0% of the aggregate principal amount of such prepayment or repayment. Such fees shall be due and payable upon the date of any voluntary prepayment or the due date of such mandatory prepayment or required repayment, as the case may be.

3.02. Reserved.

3.03. Mandatory Reduction of Commitments. (a) The Total Commitment (and the Commitment of each Lender) shall terminate in its entirety on April 30, 2004 unless the Initial Borrowing Date has occurred on or before such date.

(b) In addition to any other mandatory commitment reductions pursuant to this Section 3.03, the Total Commitment (and the Commitment of each Lender) shall terminate in its entirety on the Initial Borrowing Date (after giving effect to the making of Second-Lien Loans on such date).

SECTION 4. Payments.

4.01. Voluntary Prepayments. Subject to sub-clause (vi) below and the last sentence of this Section 4.01, the Borrower shall have the right to prepay the Second-Lien Loans, in whole or in part, from time to time on the following terms and conditions:

(i) the Borrower shall give the Administrative Agent at its Notice Office written notice (or telephonic notice promptly confirmed in writing) of its intent to prepay the Second-Lien Loans, the amount of such prepayment, the Type of Second-Lien Loans to be repaid and (in the case of Eurodollar Loans) the specific Borrowing(s) pursuant to which made, which notice (I) shall be given by the Borrower prior to 10:00 A.M. (New York time) (x) at least one Business Day prior to the date of such prepayment in the case of Base Rate Loans and (y) at least three Business Days prior to the date of such prepayment in the case of Eurodollar Loans and (II) shall promptly be transmitted by the Administrative Agent to each of the Lenders;

(ii) each prepayment (other than prepayments in full of (x) all outstanding Base Rate Loans or (y) any outstanding Borrowing of Eurodollar Loans) shall be in an aggregate principal amount of at least (x) $1,000,000, in the case of Eurodollar Loans, (y) $500,000, in the case of Base Rate Loans and, in each case, if greater, in integral multiples of $100,000, provided, that no partial prepayment of Eurodollar Loans made pursuant to a Borrowing shall reduce the aggregate principal amount of the Eurodollar Loans outstanding pursuant to such Borrowing to an amount less than the Minimum Borrowing Amount applicable thereto;

(iii) at the time of any prepayment of Eurodollar Loans pursuant to this Section 4.01 on any date other than the last day of the Interest Period applicable thereto, the Borrower shall pay the amounts required pursuant to Section 1.11;

(iv) except as provided in clause (v) below, each prepayment in respect of any Second-Lien Loans made pursuant to a Borrowing shall be applied pro rata among such Second-Lien Loans made pursuant to such Borrowing;

(v) in the event of certain refusals by a Lender to consent to certain proposed changes, waivers, discharges or terminations with respect to this Agreement which have been approved by the Required Lenders as provided in Section 13.01(b), the Borrower may, upon five Business Days' prior written notice to the Administrative Agent at its Notice Office (which notice the Administrative Agent shall promptly transmit to each of the Lenders), elect to repay all Second-Lien Loans of such Lender (including all amounts, if any, owing pursuant to Section 1.11), together with accrued and unpaid interest, Fees and all other amounts then owing to such Lender in accordance with said Section 13.01(b), so long as the consents required by Section 13.01(b) in connection with the repayment pursuant to this clause (v) shall have been obtained; and

(vi) each prepayment of Second-Lien Loans pursuant to this Section 4.01 made prior to the second anniversary of the Initial Borrowing Rate shall be subject to the payment of the fee described in Section 3.01(b).

Notwithstanding the foregoing provisions of this Section 4.01, no voluntary prepayment of the Second-Lien Loans shall be permitted to be made pursuant to this Section 4.01 until such time as the Discharge of the First-Lien Obligations has occurred; provided, however, that prior to the Discharge of the First-Lien Obligations, Net Cash Proceeds from the sale or issuance of Equity Interests pursuant to a Qualified IPO not constituting Excluded IPO Proceeds and not required to be applied as a mandatory repayment and/or commitment reduction of loans and/or commitments under the First-Lien Credit Agreement may (subject to the payment of fees pursuant to clause (vi) above) be used to make voluntary prepayments of the Second-Lien Loans in accordance with this Section 4.01.

4.02. Mandatory Repayments and Repurchases.

(a) Reserved.

(b) All outstanding Second-Lien Loans shall be paid in full on the Maturity Date.

(c) In addition to any other mandatory repayments pursuant to this Section 4.02, on each date on or after the Effective Date upon which Holdings or any of its Subsidiaries receives Net Sale Proceeds from any Asset Sale (other than Accounts Receivable Facility Assets sold pursuant to Sections 9.02(xiii) and (xiv)), an amount equal to 100% of the Net Sale Proceeds from such Asset Sale shall be applied as a mandatory repayment of outstanding principal of Second-Lien Loans in accordance with the requirements of Sections 4.02(h) and (i); provided that (i) during any fiscal year of Holdings up to $10,000,000 in aggregate Net Sale Proceeds received during such fiscal year may be retained by Holdings and its Subsidiaries

without giving rise to a mandatory repayment of Second-Lien Loans as otherwise required above, so long as no Default or Event of Default exists at the time such Net Sale Proceeds are received and an Authorized Officer of Holdings has delivered a certificate to the Administrative Agent on or prior to such date stating that such Net Sale Proceeds shall be used to purchase capital assets used or to be used in the businesses permitted pursuant to Section 9.01 (including, without limitation (but only to the extent permitted by Section 8.14), the purchase of the capital stock of a Person engaged in such businesses) within one year following the date of receipt of such Net Sale Proceeds from such Asset Sale (which certificate shall set forth the estimates of the proceeds to be so expended) and (ii) if all or any portion of such Net Sale Proceeds not required to be so applied as a mandatory repayment of Second-Lien Loans are not so used within such one year period, such remaining portion shall be applied on the last day of such period (or such earlier date, if any, as the Board of Directors of Holdings or such Subsidiary, as the case may be, determines not to reinvest the Net Sale Proceeds relating to such Asset Sale as set forth above) as a mandatory repayment of outstanding principal of Second-Lien Loans as provided above (without regard to this proviso).

(d) In addition to any other mandatory repayments pursuant to this Section 4.02, on each date on or after the Effective Date on which Holdings or any of its Subsidiaries receives any cash proceeds from (i) any incurrence of Indebtedness (other than Indebtedness permitted to be incurred pursuant to Section 9.04 (other than clause (xvi) thereof) as in effect on the Effective Date), (ii) any issuance of Equity Interests (other than Holdings Common Stock or options, rights or warrants therefor and Qualified Preferred Stock) by Holdings or (iii) any issuance of capital stock or other Equity Interests by, or cash capital contributions to, any Subsidiary of Holdings (other than (x) issuances of common Equity Interests to Holdings or any other

Subsidiary of Holdings by Holdings or any other Subsidiary of Holdings, and (y) cash capital contributions to any Subsidiary of Holdings by Holdings or any Subsidiary of Holdings), an amount equal to 100% of the Net Cash Proceeds of the respective incurrence of Indebtedness, issuance of Equity Interests or cash capital contribution shall be applied as a mandatory repayment of outstanding principal of Second-Lien Loans in accordance with the requirements of Sections 4.02(h) and (i).

(e) In addition to any other mandatory repayments pursuant to this Section 4.02, on each date on or after the Effective Date on which Holdings or any of its Subsidiaries receives any cash proceeds from any sale or issuance of Qualified Preferred Stock or Holdings Common Stock (including from the sale or issuance of options, warrants or rights to purchase any such equity) by, or cash capital contributions to, Holdings (excluding proceeds received from the sale or issuance by Holdings of shares of its common stock (including as a result of the exercise of any options or warrants with regard thereto), or options or warrants to purchase shares of its common stock, to any employee, officer or director of Holdings or any of its Subsidiaries in an aggregate amount (for all such sales and issuances) not to exceed $5,000,000 in any fiscal year of Holdings), an amount equal to 50% of such cash proceeds (net of all underwriting discounts, fees and commissions and other costs and expenses associated therewith) of the respective equity issuance or capital contribution (or, in the case of Excluded IPO Proceeds, 100% of such proceeds) shall be applied as a mandatory repayment of outstanding principal of Second-Lien Loans in accordance with the requirements of Sections 4.02(h) and (i).

(f) In addition to any other mandatory repayments pursuant to this Section 4.02, within 10 days following each date on or after the Effective Date on which Holdings or any of its Subsidiaries receives any proceeds from any Recovery Event (other than proceeds from Recovery Events in an amount less than $1,000,000 per Recovery Event), an amount equal to 100% of the proceeds of such Recovery Event (net of reasonable costs (including, without limitation, legal costs and expenses) and taxes incurred in connection with such Recovery Event and the amount of such proceeds required to be used to repay any Indebtedness (other than Indebtedness of the Lenders pursuant to this Agreement) which is secured by the respective assets subject to such Recovery Event) shall be applied as a mandatory repayment of outstanding principal of Second-Lien Loans in accordance with the requirements of Sections 4.02(h) and (i); provided that (x) so long as no Default or Event of Default then exists and such proceeds do not exceed $8,000,000, such proceeds shall not be required to be so applied on such date to the extent that an Authorized Officer of Holdings has delivered a certificate to the Administrative Agent on or prior to such date stating that such proceeds shall be used or shall be committed to be used to replace or restore any properties or assets in respect of which such proceeds were paid within one year following the date of such Recovery Event (which certificate shall set forth the estimates of the proceeds to be so expended), and (y) so long as no Default or Event of Default then exists and to the extent that (a) the amount of such proceeds exceeds $8,000,000, (b) the amount of such proceeds, together with other cash available to Holdings and its Subsidiaries and permitted to be spent by them on Capital Expenditures during the relevant period, equals at least 100% of the cost of replacement or restoration of the properties or assets in respect of which such proceeds were paid as determined by Holdings and as supported by such estimates or bids from contractors or subcontractors or such other supporting information as the Administrative Agent may reasonably accept, (c) an Authorized Officer of Holdings has delivered to the Administrative Agent a certificate on or prior to the date the application would otherwise be required pursuant to this Section 4.02(f) in the form described in clause (x) above and also certifying its determination as required by preceding clause (b) and certifying the sufficiency of business interruption insurance as required by succeeding clause (d), and (d) an Authorized Officer of Holdings has delivered to the Administrative Agent such evidence as the Administrative Agent may reasonably request in form and substance reasonably satisfactory to the Administrative Agent establishing that Holdings and its Subsidiaries has sufficient business interruption insurance and that Holdings or the respective Subsidiary will receive payment thereunder in such amounts and at such times as are necessary to satisfy all obligations and expenses of Holdings or the respective Subsidiary (including, without limitation, all debt service requirements, including pursuant to this Agreement), without any delay or extension thereof, for the period from the date of the respective casualty, condemnation or other event giving rise to the Recovery Event and continuing through the completion of the replacement or restoration of the respective properties or assets, then the entire amount of the proceeds of such Recovery Event and not just the portion in excess of $8,000,000 shall be deposited with the Administrative Agent pursuant to a cash collateral arrangement reasonably satisfactory to the Administrative Agent whereby such proceeds shall be disbursed to Holdings or the respective Subsidiary from time to time as needed to pay or reimburse Holdings or the respective Subsidiary in connection with the replacement or restoration of the respective properties or assets (pursuant to such certification requirements as may be established by the Administrative Agent), provided further, that at any time while an Event of Default has occurred and is continuing, the Required Lenders may (subject to the provisions of the Intercreditor Agreement) direct the Administrative Agent (in

which case the Administrative Agent shall, and is hereby authorized by the Borrower to, follow said directions) to apply any or all proceeds then on deposit in such collateral account to the repayment of Obligations hereunder in the same manner as proceeds would be applied pursuant to the Security Agreement, and provided further, that if all or any portion of such proceeds not required to be applied as a mandatory repayment and/or commitment reduction pursuant to the second preceding proviso (whether pursuant to clause (x) or (y) thereof) are either (A) not so used or committed to be so used within one year after the date of the respective Recovery Event or (B) if committed to be used within one year after the date of receipt of such net proceeds and not so used within 18 months after the date of respective Recovery Event then, in either such case, such remaining portion not used or committed to be used in the case of preceding clause (A), and not used in the case of preceding clause (B), shall be applied on the date occurring one year after the date of the respective Recovery Event in the case of clause (A) above, or the date occurring 18 months after the date of the respective Recovery Event in the case of clause (B) above, as a mandatory repayment of Second-Lien Loans in accordance with the requirements of Sections 4.02(h) and (i).

(g) In addition to any other mandatory repayments pursuant to this Section 4.02, on each Excess Cash Payment Date, an amount equal to the Applicable Excess Cash Flow Percentage of the Excess Cash Flow for the relevant Excess Cash Flow Payment Period shall be applied as a mandatory repayment of outstanding principal of Second-Lien Loans in accordance with the requirements of Sections 4.02(h) and (i).

(h) Notwithstanding anything contained in Sections 4.02(c), (d), (e), (f) and (g), no mandatory prepayment of the Second-Lien Loans shall be required to be made pursuant to this Section 4.02 until such time as the Discharge of the First-Lien Obligations has occurred; provided, however, that (i) mandatory prepayments of Second-Lien Loans may (and shall) be made pursuant to Section 4.02(d) with the Net Cash Proceeds of Refinancing Senior Subordinated Notes incurred in accordance with the requirements of the definition thereof and (ii) mandatory prepayments of Second-Lien Loans may (and shall) be made pursuant to Section 4.02(e) with Excluded IPO Proceeds. Each repayment of Second-Lien Loans pursuant to Sections 4.02(c), (d), (e), (f) and (g) prior to the second anniversary of the Initial Borrowing Rate shall be subject to the payment of the fee described in Section 3.01(b).

(i) With respect to each repayment of Second-Lien Loans required by this Section 4.02, the Borrower may designate the Types of Second-Lien Loans which are to be repaid and, in the case of Eurodollar Loans, the specific Borrowing or Borrowings pursuant to which made, provided

that: (i) repayments of Eurodollar Loans pursuant to this Section 4.02 may only be made on the last day of an Interest Period applicable thereto unless all Eurodollar Loans with Interest Periods ending on such date of required repayment and all Base Rate Loans have been paid in full; (ii) if any repayment of Eurodollar Loans made pursuant to a single Borrowing shall reduce the outstanding Eurodollar Loans made pursuant to such Borrowing to an amount less than the Minimum Borrowing Amount applicable thereto, such Borrowing shall be converted at the end of the then current Interest Period into a Borrowing of Base Rate Loans; and (iii) each repayment of Second-Lien Loans made pursuant to a Borrowing shall be applied pro rata among such Second-Lien Loans. In the absence of a designation by the Borrower as described in the preceding sentence, the Administrative Agent shall, subject to the above, make such designation in its sole discretion with a view, but no obligation, to minimize breakage costs

owing under Section 1.11. Notwithstanding the foregoing provisions of this Section 4.02, if at any time after the Discharge of the First-Lien Obligations the mandatory repayment of Second-Lien Loans pursuant to Section 4.02(c), (d), (e), (f) or (g) would result, after giving effect to the procedures set forth in this clause (i) above, in the Borrower incurring breakage costs under Section 1.11 as a result of Eurodollar Loans being repaid other than on the last day of an Interest Period applicable thereto (any such Eurodollar Loans, "Affected Loans"), the Borrower may elect, by written notice to the Administrative Agent, to have the provisions of the following sentence be applicable so long as no Default or Event of Default is then in existence. At the time any Affected Loans are otherwise required to be prepaid the Borrower may elect, so long as no Default or Event of Default is then in existence, to deposit 100% (or such lesser percentage elected by the Borrower as not being repaid) of the principal amounts that otherwise would have been paid in respect of the Affected Loans with the Administrative Agent to be held as security for the obligations of the Borrower hereunder pursuant to a cash collateral agreement to be entered into in form and substance satisfactory to the Administrative Agent, with such cash collateral to be released from such cash collateral account (and applied to repay the principal amount of such Eurodollar Loans) upon each occurrence thereafter of the last day of an Interest Period applicable to Eurodollar Loans (or such earlier date or dates as shall be requested by the Borrower), with the amount to be so released and applied on the last day of each Interest Period to be the amount of such Eurodollar Loans to which such Interest Period applies (or, if less, the amount remaining in such cash collateral account).

(j) (I) Upon a Change of Control, each Lender shall have the right to require that the Borrower repurchase all or any portion of the Second-Lien Loans of such Lender pursuant to an Assignment and Assumption Agreement, at a purchase price in cash equal to the Applicable Change of Control Percentage of the principal amount thereof plus accrued and unpaid interest to the date of purchase, in accordance with the terms contemplated in Section 4.02(j)(II); provided that, with respect to such repurchases, the Borrower shall simultaneously provide a copy of such Assignment and Assumption Agreement and any other agreements between the Borrower and each Lender with respect to such repurchase to Administrative Agent. Prior to the mailing of the notice to Lenders provided for in Section 4.02(j)(II) below but in any event within 60 days following the date the Borrower obtains actual knowledge of any Change of Control, the Borrower shall (i) repay in full all obligations, and terminate all commitments, under the First-Lien Credit Agreement or (ii) obtain the requisite consent under the First-Lien Credit Agreement to permit the repurchase of the Second-Lien Loans as provided for in Section 4.02(j)(II). The Borrower shall first comply with the covenant in the immediately preceding sentence before it shall be required to repurchase Second-Lien Loans pursuant to the provisions described below. The Borrower's failure to comply with the covenant described in the second preceding sentence (and any failure to send the notice referred to in clause (II) below as a result of the prohibition in the second preceding sentence) may (with notice and lapse of time) constitute an Event of Default under Section 10.03 but shall not constitute an Event of Default described in Section 10.01.

(II) Within 60 days following the date the Borrower obtains actual knowledge of any Change of Control, the Borrower shall mail a notice to Administrative Agent and all Lenders (the "Change of Control Offer") stating:

(i) that a Change of Control has occurred and that each Lender has the right to require the Borrower to purchase all or a portion of such Lender's outstanding Second-Lien Loans at a purchase price in cash equal to the Applicable Change of Control Percentage of the principal amount thereof, plus accrued and unpaid interest to the date of purchase;

(ii) the circumstances and relevant facts and financial information regarding such Change of Control;

(iii) the purchase date (which shall be no earlier than 30 days nor later than 90 days from the date such notice is mailed); and

(iv) the instructions determined by the Borrower (which shall be reasonably acceptable to Administrative Agent), consistent with this Section 4.02(j), that a Lender must follow if such Lender elects to have its outstanding Second-Lien Loans purchased.

(III) With respect to all repurchases made by the Borrower pursuant to this Section 4.02(j), (i) the Borrower shall pay all accrued and unpaid interest, if any, on the repurchased Second-Lien Loans to the date of repurchase of such Second-Lien Loans, (ii) the repurchase of such Second-Lien Loans by the Borrower shall not be taken into account in the calculation of Excess Cash Flow, (iii) if requested by any Lender (based on advice of counsel), the Borrower shall have provided to such Lender all information that, together with any previously provided information, would satisfy the requirements of Rule 10b-5 of the Exchange Act with respect to an offer by the Borrower to repurchase securities registered under the Securities Act (whether or not such securities are outstanding) as if such offer was being made as of the date of such repurchase of Second-Lien Loans from a Lender, (iv) the Lenders shall be entitled to withdraw their election if the Borrower receives not later than one Business Day prior to the repurchase date a telegram, telex, facsimile transmission or letter setting forth the name of the Lender, the principal amount of the outstanding Second-Lien Loan which was elected for repurchase by the Lender and a statement that such Lender is withdrawing its election to have such Second-Lien Loan repurchased and (v) such repurchases shall not be deemed to be voluntary prepayments pursuant to Section 4.01.

(IV) Prior to any Change of Control Offer, the Borrower shall deliver to the Administrative Agent on behalf of all Lenders an officer's certificate stating that all conditions precedent contained herein to the right of the Borrower to make such Change of Control Offer have been complied with.

(V) Following repurchase by Borrower pursuant to this Section 4.02(j), the Second-Lien Loans so repurchased shall be deemed cancelled for all purposes and no longer outstanding (and may not be resold by the Borrower), for all purposes of this Agreement and all other Credit Documents, including, but not limited to (i) the making of, or the application of, any payments to the Lenders under this Agreement or any other Credit Document, (ii) the making of any request, demand, authorization, direction, notice, consent or waiver under this Agreement or any other Credit Document or (iii) the determination of Required Lenders, or for any similar or related purpose, under this Agreement or any other Credit Document.

(VI) Notwithstanding the foregoing provisions of this Section 4.02(j), the Borrower shall not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in Section 4.02(j)(II) applicable to a Change of Control Offer made by the Borrower and purchases all outstanding Second-Lien Loans validly tendered and not withdrawn under such Change of Control Offer.

(VII) Notwithstanding any of the provisions set forth in this Agreement to the contrary, the Borrower, the Lenders and the Administrative Agent hereby agree that nothing in this Agreement shall be understood to mean or suggest that the Second-Lien Loans constitute "securities" for purposes of either the Securities Act or the Exchange Act.

4.03. Method and Place of Payment. Except as otherwise specifically provided herein, all payments under this Agreement or any Second-Lien Loan Note shall be made to the Administrative Agent for the ratable account of the Lender or Lenders entitled thereto not later than 12:00 Noon (New York time) on the date when due and shall be made in immediately available funds and in U.S. Dollars at the Payment Office. Any payments under this Agreement or under any Second-Lien Loan Note which are made later than 12:00 Noon (New York time) shall be deemed to have been made on the next succeeding Business Day. Whenever any payment to be made hereunder or under any Second-Lien Loan Note shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest shall be payable during such extension at the applicable rate in effect immediately prior to such extension.

4.04. Net Payments. (a) All payments made by any Credit Party hereunder or under any Credit Document or under any Second-Lien Loan Note will be made without setoff, counterclaim or other defense. Except as provided in Section 4.04(b), all such payments will be made free and clear of, and without deduction or withholding for, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein with respect to such payments (but excluding, except as provided in the second succeeding sentence, any tax imposed on, measured by or determined by reference to the net income or net profits of a Lender or franchise taxes imposed in lieu thereof pursuant to the laws of the jurisdiction in which it is organized or the jurisdiction in which the principal office or applicable lending office of such Lender is located or any political subdivision of any such jurisdiction) and all interest, penalties or similar liabilities with respect to such nonexcluded taxes, levies, imposts, duties, fees, assessments or other charges (all such nonexcluded taxes, levies, imposts, duties, fees, assessments or other charges being referred to collectively as "Taxes"). If any Taxes are so levied, imposed or collected through withholding or deduction, the Borrower (or any other Credit Party making the payment) agrees to pay the full amount of such Taxes, and such additional amounts as may be necessary so that every payment of all amounts due under this Agreement or under any Second-Lien Loan Note, after withholding or deduction for or on account of any Taxes, will not be less than the amount provided for herein or in such Second-Lien Loan Note. If any amounts are payable in respect of Taxes pursuant to the preceding sentence, the Borrower (or any other Credit Party making the payment) agrees to reimburse each Lender, upon the written request of such Lender, for taxes imposed on or measured by the net income or net profits of such Lender pursuant to the laws of the jurisdiction in which such Lender is organized

or in which the principal office or applicable lending office of such Lender is located or under the laws of any political subdivision or taxing authority of any such jurisdiction in which such Lender is organized or in which the principal office or applicable lending office of such Lender is located and for any withholding of taxes as such Lender shall determine are payable by, or withheld from, such Lender in respect of such amounts so paid to or on behalf of such Lender pursuant to the preceding sentence and in respect of any amounts paid to or on behalf of such Lender pursuant to this sentence. The Borrower (or the respective Credit Party) will furnish to the Administrative Agent within 45 days after the date the payment of any Taxes is due pursuant to applicable law certified copies of tax receipts or other documentation evidencing such payment by the Borrower (or such Credit Party). The Credit Agreement Parties jointly and severally agree (and each Subsidiary Guarantor pursuant to its Subsidiary Guaranty, and the incorporation by reference therein of the provisions of this Section 4.04, shall agree) to indemnify and hold harmless each Lender, and reimburse such Lender upon its written request, for the amount of any Taxes so levied or imposed and paid by such Lender; provided that such Lender shall have provided the Credit Agreement Party (or respective Subsidiary Guarantor) with evidence, reasonably satisfactory to such Credit Agreement Party (or such Subsidiary Guarantor), of the payment of such Taxes.

(b) Each Lender that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for U.S. Federal income tax purposes agrees to deliver to the Borrower and the Administrative Agent on or prior to the Effective Date, or in the case of a Lender that is an assignee or transferee of an interest under this Agreement pursuant to Section 1.13 or 13.07 (unless the respective Lender was already a Lender hereunder immediately prior to such assignment or transfer), on the date of such assignment or transfer to such Lender, (i) two accurate and complete original signed copies of Internal Revenue Service Form W-8ECI or W-8BEN (with respect to a complete exemption under an income tax treaty) (or successor forms) certifying to such Lender's entitlement as of such date to a complete exemption from United States withholding tax with respect to payments to be made under this Agreement and under any Second-Lien Loan Note, or (ii) if the Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code and cannot deliver either Internal Revenue Service Form W-8ECI or W-8BEN (with respect to a complete exemption under an income tax treaty) pursuant to clause (i) above, (x) a certificate substantially in the form of Exhibit D (any such certificate, a "Section 4.04(b)(ii) Certificate") and (y) two accurate and complete original signed copies of Internal Revenue Service Form W-8BEN (with respect to the portfolio interest exemption) (or successor form) certifying to such Lender's entitlement as of such date to a complete exemption from United States withholding tax with respect to payments of interest to be made under this Agreement and under any Second-Lien Loan Note. In addition, each Lender agrees that from time to time after the Effective Date, when a lapse in time or change in circumstances renders the previous certification obsolete or inaccurate in any material respect, it will deliver to the Borrower and the Administrative Agent two new accurate and complete original signed copies of Internal Revenue Service Form W-8ECI or Form W-8BEN (with respect to the benefits of an income tax treaty), or Form W-8BEN (with respect to the portfolio interest exemption) and a Section 4.04(b)(ii) Certificate, as the case may be, and such other forms as may be required in order to confirm or establish the entitlement of such Lender to a continued complete exemption from or reduction in United States withholding tax with respect to payments under this Agreement and any Second-Lien Loan Note, or it shall immediately notify the Borrower and the Administrative Agent of its inability to deliver any such Form or Certificate in which case such

Lender shall not be required to deliver any such Form or Certificate pursuant to this Section 4.04(b). Notwithstanding anything to the contrary contained in Section 4.04(a), but subject to Section 13.07(b) and the immediately succeeding sentence, (x) the Borrower shall be entitled, to the extent it is required to do

so by law, to deduct or withhold income or similar taxes imposed by the United States (or any political subdivision or taxing authority thereof or therein) from interest, fees or other amounts payable hereunder for the account of any Lender which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for U.S. Federal income tax purposes to the extent that such Lender has not provided to the Borrower U.S. Internal Revenue Service Forms that establish a complete exemption from such deduction or withholding and (y) the Borrower shall not be obligated pursuant to Section 4.04(a) hereof to gross-up payments to be made to a Lender in respect of income or similar taxes imposed by the United States if (I) such Lender has not provided to the Borrower the Internal Revenue Service Forms required to be provided to the Borrower pursuant to this Section 4.04(b) or (II) in the case of a payment, other than interest, to a Lender described in clause (ii) above, to the extent that such Forms do not establish a complete exemption from withholding of such taxes. Notwithstanding anything to the contrary contained in the preceding sentence or elsewhere in this Section 4.04 and except as set forth in Section 13.07(b), the Borrower agrees to pay additional amounts and to indemnify each Lender in the manner set forth in Section 4.04(a) (without regard to the identity of the jurisdiction requiring the deduction or withholding) in respect of any amounts deducted or withheld by it as described in the immediately preceding sentence as a result of any changes that are effective after the Effective Date in any applicable law, treaty, governmental rule, regulation, guideline or order, or in the interpretation thereof, relating to the deducting or withholding of such Taxes (or, if later, the date such Lender became party to this Agreement).

(c) If the Borrower pays any additional amount under this Section 4.04 to a Lender and such Lender determines in its sole discretion that it has actually received or realized in connection therewith any refund or any reduction of, release or remission for or credit against, its Tax liabilities in or with respect to the taxable year in which the additional amount is paid (a "Tax Benefit"), such Lender shall pay to the Borrower an amount that the Lender shall, in its sole discretion, determine is equal to the net benefit, after tax, which was obtained by the Lender in such year as a consequence of such refund, reduction, release or remission for or credit; provided that (i) any Lender may determine in its sole discretion consistent with the policies of such Lender whether to seek a Tax Benefit, (ii) any Taxes that are imposed on a Lender as a result of a disallowance or reduction (including through the expiration of any tax carryover or carryback of such Lender that otherwise would not have expired) of any Tax Benefit with respect to which such Lender has made a payment to the Borrower pursuant to this Section 4.04(c) shall be treated as a Tax for which the Borrower is obligated to indemnify such Lender pursuant to this Section 4.04 without any exclusions or defenses, (iii) nothing in this Section 4.04(c) shall require a Lender to disclose any confidential information to the Borrower (including, without limitation, its tax returns), and (iv) no Lender shall be required to pay any amounts pursuant to this Section 4.04(c) at any time a Default or Event of Default then exists.

(d) The provisions of this Section 4.04 shall be subject to the provisions of Section 13.18 (to the extent applicable).

SECTION 5. Conditions Precedent to Initial Credit Events. The obligation of each Lender to make each Second-Lien Loan hereunder on the Initial Borrowing Date, is subject, at the time of the making of such Second-Lien Loan to the satisfaction of the following conditions:

5.01. Execution of Agreement; Second-Lien Loan Notes. On or prior to the Initial Borrowing Date, (i) the Effective Date shall have occurred and (ii) there shall have been delivered to the Administrative Agent for the account of each Lender which has requested the same the appropriate Second-Lien Loan Note executed by the Borrower and in the amount, maturity and as otherwise provided herein.

5.02. Officer's Certificate. On the Initial Borrowing Date, the Administrative Agent shall have received a certificate from Holdings, dated such date signed by an Authorized Officer of Holdings, stating that all of the applicable conditions set forth in Sections 5.05 through 5.09, inclusive, and 5.17 (other than such conditions that are expressly subject to the satisfaction of any Agent and/or the Required Lenders), have been satisfied on such date.

5.03. Opinions of Counsel. On the Initial Borrowing Date, the Administrative Agent shall have received opinions, addressed to each Agent, the Collateral Agent and each of the Lenders and dated the Initial Borrowing Date, from (i) Gibson, Dunn & Crutcher LLP, special counsel to the Credit Parties, which opinion shall cover the matters contained in Exhibit E and such other matters incident to the transactions contemplated herein as the Agents and the Required Lenders may reasonably request and be in form and substance reasonably satisfactory to the Agents and the Required Lenders, and (ii) local counsel to the Credit Parties and/or the Administrative Agent reasonably satisfactory to the Administrative Agent, which opinion or opinions shall be in form, scope and substance reasonably satisfactory to the Administrative Agent.

5.04. Corporate Documents; Proceedings. (a) On the Initial Borrowing Date, the Administrative Agent shall have received from each Credit Party a certificate, dated the Initial Borrowing Date, signed by the chairman, a vice-chairman, the president or any vice-president of such Credit Party, and attested to by the secretary or any assistant secretary of such Credit Party, in the form of Exhibit F with appropriate insertions, together with copies of the certificate of incorporation, by-laws or equivalent organizational documents of such Credit Party and the resolutions of such Credit Party referred to in such certificate and all of the foregoing (including each such certificate of incorporation, by-laws or other organizational document) shall be reasonably satisfactory to the Administrative Agent.

(b) On the Initial Borrowing Date, all Company proceedings and all instruments and agreements in connection with the transactions contemplated by this Agreement and the other Documents shall be reasonably satisfactory in form and substance to the Administrative Agent, and the Administrative Agent shall have received all information and copies of all certificates, documents and papers, including good standing certificates, bring-down certificates and any other records of Company proceedings and governmental approvals, if any, which the Administrative Agent reasonably may have requested in connection therewith, such documents and papers, where appropriate, to be certified by proper Company or governmental authorities.

5.05. Adverse Change, etc. On or prior to the Initial Borrowing Date, since March 31, 2003, nothing shall have occurred which (i) the Required Lenders or any Agent shall reasonably determine (x) has had (unless same has ceased to exist in all respects) or (y) is reasonably likely to have, a Material Adverse Effect or (ii) has had a material adverse effect on the Transaction.

5.06. Litigation. On the Initial Borrowing Date, there shall be no actions, suits, proceedings or investigations pending or threatened (a) with respect to this Agreement or any other Document or the Transaction, (b) with respect to any material Existing Indebtedness or (c) which any Agent or the Required Lenders shall determine (x) have had (unless same has ceased to exist in all respects) or (y) are reasonably likely to have (i) a Material Adverse Effect or (ii) a material adverse effect on the Transaction.

5.07. Approvals. On or prior to the Initial Borrowing Date, (i) all necessary governmental (domestic and foreign), regulatory and third party approvals in connection with any Existing Indebtedness, the Transaction, the transactions contemplated by the Documents and otherwise referred to herein or therein shall have been obtained and remain in full force and effect and evidence thereof shall have been provided to the Administrative Agent, and (ii) all applicable waiting periods shall have expired without any action being taken by any competent authority which restrains, prevents or imposes materially adverse conditions upon the consummation of the Transaction, the making of the Second-Lien Loans and the transactions contemplated by the Documents or otherwise referred to herein or therein. Additionally, there shall not exist any judgment, order, injunction or other restraint issued or filed or a hearing seeking injunctive relief or other restraint pending or notified prohibiting or imposing materially adverse conditions upon, or materially delaying, or making economically unfeasible, the consummation of the Transaction or the making of the Second-Lien Loans.

5.08. Recapitalization. (a) On the Initial Borrowing Date (and concurrently with the incurrence of Second-Lien Loans hereunder), (i) the Borrower shall have made a one-time cash payment to Holdings (in the form of a Dividend, intercompany loan and/or intercompany loan repayment) and to certain of its Subsidiaries (in the form of an intercompany loan and/or contribution to capital) in an aggregate amount of $270.0 million, and (ii) Holdings shall, in turn, have utilized the full amount of the proceeds of such payment received by it to make a one-time cash Dividend and/or other payment to the Sponsor and certain other shareholders of Holdings previously identified to the Agents and the relevant Subsidiaries shall have set aside the remaining portion of such $270.0 million for the payment to certain members of their management or for payment to their respective Subsidiaries (for ultimate payment to members of management of the Subsidiaries receiving such payments), with such payments to be made as promptly as practicable after the Initial Borrowing Date) (collectively, the "Sponsor Distribution").

(b) On or prior to the Initial Borrowing Date, all commitments under the Existing Credit Agreement shall have been terminated, all loans outstanding thereunder shall have been repaid in full, together with all accrued and unpaid interest thereon, all accrued and unpaid fees thereon shall have been paid in full, all letters of credit issued thereunder shall have been terminated (or incorporated as Letters of Credit under the First-Lien Credit Agreement)

and all other amounts owing pursuant to the Existing Credit Agreement shall have been repaid in full.

(c) On or prior to the Initial Borrowing Date, the Existing Accounts Receivable Facility shall have been terminated, all Receivables Indebtedness outstanding thereunder shall have been repaid in full and all other amounts owing pursuant to the Existing Accounts Receivable Facility shall have been repaid in full.

(d) On the Initial Borrowing Date, all security interests in respect of, and Liens securing, the Indebtedness To Be Refinanced relating to Holdings and its Subsidiaries shall have been terminated and released to the satisfaction of the Agents, and the Administrative Agent shall have received all such releases as may have been requested by the Agents, which releases shall be in form and substance satisfactory to the Agents. Without limiting the foregoing, there shall have been delivered (i) proper termination statements (Form UCC-3 or the appropriate equivalent) for filing under the UCC of each jurisdiction where a financing statement (Form UCC-1 or the equivalent) was filed with respect to Holdings or any of its Subsidiaries in connection with the security interests securing the Indebtedness To Be Refinanced and the documentation related thereto, (ii) a termination or reassignment of any security interest in, or Lien on, any patents, trademarks, copyrights or similar interests of Holdings or any of its Subsidiaries on which filings have been made to secure obligations under the Existing Credit Agreement, fully executed by the appropriate parties, (iii) terminations of all mortgages, leasehold mortgages, deeds of trust and leasehold deeds of trust created with respect to property of Holdings or any of its Subsidiaries, in each case, to secure the obligations in respect of the Existing Credit Agreement, all of which shall be in form, scope and substance reasonably satisfactory to each of the Agents and (iv) all collateral owned by Holdings or any of its Subsidiaries in the possession of any of the creditors in respect of the Indebtedness To Be Refinanced or any collateral agent or trustee under any related security document shall have been returned to Holdings or such Subsidiary.

(e) On the Initial Borrowing Date and after giving effect to the Transaction, Holdings and its Subsidiaries shall not have outstanding any Indebtedness other than Indebtedness permitted pursuant to Section 9.04, and all such Indebtedness which is to remain outstanding after the Initial Borrowing Date shall not be subject to any default or event of default existing thereunder or arising as a result of the Transaction and the other transactions contemplated hereby.

5.09. First-Lien Credit Agreement. (a) On or prior to the Initial Borrowing Date, (i) the Borrower shall have received gross cash proceeds of at least $380,000,000 from the incurrence of term loans by it under the First-Lien Credit Agreement, together with up to $15,000,000 of gross cash proceeds from the incurrence of Revolving Loans under, and as defined in, the First-Lien Credit Agreement (to the extent such additional proceeds are required to finance the Transaction).

(b) On the Initial Borrowing Date, (i) the incurrence of Indebtedness pursuant to the First-Lien Credit Agreement shall have been consummated in accordance with the terms and conditions of the applicable Documents therefor and all applicable law, (ii) the Administrative Agent shall have received true and correct copies of all First-Lien Credit Documents, certified as

such by an appropriate officer of Holdings, (ii) all such First-Lien Credit Documents and all terms and conditions thereof (including, without limitation, amortization, maturities, interest rates, covenants, defaults, remedies, guaranties and guarantors) shall be in form and substance reasonably satisfactory to each Agent and the Required Lenders, (iii) all such First-Lien Credit Documents shall be in full force and effect and (iv) all conditions precedent to the consummation of the incurrence of loans pursuant to the First-Lien Credit Agreement as set forth therein shall have been satisfied, and not waived unless consented to by each Agent and the Required Lenders, to the reasonable satisfaction of each Agent and the Required Lenders.

5.10. Intercreditor Agreement. On the Initial Borrowing Date, each Credit Party, the Administrative Agent, the First-Lien Administrative Agent and the Collateral Agent shall have duly authorized, executed and delivered the Intercreditor Agreement in the form of Exhibit N hereto (as amended, modified, restated and/or supplemented from time to time, the "Intercreditor Agreement"), and the Intercreditor Agreement shall be in full force and effect.

5.11. Subsidiaries Guaranties. On the Initial Borrowing Date, each Subsidiary Guarantor shall have duly authorized, executed and delivered the Subsidiaries Guaranty in the form of Exhibit G (as amended, modified, restated and/or supplemented from time to time, the "Subsidiaries

Guaranty"), guaranteeing all of the obligations of the Borrower as more fully provided therein, and the Subsidiaries Guaranty shall be in full force and effect.

5.12. Security Documents; etc. (a) On the Initial Borrowing Date, each Credit Party shall have duly authorized, executed and delivered a Pledge Agreement in the form of Exhibit H (as amended, modified, restated and/or supplemented from time to time in accordance with the terms thereof and hereof, the "Pledge Agreement") and shall have delivered to the Collateral Agent, as pledgee thereunder, all of the certificated Pledge Agreement Collateral referred to therein then owned by such Credit Party and required to be pledged pursuant to the terms thereof, (x) endorsed in blank in the case of promissory notes or (y) accompanied by executed and undated transfer powers in the case of certificated Equity Interests, along with evidence that all other actions necessary or, in the reasonable opinion of the Collateral Agent, desirable, to perfect the security interests purported to be created by the Pledge Agreement have been taken, and the Pledge Agreement shall be in full force and effect.

(b) On the Initial Borrowing Date, each Credit Party shall have duly authorized, executed and delivered a Security Agreement in the form of Exhibit I (as amended, modified, restated and/or supplemented from time to time in accordance with the terms thereof and hereof, the "Security Agreement") covering all of the Security Agreement Collateral, together with:

(i) executed copies of Financing Statements (Form UCC-1) or appropriate local equivalent in appropriate form for filing under the UCC or appropriate local equivalent of each jurisdiction as may be necessary or, in the reasonable opinion of the Collateral Agent, desirable to perfect the security interests purported to be created by the Security Agreement;

(ii) certified copies of Requests for Information or Copies (Form UCC-11), or equivalent reports, each of a recent date listing all effective financing

statements that name Holdings or any of its Subsidiaries as debtor and that are filed in the jurisdictions referred to in clause (i) above, together with copies of such financing statements (none of which shall cover the Collateral except (x) those with respect to which appropriate termination statements executed by the secured lender thereunder have been delivered to the Administrative Agent and (y) to the extent evidencing Permitted Liens);

(iii) evidence of the completion of all other recordings and filings of, or with respect to, the Security Agreement as may be necessary or, in the reasonable opinion of the Collateral Agent, desirable, to perfect the security interests purported to be created by the Security Agreement; and

(iv) evidence that all other actions necessary or, in the reasonable opinion of the Collateral Agent, desirable, to perfect the security interests purported to be created by the Security Agreement have been taken.

and the Security Agreement shall be in full force and effect.

(c) On the Initial Borrowing Date, the Collateral Agent shall have received:

(A) fully executed counterparts of Mortgages in form and substance satisfactory to the Collateral Agent, which Mortgages shall cover such of the Real Property owned or leased by Holdings or any of its Subsidiaries (after giving effect to the Transaction) as are designated on Schedule III as a Mortgaged Property, together with evidence that counterparts of the Mortgages have been delivered to the title insurance company insuring the lien of such Mortgage for recording in all places to the extent necessary or, in the reasonable opinion of the Collateral Agent, desirable to effectively create a valid and enforceable second priority mortgage lien on each Mortgaged Property in favor of the Collateral Agent (or such other trustee as may be required or desirable under local law) for the benefit of the Secured Creditors, subject to Permitted Encumbrances;

(B) Title insurance policies issued by a reputable title insurer satisfactory to the Collateral Agent ("Mortgage Policies") on each Mortgaged Property in amounts satisfactory to the Administrative Agent and the Required Lenders assuring the Collateral Agent that the Mortgages on such Mortgaged Properties are valid and enforceable first priority mortgage liens on the respective Mortgaged Properties, free and clear of all defects and encumbrances except Permitted Encumbrances and such Mortgage Policies shall otherwise be in form and substance satisfactory to the Administrative Agent and the Required Lenders and shall include, as appropriate, an endorsement for future advances under this Agreement and the Second-Lien Loan Notes and for any other matter that the Collateral Agent may request, shall not include an exception for mechanics' liens or creditors' rights, and shall provide for affirmative insurance and such reinsurance (including direct access agreements) as the Collateral Agent may request; and

(C) surveys of each Mortgaged Property designated as a "Surveyed Property" on Schedule III hereto.

5.13. Employee Benefit Plans; Shareholders' Agreements; Management Agreements; Collective Bargaining Agreements; Existing Indebtedness Agreements; Tax Allocation Agreements. On or prior to the Initial Borrowing Date, there shall have been made available for inspection and copying to the Administrative Agent, at its request, true and correct copies, certified (in the case of the agreements referred to in clause (ii), (iii), (vi) and (vii) below) as true and complete by the President or Vice-President of Holdings of:

(i) all Plans (and for each Plan that is required to file an annual report on Internal Revenue Service Form 5500-series, a copy of the most recent such report (including, to the extent required, the related financial and actuarial statements and opinions and other supporting statements, certifications, schedules and information), and for each Plan that is a "single-employer plan," as defined in Section 4001(a)(15) of ERISA, the most recently prepared actuarial valuation therefor) and any other "employee benefit plans," as defined in Section 3(3) of ERISA, and any other material agreements, plans or arrangements, with or for the benefit of current or former employees of Holdings or any of its Subsidiaries or any ERISA Affiliate (provided that the foregoing shall apply in the case of any multiemployer plan, as defined in 4001(a)(3) of ERISA, only to the extent that any document described therein is in the possession of Holdings or any Subsidiary of Holdings or any ERISA Affiliate or reasonably available thereto from the sponsor or trustee of any such plan) (collectively, the "Employee Benefit Plans");

(ii) all agreements (including, without limitation, shareholders' agreements, subscription agreements and registration rights agreements) entered into by Holdings or any of its Subsidiaries governing the terms and relative rights of the capital stock of the entity that is a party to such agreement and any agreements entered into by shareholders relating to any such entity with respect to its capital stock to which such entity is also a party (collectively, the "Shareholders' Agreements");

(iii) all material agreements entered into by Holdings or any of its Subsidiaries with respect to the management of Holdings or any of its Subsidiaries after giving effect to the Transaction (including consulting agreements and other management advisory agreements but excluding employment agreements) (collectively, the "Management Agreements");

(iv) all collective bargaining agreements applying or relating to any employee of Holdings or any of its Subsidiaries after giving effect to the Transaction (collectively, the "Collective Bargaining Agreements");

(v) all agreements evidencing or relating to any Existing Indebtedness of Holdings or any of its Subsidiaries (collectively, the "Existing Indebtedness Agreements");

(vi) any tax sharing or tax allocation agreements entered into by Holdings or any of its Subsidiaries (collectively, the "Tax Allocation Agreements"); and

(vii) all material employment agreements entered into by Holdings or any of its Subsidiaries (collectively, the "Employment Agreements").

all of which Employee Benefit Plans, Shareholders' Agreements, Management Agreements, Collective Bargaining Agreements, Existing Indebtedness Agreements, Tax Allocation Agreements and Employment Agreements shall be in full force and effect on the Initial Borrowing Date.

5.14. Solvency Certificate; Insurance Certificates. On or before the Initial Borrowing Date, the Administrative Agent shall have received:

(a) a solvency certificate in the form of Exhibit J from the chief financial officer of Holdings, dated the Initial Borrowing Date, and supporting the conclusion that, after giving effect to the Transaction and the incurrence of all financings contemplated herein, the Borrower (on a stand-alone basis), Holdings and its Subsidiaries (on a consolidated basis) and the Borrower and its Subsidiaries (on a consolidated basis), in each case, are not insolvent and will not be rendered insolvent by the indebtedness incurred in connection herewith, will not be left with unreasonably small capital with which to engage in its or their respective businesses and will not have incurred debts beyond its or their ability to pay such debts as they mature and become due; and

(b) evidence of insurance complying with the requirements of Section 8.03 for the business and properties of Holdings and its Subsidiaries, in scope, form and substance reasonably satisfactory to the Administrative Agent and the Required Lenders and naming the Collateral Agent as an additional insured and/or loss payee, and stating that such insurance shall not be canceled or materially revised without at least 30 days' prior written notice by the insurer to the Collateral Agent.

5.15. Financial Statements; Pro Forma Financial Statements; Projections. On or prior to the Initial Borrowing Date, there shall have been delivered to the Administrative Agent (i) true and correct copies of the financial statements referred to in Section 7.10(b), (ii) an unaudited pro forma (calculated as if the Transaction had occurred on such date) consolidated balance sheet of Holdings and its Subsidiaries as of the January, 2004 fiscal month end, after giving effect to the Transaction and the incurrence of all Indebtedness (including the Second-Lien Loans) contemplated herein and prepared in accordance with GAAP (the "Pro Forma Balance Sheet"), and (iii) a reasonably satisfactory funds flow statement related to the Transaction.

5.16. Payment of Fees. On the Initial Borrowing Date, all costs, fees and expenses, and all other compensation due to the Agents and the Lenders (including, without limitation, legal fees and expenses) shall have been paid to the extent then due.

5.17. No Default; Representations and Warranties. On the Initial Borrowing Date and immediately after giving effect thereto, (i) there shall exist no Default or Event of Default and (ii) all representations and warranties contained herein or in any other Credit Document shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on the date of such Credit Event (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date).

5.18. Notice of Borrowing. Prior to the making of each Second-Lien Loan on the Initial Borrowing Date, the Administrative Agent shall have received a Notice of Borrowing meeting the requirements of Section 1.03(a).

The occurrence of the Initial Borrowing Date and the acceptance of the benefits or proceeds of the Second-Lien Loans shall constitute a representation and warranty by each of Holdings and the Borrower to each Agent and each of the Lenders that all the conditions specified in Section 5 (other than such conditions that are expressly subject to the satisfaction of the Agents and/or the Required Lenders) exist as of that time. All of the Second-Lien Loan Notes, certificates, legal opinions and other documents and papers referred to in Section 5, unless otherwise specified, shall be delivered to the Administrative Agent at the Notice Office for the account of each of the Lenders and, except for the Second-Lien Loan Notes, in sufficient counterparts or copies for each of the Lenders and shall be in form and substance satisfactory to the Lenders.

SECTION 6. Reserved.

SECTION 7. Representations and Warranties. In order to induce the Lenders to enter into this Agreement and to make the Second-Lien Loans provided for herein, each of Holdings and the Borrower makes the following representations and warranties with the Lenders, in each case after giving

effect to the Transaction, all of which shall survive the execution and delivery of this Agreement and the making of the Second-Lien Loans (with the occurrence of the Initial Borrowing Date being deemed to constitute a representation and warranty that the matters specified in this Section 7 are true and correct in all material respects on and as of the Initial Borrowing Date, unless stated to relate to a specific earlier date in which case such representations and warranties shall be true and correct in all material respects as of such earlier date):

7.01. Company Status. Each of Holdings and its Subsidiaries (i) is a duly organized and validly existing Company in good standing under the laws of the jurisdiction of its organization, (ii) has the Company power and authority to own its property and assets and to transact the business in which it is engaged and presently proposes to engage and (iii) is duly qualified and is authorized to do business and is in good standing in all jurisdictions where it is required to be so qualified and where the failure to be so qualified (x) has had (unless same has ceased to exist in all respects) or (y) is reasonably likely to have, a Material Adverse Effect.

7.02. Company Power and Authority. Each of Holdings and its Subsidiaries has the Company power and authority to execute, deliver and carry out the terms and provisions of the Documents to which it is a party and has taken all necessary Company action to authorize the execution, delivery and performance of the Documents to which it is a party. Each of Holdings and its Subsidiaries has duly executed and delivered each Document to which it is a party and each such Document constitutes the legal, valid and binding obligation of such Person enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws generally affecting creditors' rights and by equitable principles (regardless of whether enforcement is sought in equity or at law).

7.03. No Violation. Neither the execution, delivery or performance by Holdings or any of its Subsidiaries of the Documents to which it is a party, nor compliance by Holdings or any of its Subsidiaries with the terms and provisions thereof, nor the consummation of the transactions contemplated herein or therein, (i) will contravene any material provision of any material applicable law, statute, rule or regulation, or any order, writ, injunction or decree of any court or governmental instrumentality, (ii) will conflict or be inconsistent with or result in any breach of, any of the terms, covenants, conditions or provisions of, or constitute a default under, or (other than pursuant to the Security Documents) result in the creation or imposition of (or the obligation to create or impose) any Lien upon any of the property or assets of Holdings or any of its Subsidiaries pursuant to the terms of any indenture, mortgage, deed of trust, loan agreement, credit agreement or any other material agreement or instrument to which Holdings or any of its Subsidiaries is a party or by which it or any of its property or assets are bound or to which it may be subject (including, without limitation, the Existing Indebtedness Agreements) or (iii) will violate any provision of the certificate of incorporation, by-laws, certificate of partnership, partnership agreement, certificate of limited liability company, limited liability company agreement or equivalent organizational document, as the case may be, of Holdings or any of its Subsidiaries.

7.04. Litigation. There are no actions, suits, proceedings or investigations pending or threatened (i) with respect to any Document, (ii) with respect to the Transaction, or (iii) with respect to Holdings or any of its Subsidiaries that (x) have had (unless same has ceased to exist in all respects) or (y) are reasonably likely to have a Material Adverse Effect. Additionally, there does not exist any judgment, order or injunction prohibiting or imposing material adverse conditions upon the occurrence of any Credit Event.

7.05. Use of Proceeds; Margin Regulations. (a) The proceeds of the Second-Lien Loans shall be utilized by the Borrower and its Subsidiaries on the Initial Borrowing Date to finance, in part, the Recapitalization and to pay fees and expenses (not to exceed $15,000,000) incurred in connection with the Transaction.

(b) No part of any Credit Event (or the proceeds thereof) will be used to purchase or carry any Margin Stock or to extend credit for the purpose of purchasing or carrying any Margin Stock. Neither the making of any Second-Lien Loan nor the use of the proceeds thereof nor the occurrence of any other Credit Event will violate or be inconsistent with the provisions of Regulation T, U or X of the Board of Governors of the Federal Reserve System.

(c) On the Initial Borrowing Date, not more than 25% of the value of the assets of Holdings and its Subsidiaries taken as a whole (including all capital stock of Holdings held in treasury) will constitute Margin Stock.

7.06. Governmental Approvals. Except as may have been obtained or made on or prior to the Initial Borrowing Date (and which remain in full force and effect on the Initial Borrowing Date), no order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by, any foreign or domestic governmental or public body or authority, or any subdivision thereof, is required to authorize or is required in connection with (i) the execution, delivery and performance of any Document or (ii) the legality, validity, binding effect or enforceability of any Document.

7.07. Investment Company Act. None of Holdings or any of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

7.08. Public Utility Holding Company Act. None of Holdings or any of its Subsidiaries is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, as amended.

7.09. True and Complete Disclosure. All factual information (taken as a whole) heretofore or contemporaneously furnished by or on behalf of Holdings or any of its Subsidiaries in writing to the Administrative Agent or any Lender (including, without limitation, all information contained in the Documents) for purposes of or in connection with this Agreement or any transaction contemplated herein or therein is, and all other such factual information (taken as a whole) hereafter furnished by or on behalf of any such Persons in writing to any Agent or any Lender will be, true and accurate in all material respects on the date as of which such information is dated or certified and not incomplete by omitting to state any material fact necessary to make such information (taken as a whole) not misleading at such time in light of the circumstances under which such information was provided. It is understood that the Projections do not constitute factual information for purposes of this Section 7.09.

7.10. Financial Condition; Financial Statements. (a) On and as of the Initial Borrowing Date, on a pro forma basis after giving effect to the Transaction, and to all Indebtedness (including the Second-Lien Loans) incurred, and to be incurred, and Liens created, and to be created, by each Credit Party in connection therewith, with respect to the Borrower (on a stand-alone basis), Holdings and its Subsidiaries (on a consolidated basis) and the Borrower

and its Subsidiaries (on a consolidated basis) (x) the sum of the assets, at a fair valuation, of the Borrower (on a stand-alone basis), Holdings and its Subsidiaries (on a consolidated basis) and the Borrower and its Subsidiaries (on a consolidated basis) will exceed its or their debts, (y) it has or they have not incurred nor intended to, nor believes or believe that it or they will, incur debts beyond its or their ability to pay such debts as such debts mature and (z) it or they will have sufficient capital with which to conduct its or their business. For purposes of this Section 7.10, "debt" means any liability on a claim, and "claim" means (i) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (ii) right to an equitable remedy for breach of performance if such breach gives rise to a payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

(b) (i) The audited consolidated statements of financial condition of Holdings and its Subsidiaries at March 31, 2001, March 31, 2002 and March 31, 2003, and the related consolidated statements of income and cash flow and changes in shareholders' equity of Holdings and its Subsidiaries for the fiscal years ended on such dates, (ii) the unaudited consolidated balance sheet of Holdings and its Subsidiaries as of the end of the fiscal quarter of Holdings ended December 28, 2003, and the related consolidated statements of earnings, shareholders' equity and cash flows of Holdings and its Subsidiaries for the nine-month period then ended, (iii) the interim statements of income and cash flows for Holdings and its

Subsidiaries for each calendar month ended after December 28, 2003 through and including the latest calendar month ending at least 25 days prior to the Initial Borrowing Date and (iv) the Pro Forma Balance Sheet, all furnished to the Lenders prior to the Initial Borrowing Date, in each case present fairly in all material respects the financial condition of Holdings and its Subsidiaries at the date of such statements of financial condition and the results of operations of Holdings and its Subsidiaries for the periods covered thereby (or, in the case of the Pro Forma Balance Sheet, presents a good faith estimate of the consolidated pro forma financial condition of Holdings as at the date of the preparation thereof (in each case, after giving effect to the Transaction at the date thereof or for the period covered thereby)), subject, in the case of unaudited financial statements, to normal year-end adjustments. All such financial statements (other than the aforesaid Pro Forma Balance Sheet) have been prepared in accordance with GAAP and practices consistently applied, except, in the case of the quarterly and monthly statements, for the omission of footnotes and ordinary end of period adjustments and accruals (all of which are of a recurring nature and none of which individually, or in the aggregate, would be material) and the aforesaid Pro Forma Balance Sheet has been prepared on a basis consistent with the historical financial statements of Holdings set forth in foregoing clause (i) of this Section 7.10(b).

(c) After giving effect to the Transaction, since March 31, 2003 (but assuming the Transaction had occurred immediately prior to such date), nothing has occurred that (x) has had a Material Adverse Effect (unless same has ceased to exist in all respects) or (y) is reasonably likely to have a Material Adverse Effect.

(d) Except as fully reflected in the financial statements described in Sections 7.10(b) and as otherwise permitted by Section 9.04, (i) there were as of the Initial Borrowing Date (and after giving effect to any Second-Lien Loans made, and transactions occurring, on such date), no liabilities or obligations with respect to Holdings or any of its Subsidiaries of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) which, either individually or in the aggregate, (x) have had a Material Adverse Effect (unless same has ceased to exist in all respects) or (y) are reasonably likely to have a Material Adverse Effect and (ii) neither Holdings nor the Borrower knows of any basis for the assertion against Holdings or any of its Subsidiaries of any such liability or obligation which, either individually or in the aggregate, (x) have had a Material Adverse Effect (unless same has ceased to exist in all respects) or (y) are reasonably likely to have a Material Adverse Effect.

(e) The Projections have been prepared on a basis consistent with the financial statements referred to in Section 7.10(b), and are based on good faith estimates and assumptions made by the management of Holdings, which assumptions such management believed were reasonable on the Initial Borrowing Date, it being recognized by the Lenders that such projections of future events are not to be viewed as facts and that actual results during the period or periods covered by any such Projections may differ from the projected results contained therein and such differences may be material. There is no fact known to Holdings, the Borrower or any of their respective Subsidiaries which (x) has had a Material Adverse Effect (unless same has ceased to exist in all respects) or (y) is reasonably likely to have a Material Adverse Effect, which has not been disclosed herein or in such other documents, certificates and statements furnished to the Lenders for use in connection with the transactions contemplated hereby.

7.11. Security Interests. On and after the Initial Borrowing Date, each of the Security Documents creates (or after the execution and delivery thereof will create), as security for the Obligations, a valid and enforceable perfected security interest in and Lien on all of the Collateral subject thereto, superior to and prior to the rights of all third Persons, and subject to no other Liens (except that (i) the Security Agreement Collateral may be subject to Permitted Liens, (ii) the Pledge Agreement Collateral may be subject to the Liens described in clauses (i) and (v) of Section 9.03 and (iii) the security interest and mortgage lien created on any Mortgaged Property may be subject to the Permitted Encumbrances related thereto), in favor of the Collateral Agent. No filings or recordings are required in order to perfect the security interests created under any Security Document except for filings or recordings required in connection with any such Security Document which shall have been made on or prior to the Initial Borrowing Date as contemplated by Section 5.12 or on or prior to the execution and delivery thereof as contemplated by Sections 8.11 and 9.15.

7.12. Compliance with ERISA. (a) Schedule V sets forth, as of the Initial Borrowing Date, each Plan and each Multiemployer Plan of Holdings. Each Plan (and each related trust, insurance contract or fund) is in material compliance with its terms and with all applicable laws, including, without limitation, ERISA and the Code; each Plan (and each related trust, if any) which is intended to be qualified under Section 401(a) of the Code has received a determination letter or an opinion letter since January 1, 2001 from the Internal Revenue Service to the effect that it meets the requirements of Sections 401(a) and 501(a) of the Code; no Reportable Event has occurred that could reasonably be expected to result in any material liability for Holdings, any Subsidiary of Holdings or any ERISA Affiliate; no Multiemployer Plan is insolvent or in reorganization; except as set forth on Schedule V with respect to the three plans set forth therein, no Plan has an Unfunded Current Liability which, when added to the aggregate amount of Unfunded Current Liabilities with respect to all other Plans (after taking into account the amount of Unfunded Current Liabilities set forth on Schedule V with respect to the three plans set forth thereon), exceeds $10,000,000; no Plan which is subject to Section 412 of the Code or Section 302 of ERISA has an accumulated funding deficiency, within the meaning of such sections of the Code or ERISA, or has applied for or received a waiver of an accumulated funding deficiency or an extension of any amortization period, within the meaning of Section 412 of the Code or Section 303 or 304 of ERISA; all contributions required to be made with respect to a Plan and a Multiemployer Plan have been timely made, except to the extent that any failure to make such contribution would not result in a material liability; neither Holdings nor any Subsidiary of Holdings nor any ERISA Affiliate has incurred any material liability (including any indirect, contingent or secondary

liability) to or on account of a Plan or a Multiemployer Plan pursuant to Section 409, 502(i), 502(l), 515, 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or Section 401(a)(29), 4971 or 4975 of the Code or, to the knowledge of Holdings or the Borrower, reasonably expects to incur any such material liability under any of the foregoing sections with respect to any Plan or a Multiemployer Plan; no condition exists which presents a material risk to Holdings or any Subsidiary of Holdings or any ERISA Affiliate of incurring a material liability to or on account of a Plan or a Multiemployer Plan pursuant to the foregoing provisions of ERISA and the Code; no proceedings have been instituted to terminate or appoint a trustee to administer any Plan which is subject to Title IV of ERISA; no action, suit, proceeding, hearing, audit or investigation with respect to the administration, operation or the investment of assets of any Plan (other than routine claims for benefits) is pending, expected or, to the knowledge of Holdings or the Borrower, threatened that could reasonably

be expected to result in any material liability for Holdings, any Subsidiary of Holdings or any ERISA Affiliate; using actuarial assumptions and computation methods consistent with Part 1 of subtitle E of Title IV of ERISA, Holdings and its Subsidiaries and ERISA Affiliates would not have any material liabilities to any Multiemployer Plan in the event of a withdrawal therefrom, as of the close of the most recent fiscal year of each such Multiemployer Plan ended prior to the date of the most recent Credit Event; each group health plan (as defined in Section 607(1) of ERISA or Section 4980B(g)(2) of the Code) which covers or has covered employees or former employees of Holdings, any Subsidiary of Holdings, or any ERISA Affiliate has at all times been operated in compliance with the provisions of Part 6 of subtitle B of Title I of ERISA and Section 4980B of the Code except to the extent that such noncompliance would not result in a material liability; each group health plan (as defined in 45 Code of Federal Regulations Section 160.103) which covers or has covered employees or former employees of Holdings, any Subsidiary of Holdings or any ERISA Affiliate has at all times been operated in compliance with the provisions of the Health Insurance Portability and Accountability Act of 1996 and the regulations promulgated thereunder, except to the extent that any such failure could reasonably be expected to result in a material liability; no lien imposed under the Code or ERISA on the assets of Holdings or any Subsidiary of Holdings or any ERISA Affiliate exists or to the knowledge of Holdings or the Borrower, is reasonably likely to arise on account of any Plan or any Multiemployer Plan; and Holdings and its Subsidiaries do not maintain or contribute to any employee welfare benefit plan (as defined in Section 3(1) of ERISA) which provides benefits to retired employees or other former employees (other than as required by Section 601 of ERISA) the obligations with respect to which could reasonably be expected to have a Material Adverse Effect.

(b) Each Foreign Pension Plan, if any, has been maintained in material compliance with its terms and with the requirements of any and all applicable laws, statutes, rules, regulations and orders and has been maintained, where required, in good standing with applicable regulatory authorities. All contributions required to be made with respect to a Foreign Pension Plan, if any, have been timely made. Except as could not reasonably be expected to have a Material Adverse Effect (i) neither Holdings nor any of its Subsidiaries has incurred any material obligation in connection with the termination, of or withdrawal from, any Foreign Pension Plan, and (ii) there are no accrued benefit liabilities (whether or not vested) under any Foreign Pension Plan that are unfunded or that have not been adequately reserved for in accordance with generally accepted accounting principles in the applicable jurisdiction.

7.13. Capitalization. (a) On the Initial Borrowing Date and after giving effect to the Transaction and the other transactions contemplated hereby, the authorized capital stock of Holdings shall consist of (i) 1,000,000 shares of Class A common stock, $.01 par value per share, 386,471 shares of which are issued and outstanding, (ii) 1,000,000 shares of Class B common stock, $.01 par value per share, none of which shares are issued and outstanding (such authorized shares of common stock described in clauses (i) and (ii), together with any subsequently authorized shares of common stock of Holdings, collectively, the "Holdings Common Stock") and (iii) 1,000,000 shares of Series A convertible preferred stock, par value $.01 per share, 665,883 shares of which are issued and outstanding (the "Convertible Preferred Stock"). All outstanding shares of Holdings Common Stock and Convertible Preferred Stock have been duly and validly issued, are fully paid and nonassessable and free of preemptive rights. As of the Initial Borrowing Date, except as set forth on Schedule X hereto, Holdings does

not have outstanding any securities convertible into or exchangeable for its capital stock or outstanding any rights to subscribe for or to purchase, or any options for the purchase of, or any agreement providing for the issuance (contingent or otherwise) of, or any calls, commitments or claims of any character relating to, its capital stock.

(b) On the Initial Borrowing Date and after giving effect to the Transaction, the authorized capital stock of the Borrower shall consist of 3,000 shares of common stock, $.01 par value per share, 100 of which shares are issued and outstanding. All such outstanding shares have been duly and validly issued, are fully paid and nonassessable and free of preemptive rights. The Borrower does not have outstanding any securities convertible into or exchangeable for its capital stock or outstanding any rights to subscribe for or to purchase, or any options for the purchase of, or any agreement providing for the issuance (contingent or otherwise) of, or any calls, commitments or claims of any character to, its capital stock.

7.14. Subsidiaries. On and as of the Initial Borrowing Date and after giving effect to the Transaction, Holdings has no Subsidiaries other than the Borrower and its Subsidiaries, and the Borrower has no Subsidiaries other than those Subsidiaries listed on Schedule VII. Schedule VII correctly sets forth, as of the Initial Borrowing Date and after giving effect to the Transaction, the percentage ownership (direct and indirect) of the Borrower in each class of capital stock or other Equity Interests of each of its Subsidiaries and also identifies the direct owner thereof. All outstanding shares of Equity Interests of each Subsidiary of the Borrower have been duly and validly issued, are fully paid and non-assessable and have been issued free of preemptive rights. No Subsidiary of the Borrower has outstanding any securities convertible into or exchangeable for its Equity Interests or outstanding any right to subscribe for or to purchase, or any options or warrants for the purchase of, or any agreement providing for the issuance (contingent or otherwise) of or any calls, commitments or claims of any character relating to, its Equity Interests or any stock appreciation or similar rights.

7.15. Intellectual Property, etc. Each of Holdings and each of its Subsidiaries owns or has the rights to use all patents, trademarks, permits, service marks, trade names, technology copyrights, licenses, franchises and formulas, or other rights with respect to the foregoing, reasonably necessary for the conduct of its business, without any known conflict with the rights of others which, or the failure to obtain which, as the case may be, (x) has had (unless same has ceased to exist in all respects) or (y) is reasonably likely to have, a Material Adverse Effect.

7.16. Compliance with Statutes; Agreements, etc. Each of Holdings and each of its Subsidiaries is in compliance with (i) all applicable statutes, regulations, rules and orders of, and all applicable restrictions imposed by, all governmental bodies, domestic or foreign, in respect of the conduct of its business and the ownership of its property and (ii) all contracts and agreements to which it is a party, except such non-compliance as (x) has not (unless same has ceased to exist in all respects) and (y) is not reasonably likely to, individually or in the aggregate, have a Material Adverse Effect.

7.17. Environmental Matters. (a) Each of Holdings and each of its Subsidiaries has complied with, and on the date of each Credit Event is in compliance with, all applicable Environmental Laws and the requirements of any permits issued under such Environmental Laws

and neither Holdings nor any of its Subsidiaries is liable for any material penalties, fines or forfeitures for failure to comply with any of the foregoing. There are no pending or past or, to the best knowledge of Holdings or the Borrower, threatened Environmental Claims against Holdings or any of its Subsidiaries or any Real Property owned or operated by Holdings or any of its Subsidiaries. There are no facts, circumstances, conditions or occurrences on any Real Property owned or operated by Holdings or any of its Subsidiaries or on any property adjoining or in the vicinity of any such Real Property that would reasonably be expected (i) to form the basis of an Environmental Claim against Holdings or any of its Subsidiaries or any such Real Property or (ii) to cause any such Real Property to be subject to any restrictions on the ownership, occupancy, use or transferability of such Real Property by Holdings or any of its Subsidiaries under any applicable Environmental Law.

(b) Hazardous Materials have not at any time been generated, used, treated or stored on, or transported to or from, any Real Property owned or operated by Holdings or any of its Subsidiaries except in compliance with all applicable Environmental Laws and reasonably required in connection with the operation, use and maintenance of such Real Property by Holdings' or such Subsidiary's business. Hazardous Materials have not at any time been Released on or from any Real Property owned or operated by Holdings or any of its Subsidiaries or by any person acting for or under contract to Holdings or any of its Subsidiaries, or to the knowledge of Holdings, by any other Person in respect of Real Property owned or operated by Holdings or any of its Subsidiaries, except in compliance with all applicable Environmental Laws.

(c) Notwithstanding anything to the contrary in this Section 7.17, the representations made in this Section 7.17 shall only be untrue if the aggregate effect of all conditions, failures, noncompliances, Environmental Claims, Hazardous Materials, Releases and presence of underground storage tanks, in each case of the types described above, (x) has had (unless same has ceased to exist in all respects) or (y) is reasonably likely to have, a Material Adverse Effect.

7.18. Properties. All Real Property owned by Holdings or any of its Subsidiaries and all material Leaseholds leased by Holdings or any of its Subsidiaries, in each case as of the Initial Borrowing Date and after giving effect to the Transaction, and the nature of the interest therein, is correctly set forth in Schedule III. Each of Holdings and each of its Subsidiaries has good and marketable title to, or a validly subsisting leasehold interest in, all material properties owned or leased by it, including all Real Property reflected in Schedule III and in the financial statements (including the Pro Forma Financial Statements) referred to in Section 7.10(b) (except such properties sold in the ordinary course of business since the dates of the respective financial statements referred to therein), free and clear of all Liens, other than Permitted Liens.

7.19. Labor Relations. Neither Holdings nor any of its Subsidiaries is engaged in any unfair labor practice that (x) has had (unless same has ceased to exist in all respects) or (y) is reasonably likely to have, a Material Adverse Effect. There is (i) no unfair labor practice complaint pending against Holdings or any of its Subsidiaries or threatened against any of them, before the National Labor Relations Board, and no grievance or arbitration proceeding arising out of or under any collective bargaining agreement is so pending against Holdings or any of its Subsidiaries or threatened against any of them, (ii) no strike, labor dispute, slowdown or

stoppage pending against Holdings or any of its Subsidiaries or threatened against Holdings or any of its Subsidiaries and (iii) no union representation question existing with respect to the employees of Holdings or any of its Subsidiaries and no union organizing activities are taking place, except (with respect to any matter specified in clause (i), (ii) or (iii) above, either individually or in the aggregate) such as (x) has not had (unless same has ceased to exist in all respects) and (y) is not reasonably likely to have, a Material Adverse Effect.

7.20. Tax Returns and Payments. Each of Holdings and each of its Subsidiaries has timely filed all federal income tax returns and all other material tax returns, domestic and foreign, required to be filed by it and has paid all material taxes and assessments payable by it which have become due, except for those contested in good faith and adequately disclosed and fully provided for on the financial statements of Holdings and its Subsidiaries in accordance with generally accepted accounting principles. Each of Holdings and each of its Subsidiaries has at all times paid, or has provided adequate reserves (in the good faith judgment of the management of Holdings) for the payment of, all federal, state and foreign income taxes applicable for all prior fiscal years and for the current fiscal year to date. There is no material action, suit, proceeding, investigation, audit, or claim now pending or, to the knowledge of Holdings or any of its Subsidiaries, threatened by any authority regarding any taxes relating to Holdings or any of its Subsidiaries. Neither Holdings nor any of its Subsidiaries has entered into an agreement or waiver or been requested to enter into an agreement or waiver extending any statute of limitations relating to the payment or collection of taxes of Holdings or any of its Subsidiaries, or is aware of any circumstances that would cause the taxable years or other taxable periods of Holdings or any of its Subsidiaries not to be subject to the normally applicable statute of limitations.

7.21. Existing Indebtedness. Part A of Schedule IV sets forth a true and complete list of all Indebtedness of Holdings and its Subsidiaries as of the Initial Borrowing Date and which is to remain outstanding after giving effect to the Transaction (excluding (i) the Obligations, (ii) the Indebtedness pursuant to the First-Lien Credit Documents and (iii) Indebtedness under Existing Overdraft Facilities) (the "Existing Indebtedness"), in each case showing the aggregate principal amount thereof and the name of the respective borrower and any other entity which directly or indirectly guaranteed such debt.

7.22. Insurance. Set forth on Schedule VIII hereto is a true, correct and complete summary of all insurance carried by each Credit Party on and as of the Initial Borrowing Date (immediately after giving effect to the Transaction), with the amounts insured set forth therein.

7.23. Transaction. At the time of consummation thereof, each element of the Transaction shall have been consummated in all material respects in accordance with the terms of the relevant Documents therefor and all applicable laws. At the time of consummation thereof, all consents and approvals of, and filings and registrations with, and all other actions in respect of, all governmental agencies, authorities or instrumentalities required in order to make or consummate each element of the Transaction in all material respects in accordance with the terms of the relevant Documents therefor and all applicable laws have been obtained, given, filed or taken and are or will be in full force and effect (or effective judicial relief with respect thereto has been obtained). All applicable waiting periods with respect thereto have or, prior to the time when required, will have, expired without, in all such cases, any action being taken by any

competent authority which restrains, prevents, or imposes material adverse conditions upon the Transaction. Additionally, there does not exist any judgment, order or injunction prohibiting or imposing material adverse conditions upon any element of the Transaction, the occurrence of any Credit Event, or the performance by Holdings or any of its Subsidiaries of their respective obligations under the Documents and all applicable laws.

7.24. Special Purpose Corporation. (a) Holdings has no significant assets (other than the Equity Interests of the Borrower, any Intercompany Note evidencing an Intercompany Loan permitted to be made by it pursuant to Section 9.05(vi), cash and Cash Equivalents held prior to the on-lending, contribution, dividend and/or other application for purposes not otherwise prohibited by this Agreement and the assets used for the performance of those activities permitted to be performed by it pursuant to Section 9.01(b)) or liabilities (other than under this Agreement and the other Documents to which it is a party and those liabilities permitted to be incurred by it pursuant to Section 9.01(b)).

(b) Cayman Partnership Shareholder #1 has no significant assets (other than the Equity Interests of Cayman Partnership Shareholder #2, Cayman Partnership Shareholder #3, the Cayman Partnership and the immaterial assets used for the performance of those activities permitted to be performed by it pursuant to Section 9.01(d)) or liabilities (other than under this Agreement and the other Credit Documents to which it is a party and those liabilities permitted to be incurred by it pursuant to Section 9.01(d)); provided that notwithstanding the foregoing, it is understood and agreed that Cayman Partnership Shareholder #1 may (x) temporarily hold cash and/or Cash Equivalents loaned and/or contributed to it by its parent company, so long as same is promptly contributed and/or on-loaned to one or more of its Subsidiaries, (y) temporarily hold cash and/or Cash Equivalents on-loaned and/or dividended to it by one or more of its Subsidiaries, so long as same is promptly on-loaned and/or dividended to its parent company and (z) hold intercompany receivables resulting from loans made as contemplated above in preceding clauses (x) and (y).

(c) Cayman Partnership Shareholder #2 has no significant assets (other than the Equity Interests of the Cayman Partnership (and the underlying assets of the Cayman Partnership which it may be deemed to own under the laws of the Cayman Islands) and the immaterial assets used for the performance of those activities permitted to be performed by it pursuant to Section 9.01(e)) or liabilities (other than under this Agreement and the other Credit Documents to which it is a party and those liabilities permitted to be incurred by it pursuant to Section 9.01(e)); provided that notwithstanding the foregoing, it is understood and agreed that Cayman Partnership Shareholder #2 may (x) temporarily hold cash and/or Cash Equivalents loaned and/or contributed to it by its parent company, so long as same is promptly contributed and/or on-loaned to one or more of its Subsidiaries, (y) temporarily hold cash and/or Cash Equivalents on-loaned and/or dividended to it by one or more of its Subsidiaries, so long as same is promptly on-loaned and/or dividended to its parent company, and (z) hold intercompany receivables resulting from loans made as contemplated above in preceding clauses (x) and (y).

(d) Cayman Partnership Shareholder #3 has no significant assets (other than the Equity Interests of the Cayman Partnership and the immaterial assets used for the performance of those activities permitted to be performed by it pursuant to Section 9.01(f)) or liabilities (other than under this Agreement and the other Credit Documents to which it is a party

and those liabilities permitted to be incurred by it pursuant to Section 9.01(f)); provided that notwithstanding the foregoing, it is understood and agreed that Cayman Partnership Shareholder #3 may (x) temporarily hold cash and/or Cash Equivalents loaned and/or contributed to it by its parent company, so long as same is promptly contributed and/or on-loaned to one or more of its Subsidiaries, (y) temporarily hold cash and/or Cash Equivalents on-loaned and/or dividended to it by one or more of its Subsidiaries, so long as same is promptly on-loaned and/or dividended to its parent company, and (z) hold intercompany receivables resulting from loans made as contemplated above in preceding clauses (x) and (y).

7.25. Subordination. (a) On and after the execution and delivery of any Refinancing Senior Subordinated Notes Documents (unless all of the Second-Lien Loans and other Obligations hereunder have been repaid in full concurrently with the incurrence of the Refinancing Senior Subordinated Notes), the subordination provisions contained therein are enforceable against the Borrower, the Subsidiary Guarantors and the holders of such Indebtedness, and all Obligations hereunder and all obligations of the Credit Parties under the other Credit Documents (including without limitation, the Subsidiaries Guaranty) are within the definitions of "Senior Debt" or "Guarantor Senior Debt" (or analogous term or terms) and "Designated Senior Debt" (or analogous term) included in such subordination provisions.

(b) The subordination provisions contained in each of the Shareholders Subordinated Notes are enforceable against Holdings and the holders of such Indebtedness, and all Obligations of Holdings hereunder and under the other Credit Documents to which it is a party are within the definition of "Senior Debt" included in such subordination provisions.

SECTION 8. Affirmative Covenants. Each of Holdings and the Borrower hereby covenants and agrees that as of the Effective Date and thereafter for so long as this Agreement is in effect and until the Total Commitment has terminated, and all Second-Lien Loans, together with interest, Fees and all other Obligations (other than any indemnities described in Section 13.13(b) which are not then due and payable) incurred hereunder, are paid in full:

8.01. Information Covenants. Holdings will furnish, or will cause to be furnished, to the Administrative Agent and each Lender:

(a) Quarterly Financial Statements. Within 45 days after the close of the first three quarterly accounting periods in each fiscal year of Holdings, the consolidated balance sheet of Holdings and its Subsidiaries as at the end of such quarterly accounting period and the related consolidated statements of income and retained earnings and of cash flows for such quarterly accounting period and for the elapsed portion of the fiscal year ended with the last day of such quarterly accounting period and the budgeted figures for such quarterly period as set forth in the respective budget delivered pursuant to Section 8.01(c) (unless such quarterly period occurs prior to the delivery (or required delivery) of the first budget pursuant to Section 8.01(c) which includes such quarterly accounting period), all of which shall be in reasonable detail and certified by the senior financial officer or other Authorized Officer of Holdings that they fairly present in all material respects the financial condition of Holdings and its Subsidiaries as of the dates indicated and the results of their operations and changes in their cash flows for the

periods indicated, subject to normal year-end audit adjustments and the absence of footnotes.

(b) Annual Financial Statements. Within 90 days after the close of each fiscal year of Holdings, the consolidated balance sheet of Holdings and its Subsidiaries as at the end of such fiscal year and the related consolidated statements of income and retained earnings and of cash flows for such fiscal year and setting forth comparative consolidated figures for the preceding fiscal year and (except in the case of the fiscal year ending March 31, 2004) comparable budgeted figures for such fiscal year as set forth in the respective budget delivered pursuant to Section 8.01(c) and (except for such comparable budgeted figures) certified by Ernst & Young LLP or such other independent certified public accountants of recognized national standing as shall be reasonably acceptable to the Administrative Agent, in each case to the effect that such statements fairly present in all material respects the financial condition of Holdings and its Subsidiaries as of the dates indicated and the results of their operations and changes in financial position for the periods indicated in conformity with GAAP applied on a basis consistent with prior years, together with a certificate of such accounting firm stating that in the course of its regular audit of the business of Holdings and its Subsidiaries, which audit was conducted in accordance with generally accepted auditing standards, no Default or Event of Default which has occurred and is continuing has come to their attention or, if such a Default or an Event of Default has come to their attention, a statement as to the nature thereof.

(c) Budgets, etc. Not more than 60 days after the commencement of each fiscal year of Holdings (commencing with the fiscal year of Holdings ending nearest to March 31, 2005), consolidated budgets of Holdings and its Subsidiaries in reasonable detail for each of the four fiscal quarters of such fiscal year, in each case as customarily prepared by management for its internal use setting forth the principal assumptions upon which such budgets are based. Together with each delivery of financial statements pursuant to Sections 8.01(a) and (b), a comparison of the current year to date financial results against the budgets required to be submitted pursuant to this clause (c) shall be presented.

(d) Officer's Certificates. At the time of the delivery of the financial statements provided for in Sections 8.01(a) and (b), a certificate of the senior financial officer or other Authorized Officer of Holdings to the effect that no Default or Event of Default exists or, if any Default or Event of Default does exist, specifying the nature and extent thereof, which certificate shall, if delivered in connection with the financial statements in respect of a period ending on the last day of a fiscal quarter or fiscal year of Holdings, set forth (x) the calculations required to establish whether Holdings and its Subsidiaries were in compliance with the provisions of Sections 4.02(a) through (g), inclusive, Sections 9.02(iv), (v), (xi) and (xvi), Sections 9.03(vi), (xviii) and (xix), Sections 9.04(iv), (v), (vi), (vii), (viii), (ix), (x) and (xiii) through (xviii), inclusive, Sections 9.05(vi), (vii), (xi), (xiv) and (xxi), Sections 9.06(ii), (iv), (ix) and (x) and Sections 9.08 through and including 9.11, inclusive, as at the end of such fiscal quarter or year, as the case may be, and (y) the calculation of the Leverage Ratio as at the last day of the respective fiscal quarter or fiscal year of Holdings, as the case may be.

(e) Notice of Default or Litigation. Promptly, and in any event within five Business Days after an officer of Holdings or any of its Subsidiaries obtains actual knowledge thereof, notice of (i) the occurrence of any event which constitutes a Default or an Event of Default, which notice shall specify the nature and period of existence thereof and what action Holdings or the Borrower proposes to take with respect thereto, (ii) any litigation or proceeding pending or threatened (x) against Holdings or any of its Subsidiaries which (x) has had (unless same has ceased to exist in all respects) or (y) is reasonably likely, to have a Material Adverse Effect, (y) with respect to any material Indebtedness of Holdings or any of its Subsidiaries or (z) with respect to any Document, (iii) any material governmental investigation pending or threatened against Holdings or any of its Subsidiaries and (iv) any other event which (x) has had (unless same has ceased to exist in all respects) or (y) is reasonably likely to have, a Material Adverse Effect.

(f) Management Letters. Promptly upon receipt thereof, a copy of any "management letter" submitted to Holdings or any of its Subsidiaries by its independent accountants in connection with any annual, interim or special audit made by them of the books of Holdings or any of its Subsidiaries and management's responses thereto.

(g) Environmental Matters. Promptly after any officer of Holdings or any of its Subsidiaries obtains actual knowledge of any of the following (but only to the extent that any of the following, either individually or in the aggregate, (x) has had (unless same has ceased to exist in all respects) or (y) is reasonably likely to have, (a) a Material Adverse Effect or (b) a remedial cost to Holdings or any of its Subsidiaries in excess of $5,000,000), written notice of:

(i) any pending or threatened Environmental Claim against Holdings or any of its Subsidiaries or any Real Property owned or operated by Holdings or any of its Subsidiaries;

(ii) any condition or occurrence on any Real Property owned or operated by Holdings or any of its Subsidiaries that (x) results in noncompliance by Holdings or any of its Subsidiaries with any applicable Environmental Law or (y) could reasonably be anticipated to form the basis of an Environmental Claim against Holdings or any of its Subsidiaries or any such Real Property;

(iii) any condition or occurrence on any Real Property owned or operated by Holdings or any of its Subsidiaries that could reasonably be anticipated to cause such Real Property to be subject to any restrictions on the ownership, occupancy, use or transferability by Holdings or such Subsidiary, as the case may be, of its interest in such Real Property under any Environmental Law; and

(iv) the taking of any removal or remedial action in response to the actual or alleged presence of any Hazardous Material on any Real Property owned or operated by Holdings or any of its Subsidiaries.

All such notices shall describe in reasonable detail the nature of the claim, investigation, condition, occurrence or removal or remedial action and Holdings' response or proposed response thereto. In addition, Holdings agrees to provide the Lenders with copies of such detailed reports relating to any of the matters set forth in clauses (i)-(iv) above as may reasonably be requested by the Administrative Agent or the Required Lenders.

(h) Reports. Promptly upon transmission thereof, (i) copies of any filings and registrations with, and reports to, the SEC by Holdings or any of its Subsidiaries, (ii) copies of all financial information, notices and reports as Holdings or any of its Subsidiaries shall send to the holders of

Indebtedness under the First-Lien Credit Documents and (after the execution and delivery thereof) the Accounts Receivable Facility Documents and any other material Indebtedness in their capacity as such holders (to the extent not theretofore delivered to the Lenders pursuant to this Agreement and, in the case of the Accounts Receivable Facility Documents, excluding regular monthly reports as to payments on, and the performance of, the related Accounts Receivables Related Assets), (iii) following any public issuance of debt or equity securities of Holdings or any of its Subsidiaries, copies of all financial statements, proxy statements, notices and reports as Holdings or any of its Subsidiaries shall send generally to analysts and the holders of their capital stock or Indebtedness in their capacity as such holders (to the extent not theretofore delivered to the Lenders pursuant to this Agreement) and (iv) with reasonable promptness, such other information or documents (financial or otherwise) as the Administrative Agent on its own behalf or on behalf of the Required Lenders may reasonably request from time to time.

(i) Other Information. From time to time, such other information or documents (financial or otherwise) with respect to Holdings or its Subsidiaries as the Administrative Agent or any Lender (through the Administrative Agent) may reasonably request.

8.02. Books, Records and Inspections. Holdings will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries in conformity with GAAP and all material requirements of law shall be made of all dealings and transactions in relation to its business and activities. Holdings will, and will cause each of its Subsidiaries to, permit, upon reasonable prior notice to the senior financial officer or other Authorized Officer of Holdings or the Borrower, officers and designated representatives of the Administrative Agent or the Required Lenders, at their expense unless an Event of Default has occurred, to visit and inspect under the guidance of officers of Holdings or the Borrower any of the properties or assets of Holdings or any of its Subsidiaries in whomsoever's possession, and to examine the books of account of Holdings and any of its Subsidiaries and discuss the affairs, finances and accounts of Holdings and of any of its Subsidiaries with, and be advised as to the same by, their officers and independent accountants, all at such reasonable times and intervals and to such reasonable extent as the Administrative Agent or the Required Lenders may desire.

8.03. Insurance. (a) Holdings will, and will cause each of its Subsidiaries to (i) maintain, with financially sound and reputable insurance companies, insurance on all its property in at least such amounts and against at least such risks as is consistent and in accordance with industry practice and (ii) furnish to the Administrative Agent and each of the Lenders, upon

request, full information as to the insurance carried. In addition to the requirements of the immediately preceding sentence, Holdings will at all times cause insurance of the types described in Schedule VIII to be maintained (with the same scope of coverage as that described in Schedule VIII) at levels which are consistent with its practices immediately before the Initial Borrowing Date, or otherwise in form, scope and amount acceptable to the Administrative Agent. Such insurance shall include physical damage insurance on all real and personal property (whether now owned or hereafter acquired) on an all risk basis and business interruption insurance. The provisions of this Section 8.03 shall be deemed supplemental to, but not duplicative of, the provisions of any Security Documents that require the maintenance of insurance.

(b) Holdings will, and will cause each of the Subsidiary Guarantors to, at all times keep the respective property of the Credit Parties (except real or personal property leased or financed through third parties in accordance with this Agreement) insured in favor of the Collateral Agent, and all policies or certificates with respect to such insurance (and any other insurance maintained by, or on behalf of, any Credit Party) (i) shall be endorsed to the Collateral Agent's satisfaction for the benefit of the Collateral Agent (including, without limitation, by naming the Collateral Agent as certificate holder, mortgagee and loss payee with respect to real property, certificate holder and loss payee with respect to personal property, additional insured with respect to general liability and umbrella liability coverage and certificate holder with respect to workers' compensation insurance), (ii) shall state that such insurance policies shall not be canceled or materially changed without at least 30 days' prior written notice thereof by the respective insurer to the Collateral Agent and (iii) after the Discharge of the First-Lien Obligations, shall be deposited with the Collateral Agent.

(c) If Holdings or any of its Subsidiaries shall fail to maintain all insurance in accordance with this Section 8.03, or if Holdings or any of its Subsidiaries shall fail to so name the Collateral Agent as an additional insured, mortgagee or loss payee, as the case may be, or so deposit all certificates with respect thereto, the Administrative Agent and/or the Collateral Agent shall have the right (but shall be under no obligation), upon five Business Days notice to the Borrower, to procure such insurance, and the Credit Parties agree jointly and severally to reimburse the Administrative Agent or the Collateral Agent, as the case may be, for all costs and expenses of procuring such insurance.

8.04. Payment of Taxes. Holdings will pay and discharge, and will cause each of its Subsidiaries to pay and discharge, all material taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, in each case on a timely basis, and all lawful claims for material sums that have become due and payable which, if unpaid, might become a Lien not otherwise permitted under Section 9.03(i); provided that neither Holdings nor any of its Subsidiaries shall be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by proper proceedings if it has maintained and continues to maintain adequate reserves with respect thereto in accordance with GAAP.

8.05. Corporate Franchises. Holdings will do, and will cause each of its Subsidiaries to do, or cause to be done, all things necessary to preserve and keep in full force and effect its existence and its material rights, franchises, authority to do business, licenses, certifications,

accreditations and patents, except for rights, franchises, authority to do business, licenses, certifications, accreditations and patents the loss of which (individually and in the aggregate) (x) have not had (unless same has ceased to exist in all respects) and (y) are not reasonably likely to have, a Material Adverse Effect; provided, however, that any transaction permitted by Section 9.02 (including, without limitation, the dissolution of any Subsidiary of the Borrower permitted pursuant to said Section) will not constitute a breach of this Section 8.05.

8.06. Compliance with Statutes; etc. Holdings will, and will cause each of its Subsidiaries to, comply with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental bodies, domestic or foreign, in respect of the conduct of its business and the ownership of its property, except for such noncompliance as (x) have not had (unless same has ceased to exist in all respects) and (y) are not reasonably likely to have, a Material Adverse Effect.

8.07. Compliance with Environmental Laws. (a) (i) Holdings will comply, and will cause each of its Subsidiaries to comply, in all material respects with all Environmental Laws applicable to the ownership or use of its Real Property now or hereafter owned or operated by Holdings or any of its Subsidiaries, will promptly pay or cause to be paid all costs and expenses incurred in connection with such compliance, and will keep or cause to be kept all such Real Property free and clear of any Liens imposed pursuant to such Environmental Laws and (ii) neither Holdings nor any of its Subsidiaries will generate, use, treat, store, Release or dispose of, or permit the generation, use, treatment, storage, release or disposal of, Hazardous Materials on any Real Property owned or operated by Holdings or any of its Subsidiaries, or transport or permit the transportation of Hazardous Materials to or from any such Real Property, except in compliance with all applicable Environmental Laws and reasonably required in connection with the operation, use and maintenance of such Real Property by Holdings' or such Subsidiary's business, unless any failures to comply with the requirements specified in clause (i) or (ii) above, either individually or in the aggregate, (x) have not had (unless same has ceased to exist in all respects) and (y) are not reasonably likely to have, a Material Adverse Effect. If Holdings or any of its Subsidiaries, or any tenant or occupant of any Real Property owned or operated by Holdings or any of its Subsidiaries, causes or permits any intentional or unintentional act or omission resulting in the presence or Release of any Hazardous Material (except in compliance with applicable Environmental Laws), Holdings agrees, if required to do so under any final applicable directive or order of any governmental agency, to undertake, and/or to cause any of its Subsidiaries, tenants or occupants to undertake, at their sole expense, any clean up, removal, remedial or other action required pursuant to Environmental Laws to remove and clean up any Hazardous Materials from any Real Property except where the failure to do so (x) has not had (unless same has ceased to exist in all respects) and (y) is not reasonably likely to have, a Material Adverse Effect.

(b) At the written request of the Administrative Agent or the Required Lenders, which request shall specify in reasonable detail the basis therefor, at any time and from time to time, Holdings and the Borrower will provide, at their sole cost and expense, an environmental site assessment report concerning any Real Property now or hereafter owned or operated by Holdings or any of its Subsidiaries, prepared by an environmental consulting firm approved by the Administrative Agent, addressing the matters in clause (i) or (ii) below which gives rise to such request (or, in the case of a request pursuant to following clause (i), addressing

such matter as may be requested by the Administrative Agent or the Required Lenders) and estimating the range of the potential costs of any removal, remedial or other corrective action in connection with any such matter; provided that in no event shall such request be made unless (i) a Default or Event of Default has occurred and is continuing or (ii) the Lenders receive notice under Section 8.01(g) for any event referred to in said Section which, either individually or in the aggregate, (x) has had (unless same has ceased to exist in all respects) or (y) is reasonably likely to have, (a) a Material Adverse Effect or (b) a remedial cost to Holdings or any of its Subsidiaries in excess of $10,000,000. If Holdings and the Borrower fail to provide the same within 60 days after such request was made, the Administrative Agent may order the same, and Holdings and the Borrower shall grant and hereby do grant, to the Administrative Agent and the Lenders and their agents access to such Real Property and specifically grant the Administrative Agent and the Lenders and their agents an irrevocable non-exclusive license, subject to the right of tenants, to undertake such an assessment, all at the Borrower's expense.

8.08. ERISA. As soon as possible and, in any event, within ten (10) Business Days after Holdings, any Subsidiary of Holdings or any ERISA Affiliate knows or has reason to know of the occurrence of any of the following, Holdings will deliver to the Administrative Agent a certificate of the chief financial officer or other Authorized Officer of Holdings setting forth in reasonable detail information as to such occurrence and the action, if any, that Holdings, such Subsidiary or such ERISA Affiliate is required or proposes to take, together with any notices required or proposed to be given to or filed by Holdings, the Subsidiary, the Plan administrator or such ERISA Affiliate to or with, the PBGC or any other governmental agency, or a Plan or Multiemployer Plan participant, and any notices received by Holdings, such Subsidiary or ERISA Affiliate from the PBGC or other governmental agency or a Plan or Multiemployer Plan participant or the Plan administrator with respect thereto: that a Reportable Event has occurred (except to the extent that Holdings has previously delivered to the Administrative Agent a certificate and notices (if any) concerning such event pursuant to the next clause hereof); that a contributing sponsor (as defined in Section 4001(a)(13) of ERISA) of a Plan subject to Title IV of ERISA is subject to the advance reporting requirement of PBGC Regulation Section 4043.61 (without regard to subparagraph (b)(1) thereof), and an event described in subsection .62, .63, .64, .65, .66, .67 or .68 of PBGC Regulation Section 4043 is reasonably expected to occur with respect to such Plan within the following 30 days; that an accumulated funding deficiency, within the meaning of Section 412 of the Code or Section 302 of ERISA, has been incurred or an application may be or has been made for a waiver or modification of the minimum funding standard (including any required installment payments) or an extension of any amortization period under Section 412 of the Code or Section 303 or 304 of ERISA with respect to a Plan; that any contribution required to be made with respect to a Plan or Multiemployer Plan or Foreign Pension Plan has not been timely made, except to the extent that any failure to make such contribution would not result in a material liability; that a Plan or Multiemployer Plan has been or may be terminated, reorganized, partitioned or declared insolvent under Title IV of ERISA; that a Plan has a material Unfunded Current Liability and, to the knowledge of Holdings or the Borrower, that a Multiemployer Plan has a material Unfunded Current Liability (assuming, solely for this purpose, that the term "Unfunded Current Liability" also applies to Multiemployer Plans) not previously disclosed to the Lenders prior to the Initial Borrowing Date; that proceedings may be or have been instituted to terminate or appoint a trustee to administer a Plan which is subject to Title IV of ERISA; that a proceeding has been instituted pursuant to Section 515 of ERISA to collect a delinquent contribution to a Plan or

Multiemployer Plan; that Holdings, any Subsidiary of Holdings or any ERISA Affiliate will or may incur any material liability (including any indirect, contingent, or secondary liability) to or on account of the termination of or withdrawal from a Plan or Multiemployer Plan under Section 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or with respect to a Plan or Multiemployer Plan under Section 401(a)(29), 4971, 4975 or 4980 of the Code or Section 409 or 502(i) or 502(l) of ERISA or with respect to a group health plan (as defined in Section 607(1) of ERISA or Section 4980B(g)(2) of the Code) under Section 4980B of the Code; or that Holdings or any Subsidiary of Holdings may incur any material liability pursuant to any employee welfare benefit plan (as defined in Section 3(1) of ERISA) that provides benefits to retired employees or other former employees (other than as required by Section 601 of ERISA) or any Plan or any Foreign Pension Plan. Holdings and the Borrower will deliver to each of the Lenders copies of any records, documents or other information that must be furnished to the PBGC with respect to any Plan pursuant to Section 4010 of ERISA. Holdings and the Borrower will also deliver to each of the Lenders upon request a complete copy of the annual report (on Internal Revenue Service Form 5500-series) of each Plan (including, to the extent required, the related financial and actuarial statements and opinions and other supporting statements, certifications, schedules and information) required to be filed with the Internal Revenue Service. In addition to any certificates or notices delivered to the Lenders pursuant to the first sentence hereof, copies of annual reports and any records, documents or other information required to be furnished to the PBGC or any other government agency, and any material notices received by Holdings, any Subsidiary of Holdings or any ERISA Affiliate with respect to any Plan or Foreign Pension Plan or received from any government agency or plan administrator or sponsor or trustee with respect to any Multiemployer Plan, shall be delivered to the Lenders no later than ten (10) Business Days after the date such annual report has been filed with the Internal Revenue Service or such records, documents and/or information has been furnished to the PBGC or any other government agency or such notice has been received by Holdings, the Subsidiary or the ERISA Affiliate, as applicable.

Holdings and each of its applicable Subsidiaries shall ensure that all Foreign Pension Plans administered by it or into which it makes payments obtain or retain (as applicable) registered status under and as required by applicable law and is administered in a timely manner in all respects in compliance with all applicable laws except where the failure to do any of the foregoing (x) has not had (unless same has ceased to exist in all respects) and (y) is not reasonably likely to have, a Material Adverse Effect. If, at any time after the Initial Borrowing Date, Holdings, any Subsidiary of Holdings or any ERISA Affiliate maintains, or contributes to (or incurs an obligation to contribute to), a pension plan as defined in Section 3(2) of ERISA which is not set forth in Schedule V, as may be updated from time to time, then Holdings shall deliver to the Administrative Agent an updated Schedule V as soon as possible and, in any event, within ten (10) days after Holdings, such Subsidiary or such ERISA Affiliate maintains, or contributes to (or incurs an obligation to contribute to), such pension plan. Such updated Schedule V shall supersede and replace the existing Schedule V.

8.09. Good Repair. Holdings will, and will cause each of its Subsidiaries to, ensure that its material properties and equipment used in its business are kept in good repair, working order and condition, ordinary wear and tear excepted, and that from time to time there are made in such properties and equipment all needful and proper repairs, renewals, replacements, extensions, additions, betterments and improvements thereto, to the extent and in the manner useful or customary for companies in similar businesses.

8.10. End of Fiscal Years; Fiscal Quarters. Holdings will, for financial reporting purposes, cause (i) each of its, and each of its Subsidiaries', fiscal years to end on March 31 of each year and (ii) itself, and each of its Subsidiaries, to maintain fiscal quarters consistent therewith and with the past practices of Holdings and its Subsidiaries as in effect on the Effective Date.

8.11. Additional Security; Further Assurances. (a) Holdings will, and will cause each of its Wholly-Owned Domestic Subsidiaries (other than the Receivables Entity) to, grant to the Collateral Agent security interests and mortgages in such assets and real property of Holdings and such Wholly-Owned Subsidiaries as are not covered by the original Security Documents, and as may be reasonably requested from time to time by the Administrative Agent or the Required Lenders (collectively, the "Additional Security Documents"), it being understood that no more than 65% of the total combined voting power of all classes of capital stock of any Exempted Foreign Corporation (as defined in the Pledge Agreement) entitled to vote shall be required to be pledged pursuant to such Additional Security Documents. All such security interests and mortgages shall be granted pursuant to documentation reasonably satisfactory in form and substance to the Collateral Agent and shall constitute valid and enforceable perfected security interests and mortgages superior to and prior to the rights of all third Persons and subject to no other Liens except for Permitted Liens. The Additional Security Documents or instruments related thereto shall have been duly recorded or filed in such manner and in such places as are required by law to establish, perfect, preserve and protect the Liens in favor of the Collateral Agent required to be granted pursuant to the Additional Security Documents and all taxes, fees and other charges payable in connection therewith shall have been paid in full. Notwithstanding the foregoing, this Section 8.11(a) shall not apply to (and Holdings and its Subsidiaries shall not be required to grant a security interest or a mortgage in) (i) any Leasehold in respect of a service center or sales office, (ii) any other Leasehold that does not have economic value (*i.e.*, below market rent for a significant remaining term) or strategic value to the business of the lessee (as reasonably determined by the Administrative Agent), (iii) any Real Property the fair market value of which (as determined in good faith by senior management of Holdings or the Borrower) is less than $2,500,000, (iv) personal property consisting of motor vehicles or other property subject to certificate of title laws and (v) any local operating, collection or payroll bank accounts exempted from the perfection requirements pursuant to the Security Agreement.

(b) Holdings will, and will cause each of its Wholly-Owned Subsidiaries, other than the Receivables Entity to, at the expense of the Borrower, make, execute, endorse, acknowledge, file and/or deliver to the Collateral Agent from time to time such vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, real property surveys, reports and other assurances or instruments and take such further steps relating to the Collateral covered by any of the Security Documents as the Collateral Agent may reasonably require. Furthermore, the Borrower shall cause to be delivered to the Collateral Agent such opinions of counsel, title insurance and other related documents as may be reasonably requested by the Collateral Agent to assure itself that this Section 8.11 has been complied with.

(c) The Borrower agrees to cause each Wholly-Owned Domestic Subsidiary of the Borrower (other than the Receivables Entity) established or created in accordance with Section 9.15 to execute and deliver a counterpart of the Subsidiaries Guaranty (and/or an

assumption agreement in form and substance satisfactory to the Administrative Agent whereby such Wholly-Owned Domestic Subsidiary shall become a party to the Subsidiaries Guaranty) and thereby guaranty all Obligations and all obligations under Interest Rate Protection Agreements and Other Hedging Agreements to a Guaranteed Creditor.

(d) The Borrower will cause each Wholly-Owned Domestic Subsidiary of the Borrower (other than the Receivables Entity) established or created in accordance with Section 9.15 to grant to the Collateral Agent a first priority (subject only to Permitted Liens) Lien on property (tangible and intangible) of such Subsidiary upon terms and with exceptions similar to those set forth in the Security Documents, as appropriate, and satisfactory in form and substance to the Administrative Agent and Required Lenders. In connection with the actions required to be taken pursuant to the immediately preceding sentence, the respective Wholly-Owned Domestic Subsidiary shall become a party to the various existing Security Documents by executing counterparts thereof and/or assumption agreements relating thereto (together with the delivery of updated schedules) in each case pursuant to documentation in form and substance satisfactory to the Administrative Agent, or shall enter into and deliver such new Security Documents as may be requested by the Administrative Agent or the Required Lenders. The Borrower shall cause each such Wholly-Owned Domestic Subsidiary of the Borrower, at its own expense, to execute, acknowledge and deliver, or cause the execution, acknowledgment and delivery of, and thereafter register, file or record in any appropriate governmental office, any document or instrument reasonably deemed by the Collateral Agent to be necessary or desirable for the creation and perfection of the foregoing Liens. The Borrower will cause each of such Wholly-Owned Domestic Subsidiaries to take all actions reasonably requested by the Administrative Agent (including, without limitation, the filing of UCC-1's) in connection with the granting of such security interests. Notwithstanding the foregoing, no Subsidiary shall be required to take any of the actions described in clauses (i) through (v) of the last sentence of Section 8.11(a).

(e) At any time after the Initial Borrowing Date at which the Borrower or any of its Subsidiaries receives or has performed on its behalf any survey of any Mortgaged Property (it being understood that the Borrower and its Subsidiaries shall be under no obligation to obtain any such survey), the Borrower shall promptly thereafter deliver a copy of such survey to the Administrative Agent.

(f) Each of the Credit Parties agrees that each action required above by this Section 8.11 shall be completed as soon as possible, but in no event later than 60 days after such action is either requested to be taken by the Collateral Agent, the Administrative Agent or the Required Lenders or required to be taken by Holdings and its Subsidiaries pursuant to the terms of this Section 8.11; provided that (i) each newly acquired or created Wholly-Owned Domestic Subsidiary of the Borrower shall be required to take the actions specified above concurrently with the creation or acquisition thereof (directly or indirectly) by the Borrower and (ii) in no event will any Credit Agreement Party or any of its Subsidiaries be required to take any action, other than using its commercially reasonable efforts, to obtain consents from third parties with respect to its compliance with this Section 8.11.

(g) Notwithstanding the foregoing, the rights of the Collateral Agent and the Lenders set forth above are subject to the provisions of the Intercreditor Agreement (including, without limitation, Sections 2.3 and 2.4 thereof).

8.12. Use of Proceeds. All proceeds of the Second-Lien Loans shall be used as provided in Section 7.05.

8.13. Ownership of Subsidiaries. (a) Except (i) as otherwise expressly permitted pursuant to Section 9.15 in the case of the creation or acquisition of new non-Wholly-Owned Subsidiaries after the Initial Borrowing Date, (ii) as reflected on Schedule VII or (iii) as contemplated by the definition of "Wholly-Owned Subsidiary", the Borrower will directly or indirectly own 100% of the capital stock of each Subsidiary of the Borrower.

(b) EnerSys shall at all times directly own 100% of the outstanding capital stock of the Receivables Entity.

8.14. Permitted Acquisitions. (a) Subject to the provisions of this Section 8.14 and the requirements contained in the definition of Permitted Acquisition, the Borrower and any of its Wholly-Owned Subsidiaries may from time to time effect Permitted Acquisitions, so long as (in each case except to the extent the Required Lenders otherwise specifically agree in writing in the case of a specific Permitted Acquisition): (i) no Default or Event of Default shall be in existence at the time of the consummation of the proposed Permitted Acquisition or immediately after giving effect thereto; (ii) the Borrower shall have given the Administrative Agent and the Lenders at least 15 Business Days' prior written notice of the proposed Permitted Acquisition; (iii) calculations are made by Holdings of (x) compliance with the covenants contained in Sections 9.08 and 9.09 for the period of four consecutive fiscal quarters (taken as one accounting period) most recently ended prior to the date of such Permitted Acquisition (each, a "Calculation Period"), on a Pro Forma Basis as if the respective Permitted Acquisition (as well as all other Permitted Acquisitions theretofore consummated after the first day of such Calculation Period) had occurred on the first day of such Calculation Period, and such recalculations shall show that such financial covenants would have been complied with if the Permitted Acquisition had occurred on the first day of such Calculation Period (for this purpose, if the first day of the respective Calculation Period occurs prior to the Initial Borrowing Date, calculated as if the covenants contained in said Sections 9.08 and 9.09 (in each case, giving effect to the last sentence appearing therein) had been applicable from the first day of the Calculation Period) and (y) compliance with Section 9.09 immediately after giving effect to the consummation of the respective Permitted Acquisition (for this purpose, using the same ratio which will be required to be met on the last day of the first fiscal quarter ended on or after the date upon which the respective Permitted Acquisition is consummated), and Holdings shall be in compliance therewith; (iv) all representations and warranties contained herein and in the other Credit Documents shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date of such Permitted Acquisition (both before and after giving effect thereto), unless stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct in all material respects as of such earlier date; (v) the Borrower provides to the Administrative Agent and the Lenders as soon as available but not later than 5 Business Days after the execution thereof, a copy of any executed purchase agreement or similar agreement with respect to such Permitted Acquisition; (vi) the Aggregate Consideration (excluding consideration consisting of Holdings Common Stock or Qualified Preferred Stock) payable in connection with the proposed Permitted Acquisition does not exceed $35,000,000; (vii) the Aggregate Consideration payable in connection with the proposed Permitted Acquisition does not exceed $100,000,000; (viii) the Aggregate Consideration

(excluding consideration consisting of Holdings Common Stock or Qualified Preferred Stock) payable in connection with the proposed Permitted Acquisition, when combined with the Aggregate Consideration (excluding consideration consisting of Holdings Common Stock and Qualified Preferred Stock) paid in connection with all other Permitted Acquisitions consummated prior to the date of the consummation of the proposed Permitted Acquisition, does not exceed $125,000,000; (ix) the Aggregate Consideration payable in connection with the proposed Permitted Acquisition, when combined with the Aggregate Consideration paid in connection with all other Permitted Acquisitions consummated prior to the date of the consummation of the proposed Permitted Acquisition, does not exceed $250,000,000; and (x) Holdings shall have delivered to the Administrative Agent on the date of the consummation of such proposed Permitted Acquisition, an officer's certificate executed by an Authorized Officer of Holdings, certifying to the best of his knowledge, compliance with the requirements of preceding clauses (i) through (iv), inclusive, and clauses (vi), (vii), (viii) and (ix) and containing the calculations required by the preceding clauses (iii), (vi), (vii), (viii) and (ix).

(b) At the time of each Permitted Acquisition involving the creation or acquisition of a Subsidiary, or the acquisition of capital stock or other Equity Interest of any Person, all capital stock or other Equity Interests thereof created or acquired in connection with such Permitted Acquisition shall be pledged for the benefit of the Secured Creditors pursuant to, and to the extent required by, the Pledge Agreement in accordance with the requirements of Section 9.15.

(c) The Borrower shall cause each Subsidiary which is formed to effect, or is acquired pursuant to, a Permitted Acquisition to comply with, and to execute and deliver, all of the documentation required by, Sections 8.11 and 9.15, to the satisfaction of the Administrative Agent.

(d) The consummation of each Permitted Acquisition shall be deemed to be a representation and warranty by each Credit Agreement Party that the certifications by a Credit Agreement Party (or by one or more of its respective Authorized Officers) pursuant to Section 8.14(a), are true and correct and that all conditions thereto have been satisfied and that same is permitted in accordance with the terms of this Agreement, which representation and warranty shall be deemed to be a representation and warranty for all purposes hereunder, including, without limitation, Sections 6 and 10.

8.15. Maintenance of Company Separateness. Holdings will, and will cause each of its Subsidiaries to, satisfy customary Company formalities, including, as applicable, the holding of regular board of directors' and shareholders' meetings or action by directors or shareholders without a meeting and the maintenance of Company offices and records. Neither Holdings nor any of its Subsidiaries shall take any action, or conduct its affairs in a manner, which is likely to result in the Company existence of Holdings or any of its Subsidiaries being ignored, or in the assets and liabilities of Holdings or

any of its Subsidiaries being substantively consolidated with those of any other such Person in a bankruptcy, reorganization or other insolvency proceeding (it being understood and agreed that the entering into of the Credit Documents and the First-Lien Credit Documents by Holdings and its Subsidiaries, and the performance of their respective obligations thereunder, shall not in and of itself be taken into account for purposes of determining compliance with the foregoing covenant).

8.16. Interest Rate Protection. (a) No later than the 60th day after the Initial Borrowing Date, the Borrower shall enter into, and for a minimum period of three years thereafter maintain, Interest Rate Protection Agreements with one or more Lenders or their affiliates reasonably acceptable to the Administrative Agent establishing a fixed or maximum interest rate acceptable to the Administrative Agent for an aggregate amount with respect to no less than $60,000,000 in aggregate principal amount of the Second-Lien Loans under, and as defined in, the First-Lien Credit Agreement (it being understood that the Existing Interest Rate Protection Agreements covering $60,000,000 of Indebtedness which shall be maintained from the Initial Borrowing Date until February 22, 2006 shall not be taken account of for purposes of the determining compliance with this Section 8.16(a)).

(b) No later than the 60th day after the consummation of a Qualified IPO, the Borrower shall enter into, and for a minimum period of three years after the Initial Borrowing Date maintain, Interest Rate Protection Agreements with one or more Lenders or their affiliates reasonably acceptable to the Administrative Agent establishing a fixed or maximum interest rate acceptable to the Administrative Agent for an aggregate amount with respect to no less than (after taking into account the protection provided by the Existing Interest Rate Protection Agreements) 35% of the aggregate principal amount of the Second-Lien Loans and the term loans under the First-Lien Credit Agreement outstanding from time to time.

(c) No later than the February 1, 2005 (if a Qualified IPO has not been consummated on or prior to December 31, 2004), the Borrower shall enter into, and for a minimum period of three years after the Initial Borrowing Date maintain, Interest Rate Protection Agreements with one or more Lenders or their affiliates reasonably acceptable to the Administrative Agent establishing a fixed or maximum interest rate acceptable to the Administrative Agent for an aggregate amount with respect to no less than (after taking into account the protection provided by the Existing Interest Rate Protection Agreements) 35% of the aggregate principal amount of the Second-Lien Loans and the term loans under the First-Lien Credit Agreement outstanding from time to time.

8.17. Performance of Obligations. Holdings will, and will cause each of its Subsidiaries to, perform all of its obligations under the terms of each mortgage, deed of trust, indenture, loan agreement or credit agreement and each other material agreement, contract or instrument by which it is bound, except such non-performances as (x) have not caused (unless same has ceased to exist in all respects) and (y) are not reasonably likely to cause, individually or in the aggregate, a Default or Event of Default hereunder or a Material Adverse Effect.

8.18. Margin Regulations. On and after a Qualified IPO, Holdings will take all actions so that at all times the fair market value of all Margin Stock owned by Holdings and its Subsidiaries (other than capital stock of Holdings held in treasury) shall not exceed $500,000. So long as the covenant contained in the immediately preceding sentence is complied with, all Margin Stock at any time owned by Holdings and its Subsidiaries will not constitute Collateral and no security interest shall be granted therein pursuant to any Credit Document. Without excusing any violation of the first sentence of this Section 8.18, if at any time the fair market value of all Margin Stock owned by Holdings and its Subsidiaries (other than capital stock of Holdings held in treasury) exceeds $500,000, then (x) all Margin Stock owned by the Credit Parties (other than capital stock of Holdings held in treasury) shall (subject to the provisions of

the Intercreditor Agreement) be pledged, and delivered for pledge, pursuant to the Pledge Agreement and (y) the Borrower will execute and deliver to the Lenders appropriate completed forms (including, without limitation, Forms G-3 and U-1, as appropriate) establishing compliance with Regulations T, U and X. If at any time any Margin Stock is required to be pledged as a result of the provisions of the immediately preceding sentence, repayments of outstanding Obligations shall be required, and subsequent Credit Events shall be permitted, only in compliance with the applicable provisions of Regulations T, U and X.

8.19. Accounts Receivable Facility Transaction. On the Accounts Receivable Facility Transaction Date, (i) Holdings shall have delivered to the Administrative Agent an officer's certificate executed by an Authorized Officer of Holdings demonstrating compliance with a Leverage Ratio of 3:00:1.00 or less (calculated on a Pro Forma Basis after giving effect to the incurrence of the Receivable Indebtedness under the Accounts Receivables Facility Documents), together with calculations in reasonable detail demonstrating such compliance, (ii) Holdings shall have delivered to the Agents and the Lenders true and correct copies of all Accounts Receivable Facility Documents, certified as such by an Authorized Officer of Holdings, (iii) the Accounts Receivable Facility Documents (and the terms and conditions thereof) shall satisfy the Initial Accounts Receivable Facility Requirements and otherwise be in form and substance satisfactory to the Agents, (iv) the Receivables Entity designated with respect thereto shall comply in all respects with the definition of "Receivables Entity", (v) all Accounts Receivable Facility Documents shall be in full force and effect, (vi) each of the conditions precedent to the consummation of the Accounts Receivable Facility Transaction shall have been satisfied and not waived except with the consent of the Administrative Agent and the Required Lenders to the reasonable satisfaction of the Administrative Agent and the Required Lenders, (vii) each of the representations and warranties of the Receivables Sellers and the Receivables Entity contained in the Accounts Receivable Facility Documents shall be true and correct in all material respects, and (viii) the Accounts Receivable Facility Transaction shall have been consummated in all material respects in accordance with all applicable law and the Accounts Receivable Facility Documents.

SECTION 9. Negative Covenants. Each of Holdings and the Borrower hereby covenants and agrees that as of the Effective Date and thereafter for so long as this Agreement is in effect and until the Total Commitment has terminated, and the Second-Lien Loans, together with interest, Fees and all other Obligations (other than any indemnities described in Section 13.13(b) which are not then due and payable) incurred hereunder, are paid in full:

9.01. Changes in Business; etc. (a) Holdings and its Subsidiaries will not engage in any business other than a Permitted Business.

(b) Notwithstanding the foregoing, Holdings will not itself (I) engage in a Permitted Business, (II) own any significant assets (other than (w) the Equity Interests of the Borrower, (x) any Intercompany Note evidencing an Intercompany Loan permitted to be made by it pursuant to Section 9.05(vi), (y) cash and/or Cash Equivalents to be on-loaned, dividended, contributed and/or otherwise promptly applied for purposes not otherwise prohibited by this Agreement and (z) other assets used or held in connection with the performance of activities permitted to be conducted by Holdings) or (III) have any liabilities (other than those liabilities for which it is responsible under this Agreement, the Documents to which it is a party, any

Intercompany Loan permitted to be incurred by it pursuant to Section 9.05(vi), any Shareholder Subordinated Note and any other Indebtedness permitted to be incurred by Holdings pursuant to Section 9.04); provided however, the conduct of business restriction contained in clause (I) above shall not prohibit (or be construed to prohibit) Holdings from conducting administrative and other ordinary course "holding company" activities necessary or desirable in connection with the operation of the Permitted Business through Subsidiaries of Holdings (including, without limitation, intercompany management functions and the provision of umbrella insurance policies).

(c) Notwithstanding anything to the contrary contained in this Agreement, the Receivables Entity will not engage in any business other than purchasing Accounts Receivable Facility Assets from the Receivables Sellers and the related transactions contemplated by the terms of the Accounts Receivable Facility Documents; provided that the Receivables Entity may engage in those activities that are incidental to (x) the maintenance of its corporate existence in compliance with applicable law and (y) tax, legal and accounting matters in connection with the foregoing permitted activities.

(d) Notwithstanding anything to the contrary contained in this Agreement, Cayman Partnership Shareholder #1 will not engage in any business or own any significant assets (other than (x) its ownership of the Equity Interests of Cayman Partnership Shareholder #2, Cayman Partnership Shareholder #3 and the Cayman Partnership and (y) any cash, Cash Equivalents and/or intercompany receivables permitted to be held in accordance with the proviso to Section 7.25(b) or have any material liabilities (other than those liabilities for which it is responsible under the Credit Documents to which it is a party), provided that Cayman Partnership Shareholder #1 may engage in those activities that (i) are incidental to (x) the maintenance of its corporate existence in compliance with applicable law, (y) legal, tax and accounting matters in connection with any of the foregoing activities and (z) the entering into, and performing its obligations under, the Credit Documents to which it is a party and (ii) are otherwise expressly permitted by this Agreement (other than pursuant to preceding Section 9.01(a)) and the other Credit Documents.

(e) Notwithstanding anything to the contrary contained in this Agreement, Cayman Partnership Shareholder #2 will not engage in any business or own any significant assets (other than (x) its ownership of the Equity Interests of the Cayman Partnership and (y) any cash, Cash Equivalents and/or intercompany receivables permitted to be held in accordance with the proviso to Section 7.25(c)) or have any material liabilities (other than those liabilities for which it is responsible under the Credit Documents to which it is a party), provided that Cayman Partnership Shareholder #2 may engage in those activities that (i) are incidental to (x) the maintenance of its corporate existence in compliance with applicable law, (y) legal, tax and accounting matters in connection with any of the foregoing activities and (z) the entering into, and performing its obligations under, the Credit Documents to which it is a party and (ii) are otherwise expressly permitted by this Agreement (other than pursuant to preceding Section 9.01(a)) and the other Credit Documents.

(f) Notwithstanding anything to the contrary contained in this Agreement, Cayman Partnership Shareholder #3 will not engage in any business or own any significant assets (other than (x) its ownership of the Equity Interests of the Cayman Partnership and (y) any

cash, Cash Equivalents and/or intercompany receivables permitted to be held in accordance with the proviso to Section 7.25(d)) or have any material liabilities (other than those liabilities for which it is responsible under the Credit Documents to which it is a party), provided that Cayman Partnership Shareholder #3 may engage in those activities that (i) are incidental to (x) the maintenance of its corporate existence in compliance with applicable law, (y) legal, tax and accounting matters in connection with any of the foregoing activities and (z) the entering into, and performing its obligations under, the Credit Documents to which it is a party and (ii) are otherwise expressly permitted by this Agreement (other than pursuant to preceding Section 9.01(a)) and the other Credit Documents.

9.02. Consolidation; Merger; Sale or Purchase of Assets; etc. Each Credit Agreement Party will not, and will not permit any of its Subsidiaries to, wind up, liquidate or dissolve its affairs or enter into any transaction of merger or consolidation, or convey, sell, lease or otherwise dispose of all or any part of its property or assets (other than inventory in the ordinary course of business), or enter into any partnerships, joint ventures or sale-leaseback transactions, or purchase or otherwise acquire (in one or a series of related transactions) any part of the property or assets (other than purchases or other acquisitions of inventory, materials and equipment in the ordinary course of business) of any Person or agree to do any of the foregoing at any future time, except that the following shall be permitted:

(i) the Borrower and its Subsidiaries (other than the Receivables Entity) may, as lessee, enter into operating leases in the ordinary course of business with respect to real or personal property;

(ii) Capital Expenditures by the Borrower and its Subsidiaries (other than the Receivables Entity) to the extent not in violation of Section 9.11;

(iii) Investments permitted pursuant to Section 9.05;

(iv) the Borrower and its Subsidiaries (other than the Receivables Entity) may, in the ordinary course of business, sell or otherwise dispose of assets (excluding capital stock of Subsidiaries and joint ventures) which, in the reasonable opinion of such Person, are obsolete, uneconomic or worn-out;

(v) the Borrower and its Subsidiaries (other than the Receivables Entity) may sell assets (other than the Equity Interests of any Subsidiary or joint venture), so long as (x) each such sale is in an arm's-length transaction and the Borrower or the respective Subsidiary receives at least fair market value (as determined in good faith by the Borrower or such Subsidiary, as the case may be), (y) the total consideration received by the Borrower or such Subsidiary is at least 70% cash and is paid at the time of the closing of such sale and (z) the Net Sale Proceeds therefrom are (I) applied and/or reinvested as (and to the extent) required by Section 4.02(c) or (II) applied as a mandatory repayment and/or commitment reduction of loans (or other obligations) and/or commitments under the First-Lien Credit Agreement and/or reinvested in a Permitted Business in accordance with the requirements of the First-Lien Credit Agreement;

(vi) each of the Borrower and its Subsidiaries (other than the Receivables Entity) may sell or discount, in each case without recourse and in the ordinary course of business, overdue accounts receivable arising in the ordinary course of business, but only in connection with the compromise or collection thereof and not as part of any financing transaction;

(vii) each of the Borrower and its Subsidiaries (other than the Receivables Entity) may grant leases or subleases to other Persons not materially interfering with the conduct of the business of the Borrower or any of its Subsidiaries;

(viii) any Subsidiary of the Borrower (other than the Receivables Entity) may transfer assets to the Borrower or to any Wholly-Owned Domestic Subsidiary of the Borrower (other than the Receivables Entity) which is a Subsidiary Guarantor, so long as the security interests granted to the Collateral Agent for the benefit of the Secured Creditors pursuant to the Security Documents in the assets so transferred shall remain in full force and effect and perfected (to at least the same extent as in effect immediately prior to such transfer);

(ix) any Subsidiary of the Borrower (other than the Receivables Entity) may merge with and into, or be dissolved or liquidated into, the Borrower or any Wholly-Owned Domestic Subsidiary of the Borrower (other than the Receivables Entity) which is a Subsidiary Guarantor, so long as (i) in the case of any such merger, dissolution or liquidation involving the Borrower, the Borrower is the surviving corporation of any such merger, dissolution or liquidation, (ii) in all other cases, a Wholly-Owned Domestic Subsidiary which is a Subsidiary Guarantor is the surviving corporation of any such merger, dissolution or liquidation and (iii) in all cases, the security interests granted to the Collateral Agent for the benefit of the Secured Creditors pursuant to the Security Documents in the assets of such Subsidiary shall remain in full force and effect and perfected (to at least the same extent as in effect immediately prior to such merger, dissolution or liquidation);

(x) the Borrower and its Subsidiaries may sell or exchange specific items of equipment, so long as the purpose of each such sale or exchange is to acquire (and results within 90 days of such sale or exchange in the acquisition of) replacement items of equipment which are the functional equivalent of the item of equipment so sold or exchanged;

(xi) the Borrower and its Wholly-Owned Subsidiaries (other than the Receivables Entity) shall be permitted to make Permitted Acquisitions, so long as such Permitted Acquisitions are effected in accordance with the requirements of Section 8.14;

(xii) the Transaction shall be permitted;

(xiii) on and after the Accounts Receivable Facility Transaction Date, the Receivables Sellers may (x) contribute cash to the Receivables Entity the proceeds of which are used to acquire Accounts Receivable Facility Assets from the Receivables Sellers and (y) transfer and reacquire Accounts Receivable Facility Assets to and from

the Receivables Entity, in each case pursuant to, and in accordance with the terms of, the Accounts Receivable Facility Documents;

(xiv) on and after the Accounts Receivable Facility Transaction Date, the Receivables Entity may transfer and reacquire Accounts Receivable Facility Assets (to the extent acquired from the Receivables Sellers as provided in clause (xiii) above) pursuant to, and in accordance with the terms of, the Accounts Receivable Facility Documents;

(xv) any Foreign Subsidiary of the Borrower may be merged into or consolidated with, or be dissolved or liquidated into, or transfer any of its assets to, any other Wholly-Owned Foreign Subsidiary of the Borrower, so long as (i) such Wholly-Owned Foreign Subsidiary is the surviving corporation of any such merger, consolidation, dissolution or liquidation (and remains a Wholly-Owned Subsidiary after giving effect thereto) and (ii) any security interests granted to the Collateral Agent for the benefit of the Secured Creditors pursuant to the Security Documents in the Equity Interests of such Wholly-Owned Foreign Subsidiary shall remain in full force and effect and perfected (to at least the same extent as in effect immediately prior to such merger, consolidation, dissolution, liquidation or transfer) and all actions required to maintain said perfected status have been taken; and

(xvi) the Borrower and its Subsidiaries (other than the Receivables Entity) may sell or otherwise dispose of Designated Assets, so long as (x) no Default or Event of Default then exists or would result therefrom, (y) each such sale is in an arm's-length transaction and the Borrower or the respective Subsidiary receives at least fair market value (as determined in good faith by the Borrower or such Subsidiary, as the case may be) and (z) the aggregate amount of the Net Sale Proceeds received from the sale or other disposition of such Designated Assets does not exceed $5,000,000 (it being understood, however, that if the Net Sale Proceeds from the sale or other disposition of Designated Assets exceeds $5,000,000, such excess may be independently permitted pursuant to Section 9.02(v) above).

To the extent (x) the Required Lenders waive the provisions of this Section 9.02 with respect to the sale or other disposition of any Collateral, (y) any Collateral is sold or otherwise disposed of as permitted by this Section 9.02 or (z) the Intercreditor Agreement requires the release of any Collateral from the pledge created pursuant to the Security Documents, such Collateral (unless transferred to Holdings or a Subsidiary thereof (excluding the Receivables Entity in the case of transfers pursuant to clause (xiii) above)) shall be sold or otherwise disposed of free and clear of the Liens created by the Security Documents and the Administrative Agent shall take such actions (including, without limitation, directing the Collateral Agent to take such actions) as are appropriate in connection therewith.

9.03. Liens. Each Credit Agreement Party will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon or with respect to any property or assets of any kind (real or personal, tangible or intangible) of Holdings or any of its Subsidiaries, whether now owned or hereafter acquired, or sell any such property

or assets subject to an understanding or agreement, contingent or otherwise, to repurchase such property or assets (including sales of accounts receivable or notes with recourse to Holdings or any of its Subsidiaries) or assign any right to receive income, except for the following (collectively, the "Permitted Liens"):

(i) inchoate Liens for taxes, assessments or governmental charges or levies not yet due and payable or Liens for taxes, assessments or governmental charges or levies being contested in good faith and by appropriate proceedings for which adequate reserves have been established in accordance with GAAP;

(ii) Liens in respect of property or assets of the Borrower or any of its Subsidiaries imposed by law which were incurred in the ordinary course of business and which have not arisen to secure Indebtedness for borrowed money, such as carriers', warehousemen's and mechanics' Liens, statutory landlord's Liens, and other similar Liens arising in the ordinary course of business, and which either (x) do not in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of the Borrower or any of its Subsidiaries or (y) are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property or asset subject to such Lien;

(iii) Liens created by or pursuant to (x) this Agreement and the Security Documents and (y) the First-Lien Credit Documents;

(iv) Liens in existence on the Initial Borrowing Date which are listed, and the property subject thereto described, in Schedule IX, plus any extensions or renewals of such Liens, provided that (x) the aggregate principal amount of the Indebtedness, if any, secured by such Liens does not increase from that amount outstanding at the time of any such renewal, replacement or extension and (y) any such renewal, replacement or extension does not encumber any additional assets or properties of Holdings or any of its Subsidiaries;

(v) Liens arising from judgments, decrees or attachments in circumstances not constituting an Event of Default under Section 10.09, provided that no cash or other property shall be pledged by Holdings or any of its Subsidiaries as security therefor;

(vi) Liens (other than any Lien imposed by ERISA) (x) incurred or deposits made in the ordinary course of business of the Borrower and its Subsidiaries in connection with workers' compensation, unemployment insurance and other types of social security, (y) to secure the performance by the Borrower and its Subsidiaries of tenders, statutory obligations (other than excise taxes), surety, stay and customs bonds, statutory bonds, bids, leases, government contracts, trade contracts, performance and return of money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money) or (z) to secure the performance by the Borrower and its Subsidiaries of leases of Real Property, to the extent incurred or made in the ordinary course of business consistent with past practices, provided that the aggregate amount of deposits at any time pursuant to preceding sub-clause (y) and sub-clause (z) shall not exceed $10,000,000 in the aggregate;

(vii) licenses, leases or subleases granted to third Persons in the ordinary course of business not interfering in any material respect with the business of Holdings or any of its Subsidiaries;

(viii) Permitted Encumbrances;

(ix) Liens arising from or related to precautionary UCC financing statements regarding operating leases entered into by the Borrower and its Subsidiaries (other than the Receivables Entity);

(x) Liens created pursuant to Capital Leases permitted pursuant to Section 9.04(iv), provided that (x) such Liens only serve to secure the payment of Indebtedness arising under such Capitalized Lease Obligation and (y) the Lien encumbering the asset giving rise to the Capitalized Lease Obligation does not encumber any other asset of Holdings or any of its Subsidiaries;

(xi) Liens arising pursuant to purchase money mortgages or security interests securing Indebtedness representing the purchase price (or financing of the purchase price within 30 days after the respective purchase) of assets acquired after the Initial Borrowing Date by the Borrower and its Subsidiaries (other than the Receivables Entity), provided that (i) any such Liens attach only to the assets so purchased, (ii) the Indebtedness secured by any such Lien does not exceed 100%, nor is less than 80% (unless the Secured Creditors have a fully perfected second subordinated lien on such property pursuant to the Security Documents), of the lesser of the fair market value or the purchase price of the property being purchased at the time of the incurrence of such Indebtedness and (iii) the Indebtedness secured thereby is permitted to be incurred pursuant to Section 9.04(iv);

(xii) Liens on property or assets acquired pursuant to a Permitted Acquisition, or on property or assets of a Subsidiary of the Borrower in existence at the time such Subsidiary is acquired pursuant to a Permitted Acquisition, provided that (i) any Indebtedness that is secured by such Liens is permitted to exist under Section 9.04(vi), and (ii) such Liens are not incurred in connection with, or in contemplation or anticipation of, such Permitted Acquisition and do not attach to any other asset of Holdings or any of its Subsidiaries;

(xiii) restrictions imposed in the ordinary course of business and consistent with past practices on the sale or distribution of designated inventory pursuant to agreements with customers under which such inventory is consigned by the customer or such inventory is designated for sale to one or more customers;

(xiv) Liens in favor of customs or revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(xv) Liens on the assets of a Foreign Subsidiary which is not a Subsidiary Guarantor securing Indebtedness incurred by such Foreign Subsidiary in accordance with the terms of Section 9.04;

(xvi) on and after the Accounts Receivable Facility Transaction Date, Liens (x) granted by the Receivables Sellers in favor of the Receivables Entity consisting of UCC-1 financing statements filed to effect the sale of Accounts Receivable Facility Assets pursuant to the Replacement Receivables Facility Documents, (y) granted by the Receivables Entity on those Accounts Receivable Facility Assets acquired by it pursuant to the Accounts Receivable Facility Documents to the extent that such Liens are created by the Accounts Receivable Facility Documents and (z) consisting of the right of setoff granted by the Receivables Entity to any financial institution acting as a lockbox bank in connection with the Accounts Receivable Facility;

(xvii) Liens securing Permitted Refinancing Indebtedness permitted pursuant to Section 9.04(xv) to the extent such Liens comply with clause (b)(ii) of the definition of Permitted Refinancing Indebtedness;

(xviii) Liens on assets (x) owned by Foreign Subsidiaries of the Borrower securing permitted secured Indebtedness of such Foreign Subsidiaries of the Borrower pursuant to Section 9.04(xviii) and/or (y) consisting of equipment, receivables, inventory and Real Property (other than any Mortgaged Property) owned by the Borrower and/or one or more of its Subsidiaries which are not Foreign Subsidiaries securing permitted secured Indebtedness of such Persons pursuant to Section 9.04(xviii), provided that the aggregate fair market value of all such assets as described in preceding clause (y) securing Indebtedness pursuant to Section 9.04(xviii) of the Persons described in preceding clause (y) shall at no time exceed 150% of the outstanding principal amount of the Indebtedness secured by such assets (which shall at no time exceed $50,000,000); and

(xix) other Liens incidental to the conduct of the business or the ownership of the assets of the Borrower or any Subsidiary of the Borrower that (x) were not incurred in connection with borrowed money, (y) do not encumber any Collateral or any Real Property owned by Holdings or any Subsidiary of Holdings and do not in the aggregate materially detract from the value of the assets subject thereto or materially impair the use thereof in the operation of such business and (z) do not secure obligations in excess of $10,000,000 in the aggregate for all such Liens.

9.04. Indebtedness. No Credit Agreement Party will, nor will permit any of its Subsidiaries to, contract, create, incur, assume or suffer to exist any Indebtedness, except:

(i) (x) Indebtedness of the Credit Parties incurred pursuant to this Agreement and the other Credit Documents; and (y) Indebtedness of the Credit Parties pursuant to the First-Lien Credit Documents, provided that the aggregate principal amount of the loans outstanding under the First-Lien Credit Agreement shall not exceed $580,000,000 at any time;

(ii) (x) Existing Indebtedness outstanding on the Initial Borrowing Date and listed on Part A of Schedule IV, without giving effect to any subsequent extension, renewal or refinancing thereof except to the extent expressly permitted by Part A of Schedule IV (or otherwise permitted by Section 9.04(xv)); provided that any intercompany Indebtedness among Holdings or any of its Subsidiaries set forth on Part A

of Schedule IV shall be subject to the requirements applicable to Intercompany Loans as set forth in the proviso appearing in Section 9.05(vi) as if such intercompany Indebtedness were an "Intercompany Loan" and (y) Indebtedness of Foreign Subsidiaries of the Borrower under the Existing Overdraft Facilities in an aggregate outstanding principal amount not to exceed at any time the aggregate commitments under such Existing Overdraft Facilities as set forth on Part B of Schedule IV, together with any extension, renewal or refinancing of any Existing Overdraft Facility (or extension, renewal or refinancing thereof permitted hereby) to the extent such extension, renewal or refinancing does not (I) increase the amount of available commitments (or maximum Indebtedness permitted to be incurred) under the respective Existing Overdraft Facility (or extension, renewal or refinancing thereof permitted hereby) to be so extended, renewed or refinanced or (II) add guarantors, obligors or security from that which applied to such Indebtedness being extended, renewed or refinanced;

(iii) Indebtedness under Interest Rate Protection Agreements entered into to protect the Borrower against fluctuations in interest rates in respect of Indebtedness otherwise permitted under this Agreement;

(iv) Capitalized Lease Obligations and Indebtedness of the Borrower and its Subsidiaries representing purchase money Indebtedness secured by Liens permitted pursuant to Section 9.03(xi), provided that (i) all such Capitalized Lease Obligations are permitted under Section 9.11 and (ii) the sum of (x) the aggregate Capitalized Lease Obligations outstanding at any time plus (y) the aggregate principal amount of such purchase money Indebtedness outstanding at such time shall not exceed $30,000,000;

(v) (x) Indebtedness of Holdings and its Subsidiaries (other than the Receivables Entity) constituting Intercompany Loans permitted by Section 9.05(vi) and (y) intercompany Indebtedness of Wholly-Owned Foreign Subsidiaries permitted pursuant to Section 9.05(xi);

(vi) Indebtedness of a Subsidiary acquired pursuant to a Permitted Acquisition (or Indebtedness assumed at the time of a Permitted Acquisition of an asset securing such Indebtedness), provided that (i) such Indebtedness was not incurred in connection with, or in anticipation or contemplation of, such Permitted Acquisition and (ii) at the time of such Permitted Acquisition, such Indebtedness does not exceed 25% of the total value of the assets of the Subsidiary so acquired, or of the assets so acquired, as the case may be (such Indebtedness described above in this Section 9.04(vi) being "Permitted Acquired Debt");

(vii) on and after the Accounts Receivable Facility Transaction Date, Indebtedness which may be deemed to exist pursuant to the Accounts Receivable Facility, so long as the aggregate amount of Receivables Indebtedness attributable thereto at any time does not exceed $50,000,000 at any time outstanding;

(viii) Indebtedness of Foreign Subsidiaries of the Borrower under lines of credit to any such Foreign Subsidiary from Persons other than Holdings or any of its

Subsidiaries, the proceeds of which Indebtedness are used for such Foreign Subsidiary's working capital and other general corporate purposes, provided that the aggregate principal amount of all such Indebtedness outstanding at any time for all such Foreign Subsidiaries shall not exceed

$50,000,000;

(ix) Indebtedness of Holdings under Shareholder Subordinated Notes issued pursuant to Section 9.06(ii);

(x) guaranties by the Borrower and the Subsidiary Guarantors of each other's Indebtedness (other than any Receivables Indebtedness) to the extent that such Indebtedness is otherwise permitted under this Section 9.04;

(xi) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business so long as such Indebtedness is extinguished within three Business Days of the incurrence thereof;

(xii) Indebtedness in respect of Other Hedging Agreements to the extent permitted by Section 9.05(xiii) and forward commodities purchases to the extent permitted by Section 9.05(xv);

(xiii) Indebtedness of the Borrower or any of its Subsidiaries evidenced by completion guarantees, performance bonds and surety bonds incurred in the ordinary course of business for purposes of insuring the performance of the Borrower or such Subsidiary in an aggregate amount not to exceed at any time outstanding $40,000,000;

(xiv) Indebtedness of the Borrower or any Subsidiary of the Borrower arising from agreements of the Borrower or a Subsidiary of the Borrower providing for indemnification, adjustment of purchase price, earn out or other similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or a Subsidiary of the Borrower permitted under this Agreement, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition, provided that the maximum assumable liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Borrower and its Subsidiaries in connection with such disposition;

(xv) Permitted Refinancing Indebtedness, so long as no Default or Event of Default is in existence at the time of the incurrence of such Permitted Refinancing Indebtedness and immediately after giving effect thereto;

(xvi) unsecured subordinated Indebtedness of the Borrower incurred under the Refinancing Senior Subordinated Notes and of the Subsidiary Guarantors (and so long as same remain Subsidiary Guarantors) under subordinated guarantees of the obligations of the Borrower provided under the Refinancing Senior Subordinated Notes Documents to which they are a party, in the aggregate principal amount permitted by the definition of Refinancing Senior Subordinated Notes at the time of issuance thereof (less

the amount of any repayments of principal thereof), so long as (A) such Indebtedness is incurred in accordance with the requirements of the definition of Refinancing Senior Subordinated Notes and (B) promptly following the incurrence thereof, Net Cash Proceeds of such Indebtedness shall have been applied to repay Second-Lien Loans in accordance with the requirements of Section 4.02(d);

(xvii) unsecured Indebtedness of the Borrower evidenced by a guaranty of the Indebtedness of Foreign Subsidiaries permitted pursuant to Sections 9.04(ii)(y) and (viii); and

(xviii) additional Indebtedness of the Borrower and its Subsidiaries not otherwise permitted hereunder not exceeding $50,000,000 in aggregate principal amount at any time outstanding, provided that not more than $50,000,000 of such Indebtedness outstanding at any time may be secured and any such security shall be granted in accordance with Section 9.03(xviii).

9.05. Advances; Investments; Loans. No Credit Agreement Party will, nor will permit any of its Subsidiaries to, lend money or extend credit or make advances to any Person, or purchase or acquire any stock, obligations or securities of, or any other interest in, or make any capital contribution to, any Person, or purchase or own a futures contract or otherwise become liable for the purchase or sale of currency or other commodities at a future date in the nature of a futures contract, or hold any cash or Cash Equivalents (each of the foregoing an "Investment" and, collectively, "Investments"), except:

(i) Holdings and its Subsidiaries (other than the Receivables Entity) may hold or invest in cash and Cash Equivalents;

(ii) the Borrower and its Subsidiaries (other than the Receivables Entity) may acquire and hold receivables owing to it, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms (including the dating of receivables) of the Borrower or such Subsidiary;

(iii) the Borrower and its Subsidiaries (other than the Receivables Entity) may acquire and own investments (including debt obligations) received in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;

(iv) Interest Rate Protection Agreements entered into in compliance with Section 9.04(iii) shall be permitted;

(v) Investments in existence on the Initial Borrowing Date and listed on Schedule VI shall be permitted, without giving effect to any additions thereto or replacements thereof;

(vi) (u) Holdings may make intercompany loans and advances to the Borrower, (v) the Borrower may make intercompany loans and advances to any Subsidiary Guarantor (other than the Receivables Entity), (w) any Subsidiary Guarantor

(other than the Receivables Entity) may make intercompany loans and advances to the Borrower or any other Subsidiary Guarantor (other than the Receivables Entity), (x) Foreign Subsidiaries of the Borrower may make intercompany loans and advances to the Borrower or any Subsidiary Guarantor (other than the Receivables Entity), (y) Wholly-Owned Foreign Subsidiaries of the Borrower may make intercompany loans and advances to each other and (z) the Borrower may make intercompany loans and advances to Holdings (in lieu of the payment of Dividends) for the purpose of making payments permitted pursuant to Sections 9.06(iii), (iv), (v) and (x) (loans pursuant to clauses (u), (v), (w), (x), (y) and (z) of this clause (vi) collectively, "Intercompany Loans"), provided that (I) each Intercompany Loan shall be evidenced by an Intercompany Note (or, in the case of an intercompany loan between Foreign Subsidiaries of the Borrower, such other instrument or loan agreement as may be reasonably acceptable to the Administrative Agent) and, to the extent made by a Credit Party, be pledged (subject to the Intercreditor Agreement) to the Collateral Agent pursuant to the Pledge Agreement, (II) each intercompany loan made pursuant to clauses (u) and (x) above shall be subject to the subordination provisions set forth on Annex A to Exhibit L hereto and (III) intercompany loans made by the Borrower to Holdings pursuant to preceding clause (z) shall be made as an alternative to (and not in addition to) Dividends otherwise permitted pursuant to Sections 9.06(iii), (iv), (v) and (x) and shall be limited in amount by the Dividend limitations set forth in said Sections;

(vii) loans and advances by the Borrower and its Subsidiaries (other than the Receivables Entity) to officers and employees of Holdings and its Subsidiaries, in each case incurred in the ordinary course of business, in an aggregate outstanding principal amount not to exceed $5,000,000 at any time (determined without regard to any write-downs or write-offs of such loans and advances) shall be permitted;

(viii) Holdings, the Borrower and the Subsidiary Guarantors (other than the Receivables Entity) may make cash equity contributions to their respective direct Wholly-Owned Subsidiaries (other than the Receivables Entity) which are Credit Parties;

(ix) the Borrower and its Wholly-Owned Subsidiaries (other than the Receivables Entity) may make Permitted Acquisitions in accordance with the relevant requirements of Section 8.14 and the component definitions therein;

(x) the Borrower and its Subsidiaries may own the capital stock of their respective Subsidiaries in existence on the Effective Date or thereafter created or acquired in accordance with the terms of this Agreement;

(xi) the Borrower and the Subsidiary Guarantors (other than the Receivables Entity) may make cash Investments in Wholly-Owned Foreign Subsidiaries not to exceed $40,000,000 in the aggregate (determined without giving effect to any write-downs or write-offs thereof), net of any repayments to the Borrower or any such Subsidiary Guarantor, provided that any such Investment pursuant to this Section 9.05(xi) in the form of an intercompany loan shall be evidenced by an Intercompany Note and such Intercompany Note shall be pledged (subject to the Intercreditor Agreement) to the Collateral Agent pursuant to the Pledge Agreement;

(xii) the Borrower and its Subsidiaries (other than the Receivables Entity) may acquire and hold non-cash consideration issued by the purchaser of assets in connection with a sale of such assets to the extent permitted by Section 9.02(v) or (xvi);

(xiii) the Borrower and its Subsidiaries (other than the Receivables Entity) may enter into Other Hedging Agreements in the ordinary course of business providing protection against fluctuations in currency values in connection with the operations of the Borrower or any of its Subsidiaries (other than the Receivables Entity) so long as management of the Borrower or such Subsidiary, as the case may be, has determined in good faith that the entering into of such Other Hedging Agreements are bona fide hedging activities and are not for speculative purposes;

(xiv) so long as no Default or Event of Default exists or would exist immediately after giving effect to the respective Investment, the Borrower and its Wholly-Owned Subsidiaries shall be permitted to make Investments in any Joint Venture on any date in an amount not to exceed the Available JV Basket Amount on such date (after giving effect to all prior and contemporaneous adjustments thereto, except as a result of such Investment), it being understood and agreed that to the extent the Borrower or one or more other Wholly-Owned Subsidiaries (after the respective Investment has been made) receives a cash return from the respective Joint Venture of amounts previously invested pursuant to this clause (xiv) (which cash return may be made by way of repayment of principal in the case of loans and cash equity returns (whether as a distribution, dividend or redemption) in the case of equity investments) or a return in the form of an asset distribution from the respective Joint Venture of any asset previously contributed pursuant to this clause (xiv), then the amount of such cash return of investment or the fair market value of such distributed asset (as determined in good faith by senior management of the Borrower), as the case may be, shall, upon the Administrative Agent's receipt of a certification of the amount of the return of investment from an Authorized Officer, apply to increase the Available JV Basket Amount, provided that the aggregate amount of increases to the Available JV Basket Amount described above shall not exceed the amount of returned investment and, in no event, shall the amount of the increases made to the Available JV Basket Amount in respect of any Investment exceed the amount previously invested pursuant to this clause (xiv);

(xv) the Borrower and its Subsidiaries may (I) make Investments consisting of forward purchases (of not more than two years' duration) of commodities used in a Permitted Business in connection with the hedging of prices of such commodities and (II) purchase options to buy commodities used in a Permitted Business, and purchase and sell options to purchase commodities used in a Permitted Business, in each case in connection with the hedging of prices of such commodities; provided that (x) the aggregate amount of such forward purchases of any such commodity and option purchases in respect of any such commodity shall at no time exceed 75% of the estimated purchases by the Borrower and its Subsidiaries of the respective commodity subject thereto over the two year period following each date on which an Investment is made pursuant to this Section 9.05(xv) and (y) management of the Borrower shall have determined in good faith that such forward and/or option purchases are bona fide hedging activities and not for speculative purposes;

(xvi) on and after the Accounts Receivable Facility Transaction Date, the Receivables Sellers may make Investments in the Receivables Entity as provided in the Accounts Receivable Facility Documents, so long as the Receivables Entity uses all of the proceeds of any such Investments on the date of receipt thereof to purchase Accounts Receivable Facility Assets from the Receivables Sellers, provided that no such Investment shall be made to the extent the application of the proceeds thereof in accordance with this Section 9.05(xvi) would cause the aggregate amount of Receivables Indebtedness of the Borrower and its Subsidiaries to exceed the amount permitted by Section 9.04(vii);

(xvii) on and after the Accounts Receivable Facility Transaction Date, (A) the Receivables Entity may invest cash and Accounts Receivable Facility Assets pursuant to, and in accordance with the terms of, the Accounts Receivable Facility Documents, and (B) the Borrower and its Subsidiaries may invest cash in the Receivables Entity; provided that the Receivables Entity shall immediately apply the proceeds of such Investment exclusively to remitting cash to the "receivables purchaser(s)" pursuant to the provision of the Accounts Receivable Facility Documents analogous to section 2.3(b) of the Purchase Agreement referred to in the definition of "Existing Accounts Receivable Facility";

(xviii) the Borrower and its Subsidiaries (other than the Receivables Entity) may make Investments in an aggregate amount equal to the Excess Proceeds Amount at such time;

(xix) Wholly-Owned Foreign Subsidiaries of the Borrower may make cash common equity contributions to their respective Wholly-Owned Foreign Subsidiaries; and

(xx) the Borrower and its Subsidiaries may make Investments not otherwise permitted by clauses (i) through (xix) of this Section 9.05 in an aggregate amount not to exceed $15,000,000 (determined without regard to any write-downs or write-offs thereof), net of cash payments of principal in the case of loans and cash equity returns (whether as a dividend or redemption) in the case of equity investments.

9.06. Dividends; etc. Holdings will not, and will not permit any of its Subsidiaries to, declare or pay any dividends (other than dividends payable solely in common stock of Holdings or any such Subsidiary, as the case may be) or return any capital to, its stockholders, partners or other equity holders or authorize or make any other distribution, payment or delivery of property or cash to its stockholders, partners or other equity holders as such, or redeem, retire, purchase or otherwise acquire, directly or indirectly, for a consideration, any shares of any class of its capital stock or other Equity Interests, now or hereafter outstanding (or any warrants for or options or stock appreciation rights in respect of any of such shares), or set aside any funds for any of the foregoing purposes, and Holdings will not permit any of its Subsidiaries to purchase or otherwise acquire for consideration any shares of any class of the capital stock or other Equity Interests of Holdings or any other Subsidiary, as the case may be, now or hereafter outstanding (or any options or warrants or stock appreciation rights issued by such Person with respect to its capital stock or other Equity Interests) (all of the foregoing

"Dividends") or make any payments in respect of any outstanding Shareholder Subordinated Notes, except that:

(i) (x) any Subsidiary of the Borrower may pay Dividends to the Borrower or any Wholly-Owned Subsidiary of the Borrower and (y) any non-Wholly-Owned Subsidiary of the Borrower may pay cash Dividends to its shareholders generally so long as the Borrower or its respective Subsidiary which owns the Equity Interest in the Subsidiary paying such Dividends receives at least its proportionate share thereof (based upon its relative holding of the Equity Interest in the Subsidiary paying such Dividends and taking into account the relative preferences, if any, of the various classes of Equity Interests of such Subsidiary);

(ii) Holdings may redeem or purchase shares of Holdings Common Stock or options to purchase Holdings Common Stock, as the case may be, held by former officers or employees of Holdings or any of its Subsidiaries (or corporations owned by former officers or employees) following the termination of their employment and may make payments to former officers or employees of Holdings or any of its Subsidiaries in respect of certain tax liabilities arising from the exercise of options to purchase Holdings Common Stock, provided that (w) the only consideration paid by Holdings in respect of such redemptions, purchases and/or payments shall be cash and Shareholder Subordinated Notes, (x) no payments shall be made in respect of any Shareholder Subordinated Notes, (y) the aggregate amount paid by Holdings in cash in respect of all such redemptions, purchases and/or payments shall not exceed $5,000,000 in any fiscal year of Holdings, provided that in the event that the amount of cash permitted to be spent pursuant to this clause (y) in any fiscal year of Holdings (before giving effect to any increase in such permitted amount pursuant to this proviso) is greater than the amount of cash actually expended by Holdings and its Subsidiaries during any fiscal year of Holdings, 50% of such excess may be carried forward and used to make cash redemptions and repurchases of Holdings' Common Stock in the immediately succeeding fiscal year of Holdings, provided further that no amount once carried forward pursuant to the immediately preceding proviso may be carried forward to any fiscal year thereafter and such amounts carried forward in any fiscal year may only be utilized after Holdings has spent its full $5,000,000 allotment for such cash redemptions or repurchases in such fiscal year of Holdings, provided further that notwithstanding the foregoing provisions of this Section 9.06(ii) (but subject to following clause (z)) Holdings may redeem or repurchase shares of Holdings' Common Stock owned by former officers or employees of Holdings or any of its Subsidiaries upon the death or permanent disability of such officer or employee with cash in excess of amounts permitted above in this clause (y) not to exceed $4,000,000 in any fiscal year of Holdings and with the proceeds of any key man life insurance carried by Holdings and/or its Subsidiaries in respect of such deceased or permanently disabled officer or employee and (z) at the time of any cash payment permitted to be made pursuant to this Section 9.06(ii), no Default or Event of Default shall then exist or result therefrom;

(iii) so long as no Default or Event of Default then exists or would result therefrom, the Borrower may pay cash Dividends to Holdings so long as the cash

proceeds thereof are promptly used by Holdings for the purposes described in Section 9.06(ii);

(iv) cash Dividends may be paid to Holdings so long as the proceeds thereof are promptly used by Holdings to pay operating expenses in the ordinary course of business (including, without limitation, professional fees and expenses, insurance premiums and corporate management fees) and other similar corporate overhead costs and expenses, so long as the aggregate amount of cash Dividends paid pursuant to this Section 9.06(iv) shall at no time during any fiscal year of the Borrower exceed $20,000,000;

(v) the Borrower may pay cash Dividends to Holdings in the amounts and at the times of any payment by Holdings in respect of its taxes (or taxes of its consolidated group), provided that (x) the amount of cash Dividends paid pursuant to this clause (v) to enable Holdings to pay taxes at any time shall not exceed the amount of such taxes owing by Holdings at such time for the respective period and (y) any refunds received by Holdings attributable to the Borrower or any of its Subsidiaries shall be promptly returned by Holdings to the Borrower;

(vi) repurchases of capital stock of Holdings deemed to occur upon the exercise of stock options if such capital stock represents a portion of the exercise price thereof and so long as no cash is otherwise paid or distributed by Holdings or any of its Subsidiaries in connection therewith;

(vii) Holdings may pay Dividends on its Qualified Preferred Stock solely through the issuance of additional shares of Qualified Preferred Stock and not in cash;

(viii) the Sponsor Distribution may be consummated in accordance with the requirements of Section 5.08(a);

(ix) Hawker SA FA (Poland) may redeem or repurchase shares of its capital stock held by its employees, so long as the aggregate amount of cash paid in respect of such redemptions or repurchases shall not exceed $1,000,000;

(x) Holdings may pay cash Dividends on Holdings Common Stock, and the Borrower may pay cash Dividends to Holdings to enable Holdings to pay such Dividends, in each case so long as (I) no Default or Event of Default then exists or would exist after giving effect to the respective Dividend, (II) calculations are made by Holdings of compliance with a Leverage Ratio not to exceed 3.0:1.0, determined on a Pro Forma Basis after giving effect to the incurrence of any Indebtedness to finance such Dividend, (III) Holdings shall have satisfied the Minimum Ratings Condition on such date, (IV) the aggregate amount of cash paid pursuant to this clause (x) in any fiscal year of Holdings shall not exceed $30,000,000, (V) Holdings shall have utilized the proceeds of the cash Dividend paid to it by the Borrower described above promptly (and, in any event, within two Business Days following receipt thereof) to pay the cash Dividends on Holdings Common Stock described above and (VI) Holdings shall furnish to the Administrative

Agent a certificate from an Authorized Officer of Holdings certifying to the best of his or her knowledge as to compliance with the requirements of this Section 9.06(x) and, if applicable, containing the calculations (in reasonable detail) required by the preceding clause (y)(II).

(xi) Holdings may make Dividends in the form of the issuance of additional capital stock to effectuate the Shareholders Rights Plan, so long as no Change of Control would result therefrom; and

(xii) Convertible Preferred Stock may be converted into shares of Holdings Common Stock in accordance with the terms of the certificate of designation governing the same.

In the event the Borrower elects to make Intercompany Loans to Holdings as contemplated by Section 9.05(vi)(z) in lieu of making Dividends permitted pursuant to Sections 9.06(iii), (iv), (v) and (x), the Dividend baskets set forth in said Sections (if any) shall be proportionally reduced by the principal amount of any such Intercompany Loans made for the corresponding purpose during the relevant period.

9.07. Transactions with Affiliates. No Credit Agreement Party will, nor will permit any of its Subsidiaries to, enter into any transaction or series of transactions with any Affiliate of Holdings or any of its Subsidiaries other than on terms and conditions substantially as favorable to Holdings or such Subsidiary as would be reasonably expected to be obtainable by Holdings or such Subsidiary at the time in a comparable arm's-length transaction with a Person other than an Affiliate; provided that the following shall in any event be permitted: (i) the Transaction; (ii) intercompany transactions among Holdings and its Subsidiaries to the extent expressly permitted by Sections 9.02, 9.04, 9.05 and 9.06 shall be permitted (including the payment of interest and principal on intercompany Indebtedness permitted by Section 9.04); (iii) the payment of consulting or other fees to the Borrower by any of its Subsidiaries in the ordinary course of business; (iv) customary fees to non-officer directors of Holdings and its Subsidiaries; (v) the Borrower and its Subsidiaries perform their respective obligations under the Employment Agreements in effect on the Effective Date and other employment arrangements with respect to the procurement of services with their respective officers and employees, and enter into and perform their respective obligations under renewals or replacements of such arrangements, in each case so long as such employment arrangements or renewals and replacements thereof are entered into in the ordinary course of business; (vi) Dividends may be paid by Holdings to the extent permitted by Section 9.06; (vii) payments may be made pursuant to any Tax Allocation Agreement; (viii) the payment of customary fees (excluding management fees) to Morgan Stanley, the Sponsors and their respective Affiliates for services (including, without limitation, any underwriting discounts and commissions) shall be permitted; (ix) the reimbursement of Morgan Stanley and its Affiliates for reasonable out-of-pocket expenses payable in accordance with the Preferred Stock Subscription Agreement and (x) Holdings and its Subsidiaries may enter into transactions with employees and/or officers of Holdings and its Subsidiaries in the ordinary course of business so long as any such material transaction has been approved by the Board of Directors of Holdings or such Subsidiary. In no event shall any management, consulting or similar fee be paid or payable by Holdings or any of its Subsidiaries to any Affiliate, except as specifically provided in this Section 9.07.

9.08. Consolidated Interest Coverage Ratio. Holdings will not permit the Consolidated Interest Coverage Ratio for any Test Period ended on the last day of a fiscal quarter set forth below to be less than the ratio set forth opposite such fiscal quarter below:

Fiscal Quarter Ended Closest to	Ratio
September 30, 2004	2.60:1.00
December 31, 2004	2.60:1.00
March 31, 2005	2.60:1.00
June 30, 2005	2.60:1.00
September 30, 2005	2.60:1.00
December 31, 2005	2.60:1.00
March 31, 2006	2.70:1.00

June 30, 2006	2.70:1.00
September 30, 2006	2.70:1.00
December 31, 2006	2.70:1.00
March 31, 2007	2.80:1.00
June 30, 2007	2.80:1.00
September 30, 2007	2.80:1.00
December 31, 2007	2.80:1.00
March 31, 2008	2.90:1.00
June 30, 2008	2.90:1.00
September 30, 2008	2.90:1.00
December 31, 2008	2.90:1.00
March 31, 2009 and each fiscal quarter thereafter	3.00:1.00

For purposes of making determinations pursuant to (x) this Section 9.08 for any Test Period ended prior to (but not after) the first anniversary of the Initial Borrowing Date and (y) Section 8.14, the Consolidated Interest Coverage Ratio shall be calculated on a Pro Forma Basis (it being understood that this sentence shall not affect any adjustments required pursuant to the definitions of Consolidated Net Interest Expense or Consolidated EBITDA).

9.09. Leverage Ratio. Holdings will not permit the Leverage Ratio on the last day of a fiscal quarter set forth below to be greater than the ratio set forth opposite such fiscal quarter below:

Fiscal Quarter Ended Closest to	Ratio
September 30, 2004	5.50:1.00
December 31, 2004	5.50:1.00
March 31, 2005	5.50:1.00
June 30, 2005	5.30:1.00
September 30, 2005	5.30:1.00
December 31, 2005	5.30:1.00
March 31, 2006	4.90:1.00
June 30, 2006	4.90:1.00
September 30, 2006	4.90:1.00
December 31, 2006	4.90:1.00
March 31, 2007	4.40:1.00
June 30, 2007	4.40:1.00
September 30, 2007	4.40:1.00
December 31, 2007	4.40:1.00
March 31, 2008	3.80:1.00
June 30, 2008	3.80:1.00
September 30, 2008	3.80:1.00
December 31, 2008	3.80:1.00
March 31, 2009 and each fiscal quarter thereafter	3.20:1.00

Notwithstanding anything to the contrary contained in this Agreement, all determinations of the Leverage Ratio for purposes of this Section 9.09 shall include Consolidated EBITDA as calculated on a Pro Forma Basis to give effect to all Permitted Acquisitions, if any, effected during the respective Test Period for which Consolidated EBITDA is being determined, as provided in the first sentence of the definition of Leverage Ratio contained herein (with the second sentence of the definition of Leverage Ratio being inapplicable to determinations pursuant to this Section 9.09).

9.10. Reserved.

9.11. Capital Expenditures. (a) Holdings will not, and will not permit any of its Subsidiaries to, make any Capital Expenditures, except that (i) prior to a Qualified IPO, during any fiscal year of Holdings set forth below (taken as one accounting period), the Borrower and its Subsidiaries may make Capital Expenditures so long as the aggregate amount of such Capital Expenditures does not exceed the amount set forth below opposite such fiscal year under the heading "Pre-IPO Amount" and (ii) after the occurrence of a Qualified IPO, during any fiscal year of Holdings set

forth below (taken as one accounting period), the Borrower and its Subsidiaries may make Capital Expenditures so long as the aggregate amount of such Capital Expenditures does not exceed the amount set forth below opposite such fiscal year under the heading "Post-IPO Amount":

Period	Pre-IPO Amount	Post-IPO Amount
Fiscal year ending closest to March 31, 2004	$ 45,000,000	N/A

Fiscal year ended closest to March 31, 2005	$ 50,000,000	$ 55,000,000
Fiscal year ended closest to March 31, 2006	$ 60,000,000	$ 70,000,000
Fiscal year ended closest to March 31, 2007	$ 65,000,000	$ 70,000,000
Fiscal year ended closest to March 31, 2008	$ 60,000,000	$ 70,000,000
Fiscal year ended closest to March 31, 2009	$ 60,000,000	$ 70,000,000
Fiscal year ended closest to March 31, 2010	$ 60,000,000	$ 70,000,000
Fiscal year ended closest to March 31, 2011	$ 60,000,000	$ 70,000,000

(b) Notwithstanding the foregoing, in the event that the amount of Capital Expenditures permitted to be made by the Borrower and its Subsidiaries pursuant to clause (a) above during any fiscal year of Holdings commencing after the fiscal year of Holdings ended March 31, 2004 (before giving effect to any increase in such permitted Capital Expenditure amount pursuant to this clause (b)) is greater than the amount of Capital Expenditures actually made by the Borrower and its Subsidiaries during such fiscal year, such excess may be carried forward and utilized to make Capital Expenditures in the immediately succeeding fiscal year, provided that no amounts once carried forward pursuant to this Section 9.11(b) may be carried forward to any subsequent fiscal year thereafter and such amounts may only be utilized after the Borrower and its Subsidiaries have utilized in full the permitted Capital Expenditure amount for such fiscal year as set forth in the table in clause (a) above (without giving effect to any increase in such amount pursuant to this clause (b)).

(c) In addition to the foregoing, the Borrower and its Subsidiaries may make additional Capital Expenditures (which Capital Expenditures will not be included in any determination under Section 9.11(a)) with the Net Sale Proceeds of Asset Sales to the extent such proceeds are not required to be applied to repay Second-Lien Loans pursuant to Section 4.02(c) and/or as a mandatory repayment and/or commitment reduction of loans and/or commitments under the First-Lien Credit Agreement.

(d) In addition to the foregoing, the Borrower and its Subsidiaries may make additional Capital Expenditures (which Capital Expenditures will not be included in any determination under Section 9.11(a)) with the insurance proceeds received by the Borrower or any of its Subsidiaries from any Recovery Event so long as such Capital Expenditures are to replace or restore any properties or assets in respect of which such proceeds were paid within one year (or, to the extent permitted by Section 4.02(f), 18 months) following the date of the receipt of such insurance proceeds to the extent such insurance proceeds are not required to be applied to repay Second-Lien Loans pursuant to Section 4.02(f) and/or as a mandatory repayment and/or commitment reduction of loans and/or commitments under the First-Lien Credit Agreement.

(e) In addition to the foregoing, the Borrower and the Subsidiaries may make additional Capital Expenditures (which Capital Expenditures will not be included in any determination under Section 9.11(a)) constituting Permitted Acquisitions effected in accordance with the requirements of Section 8.14.

(f) In addition to the foregoing, the Borrower and its Subsidiaries may make Capital Expenditures at any time in an aggregate amount equal to the Excess Proceeds Amount at such time (which Capital Expenditures will not be included in any determination under Section 9.11(a)).

9.12. Limitation on Modifications of Certain Other Agreements; etc. No Credit Agreement Party will, nor will permit any of its Subsidiaries to:

(i) make (or give any notice in respect of) any voluntary or optional payment or prepayment on or redemption, repurchase or acquisition for value of (including, without limitation, by way of depositing with the trustee with respect thereto or any other Person money or securities before due for the purpose of paying when due), or any prepayment or redemption (except as expressly required under the terms of the relevant agreement) as a result of any asset sale, change of control or similar event of any Indebtedness pursuant to, after the incurrence or issuance thereof, any Shareholder Subordinated Notes (except to the extent expressly permitted under Section 9.06(ii)), Refinancing Senior Subordinated Notes or any Qualified Preferred Stock; provided that so long as no Default or Event of Default then exists or would result therefrom, the Refinancing Senior Subordinated Notes may be exchanged for Permanent Exchange Refinancing Senior Subordinated Notes in accordance with the requirements of the respective definitions thereof and the relevant provisions of this Agreement; and

(ii) amend, modify or change in a way adverse to the interests of the Lenders in any material respect any Refinancing Senior Subordinated Notes Document or any Accounts Receivable Facility Document (it being understood that the Accounts Receivable Facility may be extended, amended, modified or replaced in accordance with the proviso to the definition thereof), any Tax Allocation Agreement, any Management Agreement, or enter into any new Tax Allocation Agreement or Management Agreement which could reasonably be expected to be adverse in any material respect to the interests of the Lenders or, in the case of any Management Agreement, which involves the payment by Holdings or any of its Subsidiaries of any amount which could give rise to a violation of this Agreement.

9.13. Limitation on Issuance of Capital Stock and Other Equity Interests. (a) No Credit Agreement Party will, nor will permit any of its Subsidiaries to, issue (i) any Preferred Stock (or any options, warrants or rights to purchase Preferred Stock), other than issuances by Holdings of Qualified Preferred Stock or Preferred Stock pursuant to the Shareholders Right Plan or (ii) any redeemable common Equity Interests.

(b) The Borrower shall not, and shall not permit any of its Subsidiaries to, issue any Equity Interests (including by way of sales of treasury stock), except (i) for transfers and replacements of then outstanding shares of capital stock or other Equity Interests, (ii) for stock splits, stock dividends and additional issuances which do not decrease the percentage ownership of Holdings or any of its Subsidiaries in any class of the Equity Interests of such Subsidiaries, (iii) to qualify directors to the extent required by applicable law and (iv) Subsidiaries formed after the Effective Date pursuant to Section 9.15 may issue Equity Interests in accordance with the requirements of Section 9.15. All Equity Interests issued in accordance with this Section 9.13(b) shall, to the extent required by the Pledge Agreement (and subject to the Intercreditor Agreement), be delivered to the Collateral Agent for pledge pursuant to the Pledge Agreement.

9.14. Limitation on Certain Restrictions on Subsidiaries. (a) Holdings will not, and will not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective, any encumbrance or restriction on the ability of any such Subsidiary to (x) pay dividends or make any other distributions on its capital stock or any other Equity Interest or participation in its profits owned by the Borrower or any Subsidiary of the Borrower, or pay any Indebtedness owed to the Borrower or a Subsidiary of the Borrower, (y) make loans or advances to the Borrower or any Subsidiary of the Borrower or (z) transfer any of its properties or assets to the Borrower or any of its Subsidiaries, except for such encumbrances or restrictions existing under or by reason of (i) applicable law, (ii) this Agreement and the other Credit Documents, (iii) on and after the Accounts Receivables Transaction Date, the provisions applicable to the Receivables Sellers and Receivables Entity contained in the Accounts Receivable Facility, (iv) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of the Borrower or a Subsidiary of the Borrower, (v) customary provisions restricting assignment of any contract entered into by the Borrower or any Subsidiary of the Borrower in the ordinary course of business, (vi) any agreement or instrument governing Permitted Acquired Debt, which encumbrance or restriction is not applicable to any Person or the properties or assets of any Person, other than the Person or the properties or assets of the Person acquired pursuant to the respective Permitted Acquisition and so long as the respective encumbrances or restrictions were not created (or made more restrictive) in connection with or in anticipation of the respective Permitted Acquisition, (vii) restrictions applicable to any joint venture that is a Subsidiary existing at the time of the acquisition thereof as a result of an Investment pursuant to Section 9.05 or a Permitted Acquisition effected in accordance with Section 8.14; provided that the restrictions applicable to such joint venture are not made more burdensome, from the perspective of the Borrower and its Subsidiaries, than those as in effect immediately before giving effect to the consummation of the respective Investment or Permitted Acquisition, (viii) any restriction or encumbrance with respect to assets subject to Liens permitted by Sections 9.03(iv), (x), (xi), (xii) and (xvii), (ix) the First-Lien Credit Documents and (x) the Refinancing Senior Subordinated Notes Documents.

(b) Holdings will not, and will not permit any of its Subsidiaries to, directly or indirectly agree to any consensual encumbrance or restriction on the ability of any non-Subsidiary joint venture to (x) pay dividends or make other distributions on its capital stock or other Equity Interests or participations in its profits owned by the Borrower or any Subsidiary of the Borrower or (y) make loans or advances to the Borrower or any Subsidiary of the Borrower, except for such encumbrances or restrictions existing under or by reason of (i) applicable law, (ii) this Agreement and the other Credit Documents, (iii) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of such non-Subsidiary joint venture, (iv) customary provisions restricting assignment of any contract entered into by such non-Subsidiary joint venture in the ordinary course of business, (v) normal restrictions (as determined in good faith by the Borrower) applicable to any non-Subsidiary joint venture at the time of the establishment thereof (so long as not in connection with a Permitted Acquisition), (vi) restrictions applicable to any non-Subsidiary joint venture existing at the time of the acquisition thereof as a result of an Investment pursuant to Section 9.05 or a Permitted Acquisition effected in accordance with Section 8.14; provided that the restrictions applicable to the respective non-Subsidiary joint venture are not made more burdensome, from the perspective of the Borrower and its Subsidiaries, than those as in effect immediately before giving effect to the consummation of the respective Investment or Permitted Acquisition and (vi) the First-Lien Credit Documents.

9.15. Limitation on the Creation of Subsidiaries and Joint Ventures. (a) Notwithstanding anything to the contrary contained in this Agreement, Holdings will not, and will not permit any of its Subsidiaries to, establish, create or acquire after the Effective Date any Subsidiary; provided that the Borrower and its Wholly-Owned Subsidiaries shall be permitted to establish, create and, to the extent permitted by Section 8.14, acquire Subsidiaries (which, except as expressly permitted by Section 8.14, shall be Wholly-Owned Subsidiaries) so long as, in each case, (i) at least 10 Business Days' prior written notice thereof is given to the Administrative Agent (or such lesser prior written notice as may be agreed to by the Administrative Agent in any given case), (ii) the Equity Interests of such new Subsidiary are promptly pledged pursuant to, and to the extent required by, this Agreement and the Pledge Agreement and (subject to the provisions of the Intercreditor Agreement) the certificates, if any, representing such Equity Interests, together with appropriate transfer powers duly executed in blank, are delivered to the Collateral Agent, (iii) such new Subsidiary (other than a Foreign Subsidiary) promptly executes a counterpart of the Subsidiaries Guaranty, the Pledge Agreement and the Security Agreement, and (iv) to the extent requested by the Administrative Agent or the Required Lenders, takes all actions required pursuant to Section 8.11. In addition, each new Subsidiary that is required to execute any Credit Document shall execute and deliver, or cause to be executed and delivered, all other relevant documentation of the type described in Section 5 as such new Subsidiary would have had to deliver if such new Subsidiary were a Credit Party on the Initial Borrowing Date.

(b) Holdings will not, and will not permit any of its Subsidiaries to, enter into any partnerships (except to the extent that such partnership is a Wholly-Owned Subsidiary of the Borrower) or joint ventures; provided that the Borrower and its Subsidiaries may establish, acquire or create, and make Investments in, partnerships and joint ventures after the Initial Borrowing Date as a result of Permitted Acquisitions (subject to the limitations contained in the definition thereof) and Investments expressly permitted to be made pursuant to Section 9.05, so long as (x) all Equity Interests of each such partnership or joint venture shall be pledged by any

Credit Party which owns same to the extent required by the Pledge Agreement, and (y) any actions required to be taken pursuant to Section 8.11 in connection with the establishment of, or Investments in, the respective Subsidiaries are taken in accordance with the requirements of said Section 8.11.

SECTION 10. Events of Default. Upon the occurrence of any of the following specified events (each, an "Event of Default"):

10.01. Payments. The Borrower shall (i) default in the payment when due of any principal of the Second-Lien Loans or (ii) default, and such default shall continue for three or more Business Days, in the payment when due of any interest on the Second-Lien Loans or any Fees or any other amounts owing hereunder or under any other Credit Document; or

10.02. Representations, etc. Any representation, warranty or statement made by any Credit Party herein or in any other Credit Document or in any statement or certificate delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made; or

10.03. Covenants. Any Credit Party shall (a) default in the due performance or observance by it of any term, covenant or agreement contained in Section 8.01(e)(i), 8.10, 8.14, 8.19 or 9 (other than Section 9.07 and, to the extent (and only to the extent) the respective default relates to a Subsidiary established, created or acquired after the Effective Date the book value of the gross assets of which does not exceed $500,000, Section 9.15), or (b) default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in Section 10.01, 10.02 or clause (a) of this Section 10.03) contained in this Agreement and such default shall continue unremedied for a period of at least 30 days after notice to the defaulting party by the Administrative Agent or the Required Lenders; or

10.04. Default Under Other Agreements. (a) Holdings or any of its Subsidiaries shall (i) default in any payment with respect to any Indebtedness (other than the Obligations) beyond the period of grace, if any, provided in the instrument or agreement under which Indebtedness was created or (ii) default in the observance or performance of any agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause (determined without regard to whether any notice is required), any such Indebtedness to become due prior to its stated maturity (it being understood that a default or other event or condition described above in this clause (ii) shall cease to constitute an Event of Default if and when same has been cured or otherwise ceases to exist, in each case prior to the taking of any action by the Administrative Agent or the Required Lenders pursuant to the last paragraph of this Section 10); or (b) any Indebtedness (other than the Obligations) of Holdings or any of its Subsidiaries shall be declared to be due and payable, or shall be required to be prepaid other than by a regularly scheduled required prepayment or as a mandatory prepayment (unless such required prepayment or mandatory prepayment results from a default thereunder or an event of the type that constitutes an Event of Default), prior to the stated maturity thereof; provided that it shall not constitute an Event of Default pursuant to clause (a) or (b) of this Section 10.04 unless the principal amount of

any one issue of such Indebtedness, or the aggregate amount of all such Indebtedness referred to in clauses (a) and (b) above, exceeds $10,000,000 at any one time; provided, further that with respect to any failure or breach or default under the First-Lien Credit Agreement (other than a payment "event of default" under, or an acceleration of the Indebtedness under, the First-Lien Credit Agreement), such event shall only constitute an Event of Default under this Agreement if such event occurs and is not cured or waived within sixty (60) days after the occurrence of such event; or

10.05. Bankruptcy, etc. Holdings or any of its Subsidiaries shall commence a voluntary case concerning itself under Title 11 of the United States Code entitled "Bankruptcy," as now or hereafter in effect, or any successor thereto (the "Bankruptcy Code"); or an involuntary case is commenced against Holdings or any of its Subsidiaries and the petition is not controverted within 20 days, or is not dismissed within 90 days, after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or substantially all of the property of Holdings or any of its Subsidiaries; or Holdings or any of its Subsidiaries commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to Holdings or any of its Subsidiaries; or there is commenced against Holdings or any of its Subsidiaries any such proceeding which remains undismissed for a period of 90 days; or Holdings or any of its Subsidiaries is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or Holdings or any of its Subsidiaries suffers any appointment of any custodian or the like for it or any substantial part of its property to continue undischarged or unstayed for a period of 90 days; or Holdings or any of its Subsidiaries makes a general assignment for the benefit of creditors; or any corporate action is taken by Holdings or any of its Subsidiaries for the purpose of effecting any of the foregoing; or

10.06. ERISA. (a) Any Plan shall fail to satisfy the minimum funding standard required for any plan year or part thereof under Section 412 of the Code or Section 302 of ERISA or a waiver of such standard or extension of any amortization period is sought or granted under Section 412 of the Code or Section 303 or 304 of ERISA, a Reportable Event shall have occurred, a contributing sponsor (as defined in Section 4001(a)(13) of ERISA) of a Plan subject to Title IV of ERISA shall be subject to the advance reporting requirement of PBGC Regulation Section 4043.61 (without regard to subparagraph (b)(1) thereof) and an event described in subsection .62, .63, .64, .65, .66, .67 or .68 of PBGC Regulation Section 4043 shall be reasonably expected to occur with respect to such Plan within the following 30 days, any Plan which is subject to Title IV of ERISA shall have had or is reasonably likely to have a trustee appointed to administer such Plan, any Plan or, to the knowledge of Holdings or the Borrower, Multiemployer Plan which is subject to Title IV of ERISA is, shall have been or is reasonably likely to be terminated or to be the subject of termination proceedings under ERISA, any Plan shall have an Unfunded Current Liability, a contribution required to be made with respect to a Plan or Multiemployer Plan or a Foreign Pension Plan has not been timely made, Holdings or any Subsidiary of Holdings or any ERISA Affiliate has incurred or is reasonably likely to incur any liability to or on account of a Plan or Multiemployer Plan under Section 409, 502(i), 502(l), 515, 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or Section 401(a)(29), 4971 or 4975 of the Code or on account of a group health plan (as defined in Section 607(1) of ERISA or Section 4980B(g)(2) of the Code) under Section 4980B of the Code and/or the Health Insurance

Portability and Accountability Act of 1996, as amended, or Holdings or any Subsidiary of Holdings has incurred or is reasonably likely to incur liabilities pursuant to one or more employee welfare benefit plans (as defined in Section 3(1) of ERISA) that provide benefits to retired employees or other former employees (other than as required by Section 601 of ERISA) or Plans or Foreign Pension Plans, a "default" within the meaning of Section 4219(c)(5) of ERISA, shall occur with respect to any Plan or Multiemployer Plan, any applicable law, rule or regulation is adopted, changed or interpreted, or the interpretation or administration thereof is changed, in each case after the date hereof, by any governmental authority or agency or by any court (a "Change of Law"), or, as a result of a Change in Law, an event occurs following a Change in Law, with respect to or otherwise affecting any Plan or Multiemployer Plan; (b) there shall result from any such event or events described above in this Section 10.06 the imposition of a lien, the granting of a security interest, or a liability or a material risk of incurring a liability resulting from any event described in clause (a) above; and (c) such lien, security interest or liability, individually and/or in the aggregate, in the reasonable opinion of the Required Lenders, (x) has had (unless same has ceased to exist in all respects) or (y) is reasonably likely to have, a Material Adverse Effect; or

10.07. Security Documents. (a) Any Security Document shall cease to be in full force and effect, or shall cease to give the Collateral Agent for the benefit of the Secured Creditors the Liens, rights, powers and privileges purported to be created thereby (including, without limitation, a perfected security interest in, and Lien on, all of the Collateral, other than Collateral with an aggregate value of less than or equal to $2,500,000), in favor of the Collateral Agent, superior to and prior to the rights of all third Persons (except as permitted by Section 9.03), and subject to no other Liens (except as permitted by Section 9.03), or (b) any Credit Party shall default in the due performance or observance of any term, covenant or agreement on its part to be performed or observed pursuant to any such Security Document and such default (except to the extent that same will adversely affect the continued perfection or priority of the Liens created by any such Security Document in Collateral with an aggregate value in excess of $2,500,000, in which case clause (a) of this Section 10.07 will be applicable) shall continue beyond any cure or grace period specifically applicable thereto pursuant to the terms of any such Security Document; or

10.08. Guaranty. Any Guaranty or any provision thereof shall cease to be in full force and effect, or any Guarantor or any Person acting by or on behalf of such Guarantor shall deny or disaffirm such Guarantor's obligations under the relevant Guaranty or any Guarantor shall default in the due

performance or observance of any term, covenant or agreement on its part to be performed or observed pursuant to its Guaranty; or

10.09. Judgments. One or more judgments or decrees shall be entered against Holdings or any of its Subsidiaries involving a liability (to the extent not paid or covered by insurance (with any portion of any judgment or decree not so covered to be included in any determination hereunder)) in excess of $10,000,000 for all such judgments and decrees and all such judgments or decrees shall not have been vacated, discharged or stayed or bonded pending appeal within 60 days from the entry thereof;

then, and in any such event, and at any time thereafter, if any Event of Default shall then be continuing, the Administrative Agent shall, upon the written request of the Required Lenders, by

written notice to the Borrower, take any or all of the following actions, without prejudice to the rights of the Administrative Agent or any Lender to enforce its claims against any Credit Party, except as otherwise specifically provided for in this Agreement (provided that if an Event of Default specified in Section 10.05 shall occur, the result which would occur upon the giving of written notice by the Administrative Agent as specified in clauses (i) and (ii) below shall occur automatically without the giving of any such notice): (i) declare the Total Commitment terminated, whereupon the Commitment of each Lender shall forthwith terminate immediately; (ii) declare the principal of and any accrued interest and Fees in respect of all Second-Lien Loans and all Obligations owing hereunder to be, whereupon the same shall become, forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; (iii) subject to the Intercreditor Agreement, enforce, as Collateral Agent (or direct the Collateral Agent to enforce), any or all of the Liens and security interests created pursuant to the Security Documents; and (iv) subject to the Intercreditor Agreement, apply any cash collateral as provided in Section 4.02.

SECTION 11. Definitions. As used herein, the following terms shall have the meanings herein specified unless the context otherwise requires. Defined terms in this Agreement shall include in the singular number the plural and in the plural the singular:

"Accounts Receivable Facility" shall mean the receivables facility created pursuant to the Accounts Receivable Facility Documents; provided that the Accounts Receivable Facility may be extended, amended, modified, refinanced or replaced, or successively extended, amended, modified, refinanced or replaced after the Accounts Receivable Facility Transaction Date, so long as the Accounts Receivables Facility Amendment Conditions are satisfied (in which event the Accounts Receivable Facility, as so extended, amended, modified, refinanced or replaced, shall be deemed to be the Accounts Receivable Facility hereunder).

"Accounts Receivables Facility Amendment Conditions" shall mean, with respect to any extension, amendment, modification or replacement of any Accounts Receivable Facility Document, the requirement that the following shall be true after giving effect to such extension, amendment, modification or replacement:

(A) the maximum Receivables Indebtedness permitted under the Accounts Receivable Facility shall not be greater than $50.0 million;

(B) the scheduled maturity of such extended, amended, modified or replaced facility shall not be earlier than the scheduled maturity of the Accounts Receivable Facility prior to such extension, amendment, modification or replacement;

(C) the Receivables Entity would be required to apply all funds available to it (after giving effect to the allocation of funds to reserves required under the terms of the Accounts Receivable Facility Documents and to the payment of interest, principal and other amounts owed under the Accounts Receivable Facility Documents) to pay the purchase price for accounts receivable (including any deferred portion of the purchase price) or to make Dividends to EnerSys or to the Borrower;

(D) the termination events or early amortization events (however defined) in the Accounts Receivable Facility Documents shall not be made more onerous (whether through the modification of existing termination events or early amortization events or the provision of additional such events) on the Borrower and its Subsidiaries in any material respect;

(E) the degree of recourse to Holdings or its Subsidiaries (other than the Receivables Entity) under or in respect of the Accounts Receivable Facility Documents shall not be increased in any material respect (as determined in good faith by the Borrower) and in no event shall Holdings or any of its Subsidiaries (other than the Receivables Entity) have recourse liability (except pursuant to Standard Securitization Undertakings) for the payment of any Accounts Receivable Facility Assets or any investor certificates or purchased interests pursuant to such extended, amended, modified or replaced facility;

(F) the covenants included in the Accounts Receivable Facility Documents shall not be made more restrictive (whether through the modification of existing covenants or the provision of additional covenants) to the Borrower and its Subsidiaries in any material respect;

(G) if additional representations and warranties are included in the Accounts Receivable Facility Documents or existing representations and warranties are made more restrictive, such additional or amended representations and warranties shall not be adverse in any material respect to the interest of the Borrower and its Subsidiaries taken as a whole (as determined in good faith by the Borrower); and

(H) the provisions of the Accounts Receivable Facility shall not conflict with the relevant requirements of Sections 9.02, 9.03, 9.04 and 9.05.

"Accounts Receivable Facility Assets" shall mean Receivables (whether now existing or arising in the future) of the Borrower and its Subsidiaries which are transferred to the Receivables Entity pursuant to the Accounts Receivable Facility Documents and any related Accounts Receivable Related Assets which are also so transferred to the Receivables Entity.

"Accounts Receivable Facility Documents" shall mean each of the documents and agreements entered into in connection with the Accounts Receivable Replacement Facility, including all documents and agreements relating to the issuance, funding and/or purchase of certificates and purchased interests, in each case as such documents and agreements may be amended, modified, supplemented, refinanced or replaced from time to time in accordance with the terms hereof and thereof.

"Accounts Receivables Facility Financing Costs" shall mean, for any period, the total consolidated interest expense of the Borrower and its Subsidiaries which would have existed for such period pursuant to the Accounts Receivable Facility (or any substantially similar facility) if same were structured as a secured lending arrangement rather than as a facility for the sale of receivables and related assets, in each case assuming an imputed interest rate

commensurate with amounts being charged pursuant to the Accounts Receivable Facility Documents or such similar facility.

"Accounts Receivable Facility Transaction" shall mean the consummation of the Accounts Receivable Facility and related transactions contemplated by the Accounts Receivable Facility Documents.

"Accounts Receivable Facility Transaction Date" shall mean the date of the consummation of the Accounts Receivable Facility Transaction in accordance with the requirements of Section 8.19.

"Accounts Receivable Related Assets" shall mean, with respect to any Person, all of the following property and interests in property of such Person, whether now existing or existing in the future or hereafter acquired or arising and in each case to the extent relating to the Receivables of such Person: (i) all unpaid seller's or lessor's rights (including, without limitation, rescission, replevin, reclamation and stoppage in transit, relating to any of the foregoing or arising therefrom), (ii) all rights to any goods or merchandise represented by any of the foregoing (including, without limitation, returned or repossessed goods), (iii) all reserves and credit balances with respect to any such Receivable or the respective account debtor, (iv) all letters of credit, security or guarantees of any of the foregoing, (v) all insurance policies or reports relating to any of the foregoing, (vi) all collection or deposit accounts relating to any of the foregoing, (vii) all proceeds of any of the foregoing, and (viii) all books and records relating to any of the foregoing.

"Acquired Person" shall have the meaning provided in the definition of Permitted Acquisition.

"Additional Security Documents" shall have the meaning provided in Section 8.11.

"Adjusted Consolidated Net Income" shall mean, for any period, Consolidated Net Income for such period plus, without duplication and to the extent deducted in arriving at Consolidated Net Income, the sum of the amount of all non-cash charges (including, without limitation, to the extent deducted in arriving at Consolidated Net Income, depreciation, amortization, deferred income tax expense and non-cash interest expense) and non-cash losses which were included in arriving at Consolidated Net Income for such period, less (without duplication of items reflected in Adjusted Consolidated Working Capital) the amount of all non-cash gains and gains from the sale of assets (other than sales of inventory in the ordinary course of business) which were included in arriving at Consolidated Net Income for such period.

"Adjusted Consolidated Working Capital" shall mean, at any time, Consolidated Current Assets (but excluding therefrom all cash, Cash Equivalents and deferred income taxes to the extent otherwise included therein) less Consolidated Current Liabilities.

"Administrative Agent" shall have the meaning provided in the first paragraph of this Agreement and shall include any successor to the Administrative Agent appointed pursuant to Section 12.10.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affected Loans" shall have the meaning provided in Section 4.02(i).

"Affiliate" shall mean, with respect to any Person, any other Person directly or indirectly controlling (including but not limited to all directors and officers of such Person), controlled by, or under direct or indirect common control with such Person; provided, however, that for purposes of Section 9.07, (i) an Affiliate of Holdings shall include any Person that directly or indirectly owns more than 10% of any class of the capital stock of Holdings (or, in the case of Convertible Preferred Stock, 15% of such capital stock) and any Senior Manager or director of Holdings or any such Person and (ii) any successor to Morgan Stanley Capital Partners (by merger, consolidation, sale or otherwise) shall be deemed to be an Affiliate of Morgan Stanley, irrespective of whether it would otherwise be one pursuant to the terms of this definition.

"Agents" shall have the meaning provided in the first paragraph of this Agreement.

"Agent-Related Persons" means each Agent and the Collateral Agent, together with their respective Affiliates (including, in the case of Bank of America, in its capacity as the Administrative Agent, Banc of America Securities LLC, in its capacity as joint lead arranger and joint book manager), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

"Aggregate Consideration" shall mean, with respect to any Permitted Acquisition, the sum (without duplication) of (i) the fair market value of the Holdings Common Stock (based on the average closing trading price of the Holdings Common Stock for the 20 trading days immediately prior to the date of such Permitted Acquisition on the stock exchange on which Holdings Common Stock is listed or, if Holdings Common Stock is not so listed, the good faith determination of the senior management of Holdings) issued (or to be issued) as consideration in connection with such Permitted Acquisition (including, without limitation, Holdings Common Stock which may be required to be issued as earnout consideration upon the achievement of certain future performance goals of the respective Acquired Person), (ii) the aggregate amount of all cash paid (or to be paid) by Holdings or any of its Subsidiaries in connection with such Permitted Acquisition (including, without limitation, payments of fees and costs and expenses in connection therewith) and all contingent cash purchase price or other earnout obligations of Holdings and its Subsidiaries incurred in connection therewith (as determined in good faith by Holdings), (iii) the

aggregate principal amount of all Indebtedness assumed, incurred and/or issued in connection with such Permitted Acquisition to the extent permitted by Section 9.04, (iv) the aggregate liquidation preference of any Preferred Stock issued in connection with such Permitted Acquisition and (v) the fair market value (determined in good faith by senior management of Holdings) of all other consideration payable in connection with such Permitted Acquisition.

"Agreement" shall mean this Credit Agreement, as the same may be from time to time modified, amended, restated and/or supplemented.

"Agreement Currency" shall have the meaning provided in Section 13.20.

"Applicable Change of Control Percentage" shall mean (i) in the case of a purchase of Second-Lien Loans pursuant to Section 4.02(j) prior to the first anniversary of the Initial Borrowing Date, 102%, (ii) in the case of a purchase of Second-Lien Loans pursuant to Section 4.02(j) on and after the first anniversary of the Initial Borrowing Date and prior to the second anniversary of the Initial Borrowing Date, 101% and (iii) at any other time, 100%.

"Applicable Excess Cash Flow Percentage" shall mean, with respect to any Excess Cash Flow Payment Date, 50%; provided that so long as no Default or Event of Default is then in existence, if on the last day of the relevant Excess Cash Flow Payment Period, the Leverage Ratio for the Test Period then most recently ended (as established pursuant to the officer's certificate delivered (or required to be delivered) pursuant to Section 8.01(d)) is less than 2.00:1.0, then the Applicable Excess Cash Flow Percentage shall instead be 0%.

"Applicable Margin" shall mean at any time a percentage per annum equal to (x) in the case of Second-Lien Loans maintained as Base Rate Loans, 4.00% and (y) in the case of Second-Lien Loans maintained as Eurodollar Loans, 5.00%

"Approved Fund" shall have the meaning provided in Section 13.07.

"Asset Sale" shall mean any sale, transfer or other disposition by Holdings or any of its Subsidiaries to any Person other than Holdings or any Wholly-Owned Subsidiary of Holdings of any asset (including, without limitation, any capital stock or other Equity Interests of another Person, but excluding the sale by such Person of its own Equity Interests) of Holdings or such Subsidiary other than (i) sales, transfers or other dispositions of inventory made in the ordinary course of business, and (ii) any other sale, transfer or other disposition (for such purpose, treating any series of related sales, transfers or dispositions as a single such transaction) that generates Net Sale Proceeds of less than $250,000.

"Assignment and Assumption Agreement" shall mean the Assignment and Assumption Agreement substantially in the form of Exhibit K (appropriately completed).

"Attorney Costs" means and includes all reasonable fees, expenses and disbursements of any law firm or other external counsel and, without duplication, the allocated cost of internal legal services and all expenses and disbursements of internal counsel.

"Attributable Indebtedness" in respect of any Synthetic Lease Obligation, means, on any date, the capitalized amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a capital lease.

"Authorized Officer" shall mean, with respect to (i) delivering financial information and officer's certificates pursuant to this Agreement, the chief financial officer, the chief executive officer, the chief operating officer, the corporate controller, any treasurer or other financial officer of Holdings and (ii) any other matter in connection with this Agreement or any other Credit Document, any officer (or a person or persons so designated by such officer) of

Holdings or the Borrower, as the case may be, in each case to the extent reasonably acceptable to the Administrative Agent.

"Available JV Basket Amount" shall mean, on any date of determination, an amount equal to the sum of (i) $25,000,000 minus (ii) the aggregate amount of Investments made (including for such purpose the fair market value of any assets contributed to any Joint Venture (as determined in good faith by senior management of the Borrower), net of Indebtedness and, without duplication, Capitalized Lease Obligations assigned to, and assumed by, the respective Joint Venture in connection therewith) pursuant to Section 9.05(xiv) after the Effective Date, minus (iii) the aggregate amount of Indebtedness or other obligations (whether absolute, accrued, contingent or otherwise and whether or not due) of any Joint Venture for which Holdings or any of its Subsidiaries (other than the respective Joint Venture) is liable, minus (iv) all payments made by Holdings or any of its Subsidiaries (other than the respective Joint Venture) in respect of Indebtedness or other obligations of the respective Joint Venture (including, without limitation, payments in respect of obligations described in preceding clause (iii)) after the Effective Date, plus (v) the amount of any increase to the Available JV Basket Amount made after the Effective Date in accordance with the provisions of Section 9.05(xiv).

"Bank of America" shall mean Bank of America, N.A., in its individual capacity, and any successor corporation thereto by merger, consolidation or otherwise.

"Bankruptcy Code" shall have the meaning provided in Section 10.05.

"Base Rate" means for any day a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate." The "prime rate" is a rate set by Bank of America based upon various factors including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some credits, which may be priced at, above, or below such announced rate. Any change in such rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

"Base Rate Loan" shall mean each Loan bearing interest at the rates provided in Section 1.08(a) (subject to any increases pursuant to Section 1.08(c)).

"Borrower" shall have the meaning provided in the first paragraph of this Agreement.

"Borrowing" shall mean and include the borrowing of one Type of Second-Lien Loan by the Borrower from all of the Lenders having Commitments (and/or outstanding Second-Lien Loans) on a pro rata basis on a given date (or resulting from conversions on a given date), having in the case of Eurodollar Loans the same Interest Period; provided that Base Rate Loans incurred pursuant to Section 1.10(b) shall be considered part of any related Borrowing of Eurodollar Loans.

"Business Day" shall mean (i) for all purposes other than as covered by clause (ii) below, any day excluding Saturday, Sunday and any day which shall be in the City of New York a legal holiday or a day on which banking institutions are authorized by law or other

governmental actions to close and (ii) with respect to all notices and determinations in connection with, and payments of principal and interest on, Eurodollar Loans, any day which is a Business Day described in clause (i) and which is also a day for trading by and between banks in U.S. dollar deposits in the interbank Eurodollar market.

"Calculation Period" shall have the meaning provided in Section 8.14.

"Capital Expenditures" shall mean, with respect to any Person, for any period, all expenditures by such Person which should be capitalized in accordance with GAAP during such period and are, or are required to be, included in property, plant or equipment reflected on the consolidated balance sheet of such Person (including, without limitation, expenditures for maintenance and repairs which should be so capitalized in accordance with GAAP) and, without duplication, the amount of all Capitalized Lease Obligations incurred by such Person during such period.

"Capital Lease," as applied to any Person, shall mean any lease of any property (whether real, personal or mixed) by that Person as lessee which, in conformity with GAAP, is accounted for as a capital lease on the balance sheet of that Person.

"Capitalized Lease Obligations" shall mean all obligations under Capital Leases of Holdings or any of its Subsidiaries, in each case taken at the amount thereof accounted for as liabilities in accordance with GAAP.

"Cash Equivalents" means (i) demand deposit accounts held in accounts denominated in U.S. Dollars and, in the case of any of Foreign Subsidiaries of the Borrower, such local currencies held by them from time to time in the ordinary course of their businesses, (ii) securities issued or directly fully guaranteed or insured by the governments of the United States, The Netherlands, Great Britain, France or Germany or any agency or instrumentality thereof (provided that the full faith and credit of the respective such government is pledged in support thereof) having maturities of not more than six months from the date of acquisition, (iii) certificates of deposit and eurodollar time deposits with maturities of six months or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case with any domestic commercial bank or commercial bank of a foreign country recognized by the United States, in each case having capital and surplus in excess of $500,000,000 (or the foreign currency equivalent thereof) and has outstanding debt which is rated "A" (or similar equivalent thereof) or higher by at least one nationally recognized statistical rating organization (as defined under Rule 436 under the Securities Act) or any money-market fund sponsored by a registered broker dealer or mutual fund distributor, (iv) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (ii) and (iii) above entered into with any financial institution meeting the qualifications specified in clause (iii) above and (v) commercial paper having one of the two highest ratings obtainable from S&P or Moody's and in each case maturing within six months after the date of acquisition. Furthermore, with respect to Foreign Subsidiaries of the Borrower, Cash Equivalents shall include bank deposits (and investments pursuant to operating account agreements) maintained with various local banks in the ordinary course of business consistent with past practice of the Borrower's Foreign Subsidiaries.

"Cayman Partnership" shall mean EnerSys Cayman L.P., a limited partnership organized under the laws of the Cayman Islands.

"Cayman Partnership Shareholder #1" shall mean EnerSys European Holding Co., a corporation organized under the laws of Delaware and a Wholly-Owned Subsidiary of the Borrower.

"Cayman Partnership Shareholder #2" shall mean EnerSys Del. LLC I, a limited liability company organized under the laws of Delaware and a Wholly-Owned Subsidiary of the Borrower.

"Cayman Partnership Shareholder #3" shall mean EnerSys Del. LLC II, a limited liability company organized under the laws of Delaware and a Wholly-Owned Subsidiary of the Borrower.

"Cayman Partnership Shareholders" shall mean and include Cayman Partnership Shareholder #1, Cayman Partnership Shareholder #2 and Cayman Partnership Shareholder #3.

"Change of Control" shall mean (i) Holdings shall at any time cease to own directly 100% of the Equity Interests of the Borrower, (ii) prior to the occurrence of a Qualified IPO, the Permitted Holders shall at any time and for any reason fail to own at least a majority of both the economic and voting interest in Holdings' capital stock, (iii) after the occurrence of a Qualified IPO, any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) (other than the Permitted Holders) is or shall become the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of greater than 40% of the economic or voting interests in Holdings' capital stock at any time when the Permitted Holders shall own a lesser percentage (than such "person" or "group") of such economic or voting interests, as the case may be, in Holdings' capital stock, (iv) after the occurrence of a Qualified IPO, the Board of Directors of Holdings shall cease to consist of a majority of Continuing Directors or (v) a "change of control" or similar event shall occur as provided in any Qualified Preferred Stock (or the documentation governing the same) or any Refinancing Senior Subordinated Notes Document.

"Change of Control Offer" shall have the meaning provided in Section 4.02(j)(II).

"Change of Law" shall have the meaning provided in Section 10.06.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to the Code are to the Code, as in effect at the date of this Agreement and any subsequent provisions of the Code, amendatory thereof, supplemental thereto or substituted therefor.

"Collateral" shall mean all of the Collateral as defined in each of the Security Documents.

"Collateral Agent" shall mean Bank of America, N.A., acting as collateral agent for the Secured Creditors.

"Collective Bargaining Agreements" shall have the meaning provided in Section 5.13.

"Commitment" shall mean, with respect to each Lender, the amount set forth opposite such Lender's name in Schedule I directly below the column entitled "Commitment" as the same may be terminated pursuant to Sections 3.03 and/or 10.

"Company" shall mean any corporation, limited liability company, partnership or other business entity (or the adjectival form thereof, where appropriate).

"Consolidated Current Assets" shall mean, at any time, the current assets of Holdings and its Subsidiaries at such time determined on a consolidated basis in accordance with GAAP.

"Consolidated Current Liabilities" shall mean, at any time, the current liabilities of Holdings and its Subsidiaries determined on a consolidated basis in accordance with GAAP, but excluding deferred income taxes, and the current portion of and accrued but unpaid interest on any Indebtedness under this Agreement and any other long-term Indebtedness which would otherwise be included therein.

"Consolidated Debt" shall mean, at any time, (A) the sum of (without duplication) (i) the principal amount of all Indebtedness of Holdings and its Subsidiaries (on a consolidated basis) as would be required to be reflected as debt or capital leases on the liability side of a consolidated balance sheet of Holdings and its Subsidiaries in accordance with GAAP, (ii) all Indebtedness of Holdings and its Subsidiaries of the type described in clause (iii) of the definition of Indebtedness, (iii) the aggregate amount of Receivables Indebtedness of the Borrower and its Subsidiaries (including the Receivables Entity) outstanding at such time, and (iv) Attributable Indebtedness in respect of Synthetic Lease Obligations at such time minus (B) the aggregate amount of cash and Cash Equivalents of Holdings, the Borrower and the Subsidiary Guarantors at such time to the extent same would be reflected on a consolidated balance sheet of Holdings if same were prepared on such date.

"Consolidated EBIT" shall mean, for any period, the Consolidated Net Income of Holdings and its Subsidiaries plus, in each case to the extent actually deducted in determining Consolidated Net Income for such period, consolidated interest expense of Holdings and its Subsidiaries and provision for income taxes, adjusted to exclude for such period (i) any extraordinary gains or losses, (ii) gains or losses from sales of assets other than inventory sold in the ordinary course of business, (iii) any write-downs of non-current assets relating to impairments or the sale of non-current assets or (iv) any non-cash expenses incurred in connection with stock options, stock appreciation rights or similar equity rights.

"Consolidated EBITDA" shall mean for any period, Consolidated EBIT, adjusted by (x) adding thereto (in each case to the extent deducted in determining Consolidated Net Income for such period and not already added back in determining Consolidated EBIT) the amount of (i) all amortization and depreciation that were deducted in arriving at Consolidated EBIT for such period, (ii) any non-cash charges in such period to the extent that such non-cash charges do not give rise to a liability that would be required to be reflected on the consolidated

balance sheet of Holdings and so long as no cash payments or cash expenses will be associated therewith (whether in the current period or for any future period), (iii) in the case of any period including the fiscal quarter of Holdings ended nearest to December 31, 2003, the non-recurring charges specified on Schedule XV hereto incurred during such fiscal quarter in an aggregate amount not to exceed $35.2 million and (iv) in the case of any period including the fiscal quarter of Holdings ended nearest to March 31, 2004, one-time cash charges incurred by Holdings in connection with the Recapitalization in an aggregate amount not to exceed $20.0 million (representing expenses incurred in connection with the payments pursuant to the Recapitalization and the early termination and repayment of Indebtedness pursuant to the Refinancing) and (y) subtracting therefrom, to the extent included in arriving at Consolidated EBIT for such period, the amount of non-cash gains during such period.

"Consolidated Interest Coverage Ratio" for any period shall mean the ratio of Consolidated EBITDA to Consolidated Net Interest Expense for such period.

"Consolidated Net Income" shall mean, for any period, the net after tax income (or loss) of Holdings and its Subsidiaries determined on a consolidated basis in accordance with GAAP, provided that in determining Consolidated Net Income of Holdings and its Subsidiaries (i) the net income of any of Person which is not a Subsidiary of Holdings or is accounted for by Holdings by the equity method of accounting shall be included only to the extent of the payment of dividends or disbursements by such Person to Holdings or a Wholly-Owned Subsidiary of Holdings during such period, (ii) except for determinations expressly required to be made on a Pro Forma Basis, the net income (or loss) of any Person accrued prior to the date it becomes a Subsidiary or all or substantially all of the property or assets of such Person are acquired by a Subsidiary shall be excluded from such determination and (iii) the net income of any Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Subsidiary shall be excluded from such determination.

"Consolidated Net Interest Expense" shall mean, for any period, (i) the total consolidated interest expense of Holdings and its Subsidiaries for such period (calculated without regard to any limitations on payment thereof) plus, to the extent not included above, Accounts Receivables Facility

Financing Costs pursuant to the Accounts Receivable Facility for such period, adjusted to exclude (to the extent same would otherwise be included in the calculation above in this clause (i)) (A) the amortization of any deferred financing costs for such period, (B) non-cash interest expense (including amortization of discount and interest which will be added to, and thereafter become part of, the principal or liquidation preference of the respective Indebtedness or Preferred Stock through a pay-in-kind feature or otherwise, but excluding all regularly accruing interest expense which will be payable in cash in a subsequent period) payable in respect of any Indebtedness or Preferred Stock and (C) dividends on Qualified Preferred Stock in the form of additional Qualified Preferred Stock plus (ii) without duplication, that portion of Capitalized Lease Obligations of Holdings and its Subsidiaries on a consolidated basis representing the interest factor for such period minus (iii) the cash portion of interest income of Holdings and its Subsidiaries on a consolidated basis for such period (for this purpose, excluding any cash interest income received by any non-Wholly-Owned Subsidiary to the same extent as such amount, if representing net income, would be excluded from Consolidated Net Income pursuant

to the proviso to the definition thereof), all as determined in accordance with GAAP (subject to the express requirements set forth above).

"Contingent Obligations" shall mean as to any Person any obligation of such Person guaranteeing or intended to guarantee any Indebtedness, leases, dividends or other obligations ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (b) to advance or supply funds (x) for the purchase or payment of any such primary obligation or (y) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (d) otherwise to assure or hold harmless the owner of such primary obligation against loss in respect thereof; provided, however, that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection or standard contractual indemnities entered into, in each case in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined by such Person in good faith.

"Continuing Directors" shall mean the directors of Holdings on the date of the occurrence of the first Qualified IPO occurring after the Effective Date and each other director if such director's nomination for election to the Board of Directors of Holdings is recommended by a majority of the then Continuing Directors.

"Convertible Preferred Stock" shall have the meaning provided in Section 7.13(a).

"Credit Agreement Party" shall mean each of Holdings and the Borrower.

"Credit Documents" shall mean this Agreement, the Second-Lien Loan Notes, the Subsidiaries Guaranty, the Intercreditor Agreement, each Security Document and any other guarantees or security documents executed and delivered for the benefit of the Guaranteed Creditors in accordance with the requirements of this Agreement.

"Credit Event" shall mean the making of a Second-Lien Loan.

"Credit Party" shall mean Holdings, the Borrower and each Subsidiary Guarantor.

"Debtor Relief Laws" means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

"Default" shall mean any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

"Defaulting Lender" shall mean any Lender with respect to which a Lender Default is in effect.

"Designated Assets" shall means those assets of the Borrower and its Subsidiaries described on Schedule XIII hereto.

"Discharge of the First-Lien Obligations" shall have the meaning provided in the Intercreditor Agreement.

"Dividend" shall have the meaning provided in Section 9.06.

"Documentation Agent" shall have the meaning provided in the first paragraph of this Agreement.

"Documents" shall mean and include (i) the Credit Documents, (ii) the Refinancing Documents, (iii) on and after the execution and delivery thereof, the Accounts Receivable Facility Documents, (iv) the First-Lien Credit Documents and (v) on and after the execution and delivery thereof, the Refinancing Senior Subordinated Notes Documents.

"Domestic Subsidiary" shall mean each Subsidiary incorporated or organized in the United States or any State or territory thereof (other than any Cayman Partnership Shareholder).

"Effective Date" shall have the meaning provided in Section 13.22.

"Eligible Assignee" shall have the meaning provided in Section 13.07(g).

"Employee Benefit Plans" shall have the meaning set forth in Section 5.13.

"Employment Agreements" shall have the meaning set forth in Section 5.13.

"EnerSys" shall mean EnerSys Delaware Inc., a Delaware corporation.

"Environmental Claims" shall mean any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigations or proceedings relating in any way to any violation (or alleged violation) by Holdings or any of its Subsidiaries under any Environmental Law (hereafter "Claims") or any permit issued to Holdings or any of its Subsidiaries under any such law, including, without limitation, (a) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and (b) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

"Environmental Law" shall mean any U.S. or non-U.S. federal, state or local law, policy having the force and effect of law, statute, rule, regulation, ordinance, code or rule of common law now or hereafter in effect and in each case as amended, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent,

decree or judgment (for purposes of this definition (collectively, "Laws")), relating to the environment, or Hazardous Materials or health and safety to the extent such health and safety issues arise under the Occupational Safety and Health Act of 1970, as amended.

"Equity Interests" of any Person shall mean any and all shares, interests, rights to purchase, warrants, options, participation or other equivalents of or interest in (however designated) equity of such Person, including any preferred stock, any limited or general partnership interest and any limited liability company membership interest.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to ERISA are to ERISA, as in effect at the date of this Agreement and any subsequent provisions of ERISA, amendatory thereof, supplemental thereto or substituted therefor.

"ERISA Affiliate" shall mean each person (as defined in Section 3(9) of ERISA) which together with the Holdings or a Subsidiary of Holdings would be deemed to be a "single employer" within the meaning of Section 414(b), (c), (m) or (o) of the Code.

"Eurodollar Loans" shall mean each Loan bearing interest at the rates provided in Section 1.08(b) (subject to any increases pursuant to Section 1.08(c)).

"Eurodollar Rate" means for any Interest Period with respect to a Eurodollar Loan:

(a) the applicable Screen Rate for such Interest Period; or

(b) if the applicable Screen Rate shall not be available, the rate per annum determined by the Administrative Agent as the rate of interest at which deposits in the relevant currency for delivery on the first day of such Interest Period in immediately available funds in the approximate amount of the Eurodollar Loan being made, continued or converted by Bank of America and with a term equivalent to such Interest Period would be offered by Bank of America's London Branch (or other Bank of America branch or Affiliate) to major banks in the London or other offshore interbank market for such currency at their request at approximately 4:00 p.m. (London time) two Business Days prior to the first day of such Interest Period.

"Event of Default" shall have the meaning provided in Section 10.

"Excess Cash Flow" shall mean, for any period, the remainder of (i) the sum of (a) Adjusted Consolidated Net Income for such period and (b) the decrease, if any, in Adjusted Consolidated Working Capital from the first day to the last day of such period, minus (ii) the sum of (a) the amount of all Capital Expenditures made by the Borrower and its Subsidiaries pursuant to Sections 9.11(a), (b), (e) and (f) during such period, (b) the aggregate principal amount of permanent principal payments of Indebtedness for borrowed money of the Borrower and its Subsidiaries (other than repayments of intercompany Indebtedness and repayments of Second-Lien Loans or Loans under, and as defined in, the First-Lien Credit Agreement, provided that (x) repayments of Second-Lien Loans shall be included in the deduction set forth in clause (ii)(b) above in determining Excess Cash Flow if such repayments were made as a voluntary

prepayment with internally generated funds and (y) repayments of Loans under, and as defined in, the First-Lien Credit Agreement shall be included in the deduction set forth in clause (ii)(b) above in determining Excess Cash Flow if such repayments were (x) required as a result of a "scheduled repayment" under the First-Lien Credit Agreement or (y) made as a voluntary prepayment with internally generated funds (but in the case of a voluntary prepayment of Revolving Loans or Swingline Loans (each, as defined in the First-Lien Credit Agreement), only to the extent accompanied by a voluntary reduction to the revolving loan commitments thereunder in an equal amount)) during such period, (c) the aggregate amount of cash (not to exceed $10.0 million for such period) utilized to finance Permitted Acquisitions during such period, (d) the increase, if any, in Adjusted Consolidated Working Capital from the first day to the last day of such period and (e) the aggregate amount of any cash restructuring charges incurred (and paid) during such period (to the extent resulting from the elimination of a long-term liability which had appeared on the balance sheet of Holdings), so long as the aggregate amount deducted pursuant to this clause (e) after the Effective Date does not exceed $12,300,000.

"Excess Cash Flow Payment Period" shall mean, with respect to each Excess Cash Payment Date, the immediately preceding fiscal year of Holdings.

"Excess Cash Payment Date" shall mean the date occurring 90 days after the last day of a fiscal year of Holdings (beginning with its fiscal year ending on March 31, 2005).

"Excess Proceeds Amount" shall initially be $0, which amount shall be (A) increased (i) on each Excess Cash Payment Date so long as any repayment required pursuant to Section 4.02(g) has been made, by an amount equal to the Excess Cash Flow for the immediately preceding Excess Cash Flow Period multiplied by a percentage equal to 100% minus the Applicable Excess Cash Flow Percentage and (ii) on the date of receipt by Holdings of net cash proceeds from any sale or issuance of Holdings Common Stock (except to the extent applied as a mandatory repayment and/or commitment reduction of loans and/or commitments under the First-Lien Credit Agreement), so long as any repayment pursuant to Section 4.02(e) that is required by such Section has been made, by an amount equal to 50% of such net cash proceeds, and (B) reduced (i) on each Excess Cash Payment Date where Excess Cash Flow for the immediately preceding Excess Cash Flow Period is a negative number, by such amount, and (ii) at the time any Capital Expenditure is made pursuant to Section 9.11(f) or Investment is made pursuant to Section 9.05(xviii), by the amount thereof (it being understood that the Excess Proceeds Amount may be reduced to an amount below zero after giving effect to the reductions enumerated in clause (B) above).

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Excluded IPO Proceeds" shall mean the net cash proceeds received by Holdings from a Qualified IPO, so long as (i) no Default of Event of Default is then in existence, (ii) such proceeds are not required to be applied as a mandatory repayment and/or commitment reduction pursuant to the terms of the First-Lien Credit Agreement and (iii) Holdings has delivered to the Administrative Agent and the Administrative Agent under, and as defined in, the First-Lien Credit Agreement an officer's certificate executed by an Authorized Officer of Holdings demonstrating compliance with a Leverage Ratio of 3:00:1.00 or less (calculated on a Pro Forma

Basis as if the repayments described in the preceding clause (ii) and any contemporaneous repayment of loans under the First-Lien Credit Agreement had been made on the first day of the Test Period then last ended), together with calculations in reasonable detail demonstrating such compliance.

"Existing Accounts Receivable Facility" shall mean the receivables purchase arrangement governed by the Amended and Restated Receivables Purchase Agreement, dated as of November 9, 2000, among Yesco, Inc., as the Seller, Yuasa, Inc., as the Servicer, the investors named therein, Variable Funding Capital Corporation, as a Purchaser, First Union Securities, Inc., as the Deal Agent and First Union National Bank, as the Liquidity Agent, and the Amended and Restated Receivables Transfer Agreement, dated as of November 9, 2000, between Yuasa, Inc. and Yesco, Inc. (as the same may have been modified, amended, restated and/or supplemented from time to time prior to the Initial Borrowing Date).

"Existing Credit Agreement" shall mean the Credit Agreement, dated as of November 9, 2000, among Holdings, the Borrower, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as syndication agent and administrative agent, as in effect on the Initial Borrowing Date (immediately prior to giving effect thereto).

"Existing Indebtedness" shall have the meaning provided in Section 7.21.

"Existing Indebtedness Agreements" shall have the meaning provided in Section 5.13.

"Existing Interest Rate Protection Agreements" shall mean and include (i) that certain Interest Rate Protection Agreement entered into by the Borrower and Fleet National Bank and maturing on February 22, 2006, (ii) that certain Interest Rate Protection Agreement entered into by the Borrower and PNC Bank, NA and maturing on February 22, 2006 and (iii) that certain Interest Rate Protection Agreement entered into by the Borrower and Wachovia Bank, N.A. and maturing on February 22, 2006, in each case as in effect on the Initial Borrowing Date.

"Existing Overdraft Facilities" shall mean the overdraft facilities and lines of credit of certain Foreign Subsidiaries of the Borrower existing on the Initial Borrowing Date and as listed on Part B of Schedule IV hereto, in each case in the committed amount set forth opposite such overdraft facility or line of credit on said Part B of Schedule IV.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Bank of America on such day on such transactions as determined by the Administrative Agent.

"Fees" shall mean all amounts payable pursuant to, or referred to in, Section 3.01.

"First-Lien Administrative Agent" shall mean Bank of America, N.A. in its capacity as collateral agent for the secured creditors under the First-Lien Credit Documents.

"First-Lien Credit Agreement" shall mean that certain Credit Agreement, dated as of March 17, 2004, among Holdings, the Borrower, the First-Lien Administrative Agent and various lenders from time to time party thereto, as the same may be amended, modified, supplemented, extended, replaced, renewed, restated and/or refinanced from time to time (including any such agreement which adds Subsidiaries of the Borrower as additional and/or replacement borrowers or guarantors thereunder and any successor or replacement agreement with the same or any other agent, lender or group of lenders).

"First-Lien Credit Documents" shall mean the First-Lien Credit Agreement, and the related guarantees, pledge agreements, security agreements, mortgages, notes and other agreements and instruments entered into in connection with the First-Lien Credit Agreement, in each case as the same may be amended, modified, supplemented, extended, replaced, renewed, restated and/or refinanced from time to time (including any such guarantee or other

agreement which adds Subsidiaries of the Borrower as additional and/or replacement borrowers or guarantors thereunder and any successor or replacement guarantee or other agreement with the same or any other agent, lender or group of lenders).

"Foreign Pension Plan" means any plan, fund (including, without limitation, any superannuation fund) or other similar program established or maintained outside the United States of America by Holdings or any one or more of its Subsidiaries primarily for the benefit of employees of Holdings or any of its Subsidiaries residing outside the United States of America, which plan, fund or other similar program provides, or results in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and which plan is not subject to ERISA or the Code.

"Foreign Subsidiary" shall mean each Subsidiary other than a Domestic Subsidiary; provided that, notwithstanding the foregoing, each Cayman Partnership Shareholder shall be deemed to be (and shall be treated as) a Foreign Subsidiary for all purposes of this Agreement and the other Credit Documents.

"Fund" shall have the meaning provided in Section 13.07(g).

"GAAP" shall mean generally accepted accounting principles in the United States of America as in effect from time to time; it being understood and agreed that determinations in accordance with GAAP for purposes of Applicable Margins and Sections 4.02, 8.14 and 9, including defined terms as used therein, and for all purposes of determining the Leverage Ratio, are subject (to the extent provided therein) to Section 13.21(a).

"Guaranteed Creditors" shall mean and include each of the Administrative Agent, the Syndication Agent, the Documentation Agent, the Collateral Agent and the Lenders.

"Guaranteed Obligations" shall mean the principal and interest on each Second-Lien Loan Note issued to each Lender, and all Second-Lien Loans made, under this Agreement, together with all the other obligations (including obligations which, but for the automatic stay under Section 362(a) of the Bankruptcy Code, would become due) and liabilities (including,

without limitation, indemnities, fees and interest thereon) of the Borrower to any Guaranteed Creditor now existing or hereafter incurred under, arising out of or in connection with this Agreement and each other Credit Document and the due performance and compliance by the Borrower with all the terms, conditions and agreements contained in this Agreement and each other Credit Document to which it is a party.

"Guarantor" shall mean Holdings and each Subsidiary Guarantor.

"Guaranty" shall mean and include the Holdings Guaranty and the Subsidiaries Guaranty.

"Hazardous Materials" shall mean (a) any petrochemical or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls, and radon gas; and (b) any chemicals, materials or substances defined under any Environmental Law as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "restricted hazardous materials," "extremely hazardous wastes," "restrictive hazardous wastes," "toxic substances," "toxic pollutants," "contaminants" or "pollutants."

"Holdings" shall have the meaning provided in the first paragraph of this Agreement.

"Holdings Common Stock" shall have the meaning provided in Section 7.13(a).

"Holdings Guaranty" shall mean the guaranty of Holdings pursuant to Section 14.

"Indebtedness" of any Person shall mean, without duplication, (i) all indebtedness of such Person for borrowed money, (ii) the deferred purchase price of assets or services payable to the sellers thereof or any of such seller's assignees which in accordance with GAAP would be shown on the liability side of the balance sheet of such Person but excluding deferred rent and trade payables not overdue by more than 60 days, both as determined in accordance with GAAP, (iii) the face amount of all letters of credit issued for the account of such Person and, without duplication, all drafts drawn thereunder, (iv) all Indebtedness of a second Person secured by any Lien on any property owned by such first Person, whether or not such Indebtedness has been assumed, (v) all Capitalized Lease Obligations of such Person, (vi) all obligations of such Person to pay a specified purchase price for goods or services whether or not delivered or accepted, i.e., take-or-pay and similar obligations, (vii) all obligations under any Swap Contract, (viii) all Contingent Obligations of such Person, (ix) all Receivables Indebtedness and (x) all Synthetic Lease Obligations, provided that Indebtedness shall not include trade payables and accrued expenses, in each case arising in the ordinary course of business. The amount of any obligation under any Swap Contract on any date shall be deemed to be the Swap Termination Value thereof as of such date. The amount of any Synthetic Lease Obligation as of any date shall be deemed to be the amount of Attributable Indebtedness in respect thereof as of such date.

"Indebtedness To Be Refinanced" shall mean all of the Indebtedness and other obligations under the Existing Credit Agreement and the Existing Accounts Receivable Facility.

"Indemnified Liabilities" shall have the meaning provided in Section 13.05.

"Indemnitees" shall have the meaning provided in Section 13.05.

"Initial Accounts Receivable Facility Requirements" shall mean, with respect to the Accounts Receivable Facility to be entered into on the Accounts Receivable Facility Transaction Date, the following requirements:

(A) the maximum Receivables Indebtedness permitted under the Accounts Receivable Facility shall not be greater than $50.0 million;

(B) the scheduled maturity of the Accounts Receivable Facility shall not be earlier than 364 days after the date of the entering into of such Accounts Receivable Facility (subject to 6 month extensions);

(C) the Receivables Entity is required to apply all funds available to it (after giving effect to the allocation of funds to reserves required under the terms of the Accounts Receivable Facility Documents and to the payment of interest, principal and other amounts owed under the Accounts Receivable Facility Documents) to pay the purchase price for accounts receivable (including any deferred portion of the purchase price) or to make Dividends to EnerSys or to the Borrower;

(D) the termination events or early amortization events (however defined) in the Accounts Receivable Facility Documents therefor shall not be made more onerous (whether through the modification of existing termination events or early amortization events or the provision of additional such events) on the Borrower and its Subsidiaries in any material respect than those contained in the Existing Accounts Receivable Facility Documents and, in any event, shall be reasonably satisfactory to the Agents;

(E) the degree of recourse to Holdings or its Subsidiaries (other than the Receivables Entity) under or in respect of the Accounts Receivable Facility Documents governing the Accounts Receivable Facility shall not be increased in any material respect (as determined in good faith by the Borrower) from the degree of recourse to such Persons under the Existing Accounts Receivables Documents (as in effect on the Initial Borrowing Date, prior to the termination thereof) and in no event shall Holdings or any of its Subsidiaries (other than the Receivables Entity) have recourse liability (except pursuant to Standard Securitization Undertakings) for the payment of any Accounts Receivable Facility Assets or any investor certificates or purchased interests pursuant to such Accounts Receivables Facility;

(F) the covenants included in the Accounts Receivable Facility Documents shall not be made more restrictive (whether through the modification of existing covenants or the provision of additional covenants) to the Borrower and its Subsidiaries in any material respect than those contained in the Existing Accounts Receivables Documents and, in any event, shall be reasonably satisfactory to the Agents;

(G) if representations and warranties not included in the Existing Accounts Receivables Documents are included in the Accounts Receivable Facility Documents,

such additional representations and warranties shall not be adverse in any material respect to the interest of the Borrower and its Subsidiaries taken as a whole (as determined in good faith by the Borrower); and

(H) the provisions of the Accounts Receivable Facility shall not conflict with the relevant requirements of Sections 9.02, 9.04 and 9.05.

Without limiting the foregoing, (i) if any covenant or default "basket" included in this Agreement which has a corresponding "basket" in the relevant Accounts Receivable Facility Document was increased to a level greater than the related basket level included in the Existing Credit Agreement, then the corresponding basket in the relevant Accounts Receivable Facility Document shall be increased to at least the level of the related basket contained herein and (ii) in no event shall the "termination events" included for such Accounts Receivable Facility include an event based on the occurrence of "a material adverse effect".

"Initial Borrowing Date" shall mean the date upon which the initial Borrowing of Second-Lien Loans occurs.

"Intercompany Loan" shall have the meaning provided in Section 9.05(vi).

"Intercompany Note" shall mean a promissory note evidencing Intercompany Loans or intercompany loans made or permitted pursuant to Sections 9.05(xi) and (xiv) or Section 9.04(ii), in each case duly executed and delivered substantially in the form of Exhibit L, with blanks completed in conformity herewith.

"Intercreditor Agreement" shall have the meaning provided in Section 5.10.

"Interest Determination Date" shall mean, with respect to any Eurodollar Loan, the second Business Day prior to the commencement of any Interest Period relating to such Eurodollar Loan.

"Interest Period" with respect to any Eurodollar Loan, shall mean the interest period applicable thereto, as determined pursuant to Section 1.09.

"Interest Rate Protection Agreement" shall mean any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedging agreement or other similar agreement or arrangement.

"Investment" shall have the meaning provided in the preamble to Section 9.05.

"Joint Venture" shall mean any Person, other than an individual or a Wholly-Owned Subsidiary of the Borrower, (i) in which the Borrower or a Subsidiary of the Borrower holds or acquires an ownership interest (whether by way of capital stock, partnership or limited liability company interest, or other evidence of ownership) and (ii) which is engaged in a Permitted Business.

"Judgment Currency" shall have the meaning provided in Section 13.20.

"LCPI" shall mean Lehman Commercial Paper Inc., in its individual capacity, and any successor corporation thereto by merger, consolidation or otherwise.

"Leasehold" of any Person shall mean all of the right, title and interest of such Person as lessee or licensee in, to and under leases or licenses of land, improvements and/or fixtures.

"Lender" shall mean each financial institution listed on Schedule I, as well as any Person that becomes a "Lender" hereunder pursuant to Section 1.13 or 13.07(b).

"Lender Default" shall mean (i) the wrongful refusal (which has not been retracted) of a Lender to make available its portion of any Borrowing or (ii) a Lender having notified the Administrative Agent and/or the Borrower that it does not intend to comply with its obligations under Section 1.01(a) in circumstances where such non-compliance would constitute a breach of such Lender's obligations under said Section.

"Leverage Ratio" shall mean on any date of determination the ratio of (i) Consolidated Debt on such date to (ii) Consolidated EBITDA for the Test Period most recently ended on or prior to such date; provided that Consolidated EBITDA shall be determined on a Pro Forma Basis to give effect to all Permitted Acquisitions (if any) actually made during such most recently ended Test Period. Furthermore, to the extent provided in the definition of Applicable Margin, and for such purposes only, the determination of Leverage Ratio pursuant thereto shall be further determined on a Pro Forma Basis to give effect to Permitted Acquisitions consummated after the last day of the respective Test Period and on or prior to the date of the delivery of the certificate referenced therein, as well as to any Indebtedness incurred or assumed in connection therewith.

"Lien" shall mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any financing or similar statement or notice filed under the UCC or any similar recording or notice statute, and any lease having substantially the same effect as the foregoing).

"Management Agreements" shall have the meaning provided in Section 5.13.

"Margin Regulations" shall mean Regulations T, U and X, collectively.

"Margin Stock" shall have the meaning provided in Regulation U.

"Material Adverse Effect" shall mean (i) a material adverse effect on the business, properties, assets, operations, liabilities or financial condition (A) of the Borrower and its Subsidiaries taken as a whole or (B) Holdings, the Borrower and the Borrower's Subsidiaries taken as a whole or (ii) a material adverse effect (x) on the rights or remedies of the Lenders or the Administrative Agent hereunder or under any other Credit Document or (y) on the ability of any Credit Party to perform its obligations to the Lenders or the Administrative Agent hereunder or under any other Credit Document, taking into account in the case of either of clauses (i) or (ii) above (in each such case to the extent relevant) insurance, indemnities, rights of contribution and/or similar rights and claims available and applicable to any determination pursuant to this

definition so long as consideration is given to the nature and quality of, and likelihood of recovery under, such insurance, indemnities, rights of contribution and/or similar rights and claims; provided that payments made by Holdings in connection with the InvenSys settlement and previously disclosed to the Agents in writing shall not be taken into account for purposes of any determination pursuant to clause (i) of this definition.

"Maturity Date" shall mean March 17, 2012.

"Maximum Rate" shall have the meaning provided in Section 13.10.

"Mexican Subsidiary" shall mean ESB de Mexico, S.A., Powersonic SA de CV, Ymfltd, S. de R.L. de C.V. and Yecoltd, S. de R.L. de C.V.

"Minimum Borrowing Amount" shall mean $1,000,000.

"Minimum Ratings Condition" shall exist on any date if, on such date, the Loans under, and as defined in, the First-Lien Credit Agreement (or, if the Discharge of the First-Lien Obligations has occuured, the Second-Lien Loans) have received a rating of both (i) BB- (with a stable outlook) or better from S&P and (ii) Ba3 (with a stable outlook) or better from Moody's, which ratings remain in full force and effect on such date.

"Moody's" shall mean Moody's Investors Service, Inc.

"Morgan Stanley" shall mean Morgan Stanley, a Delaware Corporation.

"Mortgage" shall mean each mortgage, deed to secure debt or deed of trust pursuant to which any Credit Party shall have granted to the Collateral Agent a mortgage lien on such Credit Party's Mortgaged Property.

"Mortgage Policy" shall have the meaning provided in Section 5.12.

"Mortgaged Property" shall mean (i) each Real Property owned by any Credit Party and designated as a Mortgaged Property on Schedule III and (ii) each Real Property owned or leased by any Credit Party and designated as a Mortgaged Property pursuant to Section 8.11.

"MSSF" shall mean Morgan Stanley Senior Funding, Inc., in its individual capacity, and any successor corporation thereto by merger, consolidation or otherwise.

"Multiemployer Plan" shall mean (i) any plan, as defined in Section 4001(a)(3) of ERISA, which is maintained or contributed to (or to which there is an obligation to contribute to) by Holdings or a Subsidiary of Holdings or an ERISA Affiliate and that is subject to Title IV of ERISA, and (ii) each such plan for the five year period immediately following the latest date on which Holdings, a Subsidiary of Holdings or an ERISA Affiliate maintained,

contributed to or had an obligation to contribute to such plan if, for purposes of this clause (ii), Holdings, any Subsidiary of Holdings or any ERISA Affiliate could currently incur any liability under such plan.

"Net Cash Proceeds" shall mean for any event requiring a repayment of Second-Lien Loans pursuant to Section 3.03 or 4.02, as the case may be, the gross cash proceeds (including any cash received by way of deferred payment pursuant to a promissory note, receivable or otherwise, but only as and when received) received from such event, net of reasonable transaction costs (including, as applicable, any underwriting, brokerage or other customary commissions and reasonable legal, advisory and other fees and expenses associated therewith) received from any such event.

"Net Sale Proceeds" shall mean for any sale of assets, the gross cash proceeds (including any cash received by way of deferred payment pursuant to a promissory note, receivable or otherwise, but only as and when received) received from any sale of assets, net of (i) reasonable transaction costs (including, without limitation, any underwriting, brokerage or other customary selling commissions and reasonable legal, advisory and other fees and expenses, including title and recording expenses, associated therewith) and payments of unassumed liabilities relating to the assets sold at the time of, or within 30 days after, the date of such sale, (ii) the amount of such gross cash proceeds required to be used to repay any Indebtedness (other than Indebtedness of the Lenders pursuant to this Agreement) which is secured by the respective assets which were sold, and (iii) the estimated marginal increase in income taxes which will be payable by Holdings' consolidated group with respect to the fiscal year in which the sale occurs as a result of such sale; provided, however, that such gross proceeds shall not include any portion of such gross cash proceeds which Holdings determines in good faith should be reserved for post-closing adjustments (including indemnification payments) (to the extent Holdings delivers to the Lenders a certificate signed by its chief financial officer or treasurer, controller or chief accounting officer as to such determination), it being understood and agreed that on the day that all such post-closing adjustments have been determined (which shall not be later than six months following the date of the respective asset sale), the amount (if any) by which the reserved amount in respect of such sale or disposition exceeds the actual post-closing adjustments payable by Holdings or any of its Subsidiaries shall constitute Net Sale Proceeds on such date received by Holdings and/or any of its Subsidiaries from such sale, lease, transfer or other disposition. Net Sale Proceeds shall not include any trade-in-credits or purchase price reductions received by Holdings or any of its Subsidiaries in connection with an exchange of equipment for replacement equipment that is the functional equivalent of such exchanged equipment.

"Non-Defaulting Lender" shall mean each Lender other than a Defaulting Lender.

"Non-Wholly Owned Entity" shall have the meaning provided in the definition of Permitted Acquisition.

"Notice of Borrowing" shall have the meaning provided in Section 1.03(a).

"Notice of Conversion/Continuation" shall have the meaning provided in Section 1.06.

"Notice Office" shall mean, with respect to notices for payments, requests for credit extensions or other notices, the relevant office of the Administrative Agent as set forth on Schedule II hereto or such other office as the Administrative Agent may designate to Holdings and the Lenders from time to time.

"Obligations" shall mean all amounts, direct or indirect, contingent or absolute, of every type or description, and at any time existing, owing to any Agent, the Collateral Agent or any Lender pursuant to the terms of this Agreement or any other Credit Document.

"Other Hedging Agreements" shall mean any foreign exchange contracts, currency swap agreements or other similar agreements or arrangements designed to protect against fluctuations in currency values.

"Participant" shall have the meaning provided in Section 13.07.

"Payment Office" means, with respect to any currency, the Administrative Agent's address and, as appropriate, account as set forth on Schedule II with respect to such currency, or such other address or account with respect to such currency as the Administrative Agent may from time to time notify to the Borrower and the Lenders.

"PBGC" shall mean the Pension Benefit Guaranty Corporation established pursuant to Section 4002 of ERISA, or any successor thereto.

"Permanent Exchange Refinancing Senior Subordinated Notes" shall mean senior subordinated notes issued by the Borrower pursuant to a registered exchange offer or private exchange offer for the Refinancing Senior Subordinated Notes and pursuant to the Refinancing Senior Subordinated Notes Indenture, which senior subordinated notes are substantially identical securities to the Refinancing Senior Subordinated Notes. In no event will the issuance of any Permanent Exchange Refinancing Senior Subordinated Notes increase the aggregate principal amount of the Refinancing Senior Subordinated Notes then outstanding or otherwise result in an increase in the interest rate theretofore applicable to the Refinancing Senior Subordinated Notes.

"Permitted Acquired Debt" shall have the meaning set forth in Section 9.04(vi).

"Permitted Acquisition" shall mean the acquisition by the Borrower or any of its Wholly-Owned Subsidiaries (other than the Receivables Entity) of assets constituting a business, division or product line of any Person, not already a Subsidiary of Holdings or any of its Wholly-Owned Subsidiaries, or of 100% of the capital stock or other Equity Interests of any such Person, which Person shall, as a result of such acquisition, become a Wholly-Owned Subsidiary of the Borrower or such Wholly-Owned Subsidiary, provided that (A) the consideration paid by the Borrower or such Wholly-Owned Subsidiary consists solely of cash, the issuance of Holdings Common Stock, the issuance of any Qualified Preferred Stock otherwise permitted pursuant to Section 9.13, the incurrence of Indebtedness otherwise permitted in Section 9.04 and the assumption/acquisition of any Permitted Acquired Debt relating to such business, division, product line or Person which is permitted to remain outstanding in accordance with the requirements of Section 9.04, (B) in the case of the acquisition of 100% of the capital stock or other Equity Interests of any Person, such Person (the "Acquired Person") shall own no capital stock or other Equity Interests of any other Person unless either (x) the Acquired Person owns 100% of the capital stock or other Equity Interests of such other Person or (y) if the Acquired Person owns capital stock or Equity Interests in any other Person which is not a Wholly-Owned Subsidiary of the Acquired

Person (a "Non-Wholly Owned Entity"), (1) the Acquired Person shall not have been created or established in contemplation of, or for purposes of, the respective

Permitted Acquisition, (2) any Non-Wholly Owned Entity of the Acquired Person shall have been non-wholly-owned prior to the date of the respective Permitted Acquisition and not created or established in contemplation thereof and (3) the Acquired Person and/or its Wholly-Owned Subsidiaries own 80% of the consolidated assets of such Person and its Subsidiaries, (C) except in the case of any such acquisition by a Wholly-Owned Foreign Subsidiary of the Borrower, substantially all of the business, division or product line acquired pursuant to the respective Permitted Acquisition, or the business of the Acquired Person and its Subsidiaries taken as a whole, is in the United States, (D) the assets acquired, or the business of the Acquired Person, shall be in a Permitted Business and (E) all applicable requirements of Sections 8.14 and 9.02 applicable to Permitted Acquisitions are satisfied. Notwithstanding anything to the contrary contained in the immediately preceding sentence, an acquisition which does not otherwise meet the requirements set forth above in the definition of "Permitted Acquisition" shall constitute a Permitted Acquisition if, and to the extent, the Required Lenders agree in writing that such acquisition shall constitute a Permitted Acquisition for purposes of this Agreement.

"Permitted Business" shall mean the manufacture, distribution, installation and servicing of batteries and reasonably related products, and activities reasonably related to the foregoing.

"Permitted Encumbrances" shall mean (i) those liens, encumbrances and other matters affecting title to any Real Property and found reasonably acceptable by the Administrative Agent (including, without limitation, liens and encumbrances on Real Property pursuant to the First-Lien Credit Agreement), (ii) as to any particular Real Property at any time, such easements, encroachments, covenants, rights of way, minor defects, irregularities or encumbrances on title which could reasonably be expected to materially impair such Real Property for the purpose for which it is held by the mortgagor thereof, or the lien held by the Collateral Agent, (iii) zoning and other municipal ordinances which are not violated in any material respect by the existing improvements and the present use made by the mortgagor thereof of the premises, (iv) general real estate taxes and assessments not yet delinquent, and (v) such other similar items as the Administrative Agent may consent to (such consent not to be unreasonably withheld).

"Permitted Holders" shall mean the Sponsor, any majority owned and controlled Affiliate of the Sponsor, the Senior Managers and any other shareholders of Holdings which received any portion of the Sponsor Distribution on the Initial Borrowing Date.

"Permitted Liens" shall have the meaning provided in Section 9.03.

"Permitted Refinancing Indebtedness" shall mean any Indebtedness of the Borrower and its Subsidiaries issued or given in exchange for, or the proceeds of which are used to, extend, refinance, renew, replace, substitute or refund any Existing Indebtedness, Permitted Acquired Debt, or any Indebtedness issued to so extend, refinance, renew, replace, substitute or refund any such Indebtedness, so long as (a) such Indebtedness has a weighted average life to maturity greater than or equal to the weighted average life to maturity of the Indebtedness being refinanced, (b) such refinancing or renewal does not (i) increase the amount of such Indebtedness outstanding immediately prior to such refinancing or renewal by more than 3% or (ii) add guarantors, obligors or security from that which applied to such Indebtedness being refinanced or

renewed, (c) such refinancing or renewal Indebtedness has substantially the same (or, from the perspective of the Lenders, more favorable) subordination provisions, if any, as applied to the Indebtedness being renewed or refinanced, and (d) all other terms of such refinancing or renewal (including, without limitation, with respect to the amortization schedules, redemption provisions, maturities, covenants, defaults and remedies), are not, taken as a whole, materially less favorable to the respective borrower than those previously existing with respect to the Indebtedness being refinancing or renewed, provided, however, that any intercompany Existing Indebtedness (and subsequent extensions, refinancings, renewals, replacements and refundings thereof as provided above in this definition) may only be extended, refinanced, renewed, replaced or refunded as provided above in this definition if the Indebtedness so extended, refinanced, renewed, replaced or refunded has the same obligors(s) and obligee(s) as the Indebtedness being extended, refinanced, renewed, replaced or refunded.

"Person" shall mean any individual, partnership, joint venture, firm, corporation, limited liability company, association, trust or other enterprise or any government or political subdivision or any agency, department or instrumentality thereof.

"Plan" shall mean any pension plan as defined in Section 3(2) of ERISA (other than a Multiemployer Plan), which is maintained or contributed to by (or to which there is an obligation to contribute of) Holdings or a Subsidiary of Holdings or an ERISA Affiliate, and each such plan for the five year period immediately following the latest date on which Holdings, or a Subsidiary of Holdings or an ERISA Affiliate maintained, contributed to or had an obligation to contribute to such plan to the extent that Holdings or any Subsidiary of Holdings or an ERISA Affiliate could, in the reasonable opinion of the Lenders, reasonably be expected to have any liability under such Plan.

"Pledge Agreement" shall have the meaning provided in Section 5.12(a).

"Pledge Agreement Collateral" shall mean all "Collateral" as defined in the Pledge Agreement.

"Post-Closing Period" shall have the meaning provided in Section 8.14(a).

"Preferred Stock," as applied to the capital stock of any Person, means capital stock of such Person (other than common stock of such Person) of any class or classes (however designated) that ranks prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of capital stock of any other class of such Person, and shall include any Qualified Preferred Stock and any preferred stock which is not Qualified Preferred Stock.

"Preferred Stock Subscription Agreement" shall mean the Stock Subscription Agreement, dated as of March 22, 2002, among Holdings and the Sponsor and other of the initial purchasers of the Convertible Preferred Stock, as the same may be amended and/or modified in accordance with the terms hereof and thereof.

"Pro Forma Basis" shall mean, in connection with any calculation of compliance with any financial covenant or financial term, the calculation thereof after giving effect on a pro forma basis to (x) the Permitted Acquisition then being consummated as well as any other

Permitted Acquisition consummated after the first day of the relevant Test Period or Calculation Period, as the case may be, and on or prior to the date of the respective Permitted Acquisition then being effected and (y) the incurrence of any Indebtedness that is incurred in connection with, or to finance, the Transaction one or more Permitted Acquisitions and/or any other transaction to be consummated on a "Pro Forma Basis"; provided that, for purposes of calculations pursuant to (I) Section 9.08 for any Test Period ended prior to (but not after) the first anniversary of the Initial Borrowing Date, (II) Sections 8.14, 8.19 and 9.06(x) and (III) the definition of Excluded IPO Proceeds, such calculations shall also give effect on a pro forma basis to (a) the incurrence of any Indebtedness (other than revolving Indebtedness, except to the extent same is incurred to refinance other outstanding Indebtedness or to finance a Permitted Acquisition) after the first day of the relevant Calculation Period as if such Indebtedness had been incurred (and the proceeds thereof applied) on the first day of the relevant Calculation Period and (b) the permanent repayment of any Indebtedness (other than revolving Indebtedness) after the first day of the relevant Calculation Period as if such Indebtedness had been retired or redeemed on the first day of the relevant Calculation Period, with the following rules to apply in connection therewith:

(i) for purposes of (I) Section 9.08 for any Test Period ended prior to (but not after) the first anniversary of the Initial Borrowing Date, (II) Sections 8.14, 8.19 and 9.06(x) and (III) the definition of Excluded IPO Proceeds, all Indebtedness (x) (other than revolving Indebtedness, except to the extent same is incurred to finance the Transaction, to refinance other outstanding Indebtedness or to finance Permitted Acquisitions) incurred or issued after the first day of the relevant Calculation Period (whether incurred to finance a Permitted Acquisition, to refinance Indebtedness or otherwise) shall be deemed to have been incurred or issued (and the proceeds thereof applied) on the first day of the respective Test Period or Calculation Period and remain outstanding through the date of determination (and thereafter in the case of projections pursuant to Section 8.14) and (y) (other than revolving Indebtedness) permanently retired or redeemed after the first day of the relevant Test Period or Calculation Period shall be deemed to have been retired or redeemed on the first day of the respective Test Period or Calculation Period and remain retired through the date of determination (and thereafter in the case of projections pursuant to Section 8.14);

(ii) for purposes of (I) Section 9.08 for any Test Period ended prior to (but not after) the first anniversary of the Initial Borrowing Date and (II) Section 8.14, all Indebtedness assumed to be outstanding pursuant to preceding clause (i) shall be deemed to have borne interest at (x) the rate applicable thereto, in the case of fixed rate indebtedness or (y) the rates which would have been applicable thereto during the respective period when same was deemed outstanding, in the case of floating rate Indebtedness (although interest expense with respect to any Indebtedness for periods while same was actually outstanding during the respective period shall be calculated using the actual rates applicable thereto while same was actually outstanding); provided that all Indebtedness (whether actually outstanding or deemed outstanding) bearing interest at a floating rate of interest shall be tested on the basis of the rates applicable at the time the determination is made pursuant to said provisions;

(iii) for purposes of determinations of the Leverage Ratio (other than for purposes of Section 8.14, 8.19 and 9.06(x) and the definition of Excluded IPO Proceeds), Consolidated Debt shall be the actual amount thereof as of the last day of the respective Calculation Period or Test Period, as the case may be; provided that, for purposes of determining the Leverage Ratio as it relates to the definition of Applicable Margin, to the extent any Permitted Acquisition is consummated after the last day of the respective Calculation Period or Test Period and on or prior to the date of delivery of the certificate referenced in the definition of Applicable Margin, all Indebtedness incurred or assumed in connection with one or more Permitted Acquisitions consummated after the last day of the respective Test Period shall be added to Consolidated Debt and shall be deemed to have been outstanding on the last day of the respective Calculation Period or Test Period, as the case may be;

(iv) in making any determination of Consolidated EBITDA on a Pro Forma Basis, pro forma effect shall be given to any Permitted Acquisition effected during the respective Calculation Period or Test Period (or thereafter to the extent provided in the definition of Applicable Margin or for purposes of Section 8.14) as if same had occurred on the first day of the respective Calculation Period or Test Period, as the case may be, taking into account, in the case of any Permitted Acquisition, factually supportable and identifiable cost savings and expenses which would otherwise be accounted for as an adjustment pursuant to Article 11 of Regulation S-X under the Securities Act, as if such cost savings or expenses were realized on the first day of the respective period.

"Pro Forma Balance Sheet" shall have the meaning provided in Section 5.15.

"Projections" shall mean the detailed projected consolidated financial statements of Holdings and its Subsidiaries certified by a senior financial officer of Holdings for the five fiscal years after the Initial Borrowing Date and made available to the Lenders on or prior to the Initial Borrowing Date.

"Qualified IPO" shall mean a bona fide underwritten sale to the public of common stock of Holdings pursuant to a registration statement (other than on Form S-8 or any other form relating to securities issuable under any benefit plan of Holdings or any of its Subsidiaries, as the case may be) that is declared effective by the SEC and results in gross cash proceeds (exclusive of underwriter's discounts and commissions and other expenses) of at least $50,000,000 (or, for purposes of Sections 8.16 and 9.11, $150,000,000).

"Qualified Preferred Stock" shall mean any preferred stock of Holdings so long as the terms of any such preferred stock (i) do not contain any mandatory put, redemption, repayment, sinking fund or other similar provision prior to one year after the latest Maturity Date (as determined at the time of issuance of such Qualified Preferred Stock), (ii) do not require the cash payment of dividends at a time when such payment would be prohibited or not permitted under this Agreement, (iii) do not contain any covenants, (iv) do not grant the holders thereof any voting rights except for (x) voting rights required to be granted to such holders under applicable law and (y) limited customary voting rights on fundamental matters such as mergers, consolidations,

sales of all or substantially all of the assets of Holdings, or liquidations involving Holdings, and (v) are otherwise reasonably satisfactory to the Administrative Agent.

"Quarterly Payment Date" shall mean the last Business Day of each March, June, September and December.

"Real Property" of any Person shall mean all of the right, title and interest of such Person in and to land, improvements and fixtures, including Leaseholds.

"Recapitalization" shall mean, collectively, the Sponsor Distribution and the Refinancing.

"Receivables" shall mean all accounts receivable (including, without limitation, all rights to payment created by or arising from sales of goods, leases of goods or the rendering of services no matter how evidenced and whether or not earned by performance).

"Receivables Entity" shall mean (x) ESECCO, Inc., a Delaware corporation which is a Wholly-Owned Subsidiary of the Borrower or (y) any other Wholly-Owned Subsidiary of the Borrower which is designated (as provided below) as the "Receivables Entity", in each case so long as such entity engages in no activities other than in connection with the financing of accounts receivable of the Receivables Sellers and (a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of such entity (i) is guaranteed by Holdings or any other Subsidiary of Holdings (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness)) pursuant to Standard Securitization Undertakings, (ii) is recourse to or obligates Holdings or any other Subsidiary of Holdings in any way (other than pursuant to Standard Securitization Undertakings) or (iii) subjects any property or asset of Holdings or any other Subsidiary of Holdings, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings, (b) neither Holdings nor any of its Subsidiaries has any contract, agreement, arrangement or understanding (other than pursuant to the Accounts Receivable Facility Documents (including with respect to fees payable in the ordinary course of business in connection with the servicing of accounts receivable and related assets)) with such entity on terms less favorable to Holdings or such Subsidiary than those that might be obtained at the time from persons that are not Affiliates of Holdings, and (c) neither Holdings nor any other Subsidiary of Holdings has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results. Any such designation of any entity other than ESECCO, Inc. shall be evidenced to the Administrative Agent by filing with the Administrative Agent an officer's certificate of Holdings or the Borrower certifying that, to the best of such officer's knowledge and belief after consultation with counsel, such designation complied with the foregoing conditions.

"Receivables Indebtedness" shall mean indebtedness of the Borrower and/or its Subsidiaries deemed to exist pursuant to the Existing Accounts Receivable Facility and, after the Accounts Receivable Facility Transaction Date, the Accounts Receivable Facility, in each case determined as if such Existing Accounts Receivable Facility and Accounts Receivable Facility were structured as a secured financing transaction as opposed to an asset purchase and sale transaction.

"Receivables Sellers" shall mean the Borrower and any Subsidiary Guarantors, in each case to the extent such Person is party (as a seller) to the Accounts Receivable Facility Documents.

"Recovery Event" shall mean the receipt by Holdings or any of its Subsidiaries of any insurance or condemnation proceeds (other than proceeds from business interruption insurance) payable (i) by reason of theft, physical destruction or damage or any other similar event with respect to any properties or assets of Holdings or any of its Subsidiaries, (ii) by reason of any condemnation, taking, seizing or similar event with respect to any properties or assets of Holdings or any of its Subsidiaries and (iii) under any policy of insurance required to be maintained under Section 8.03.

"Refinancing" shall mean the refinancing transactions described in Sections 5.08(b), (c) and (d).

"Refinancing Documents" shall mean documents, letters and agreements entered into in connection with the Refinancing.

"Refinancing Senior Subordinated Notes" shall mean any Indebtedness of the Borrower evidenced by senior subordinated notes incurred to refinance, in whole or in part, Second-Lien Loans, so long as, unless the Second-Lien Loans are refinanced in full with the Net Cash Proceeds thereof, (a) such Indebtedness has a final maturity no earlier than one year following the Maturity Date, (b) such Indebtedness does not provide for security, (c) such Indebtedness does not provide for guaranties by any Person other than the Subsidiary Guarantors, (d) such refinancing does not increase the amount of such Indebtedness outstanding immediately prior to such refinancing by more than 3%, (e) all of the Net Cash Proceeds from the incurrence of such Indebtedness shall have been applied to repay Second-Lien Loans and (f) all other terms of such Indebtedness (including, without limitation, with respect to interest rate, amortization, redemption provisions, maturities, covenants, defaults, remedies and subordination provisions) are satisfactory to the Administrative Agent and the Syndication Agent in their sole discretion, as such Indebtedness may be amended, modified or supplemented from time to time in accordance with the terms hereof and thereof. The issuance of Refinancing Senior Subordinated Senior Notes shall be deemed to be a representation and warranty by the Borrower that all conditions thereto have been satisfied in all material respects and that same is permitted in accordance with the terms of this Agreement, which representation and warranty shall be deemed to be a representation and warranty for all purposes hereunder, including, without limitation, Sections 6 and 10. As used herein, the term "Refinancing Senior Subordinated Notes" shall include any Permanent Exchange Refinancing Senior Subordinated Notes issued pursuant to the Refinancing Senior Subordinated Notes Indenture in exchange for theretofore outstanding Refinancing Senior Subordinated Notes, as contemplated by the definition of Permanent Exchange Refinancing Senior Subordinated Notes.

"Refinancing Senior Subordinated Notes Documents" shall mean the Refinancing Senior Subordinated Notes Indenture, the Refinancing Senior Subordinated Notes and each other agreement, document or instrument relating to the issuance of the Refinancing Senior Subordinated Notes, as the same may be amended, modified or supplemented from time to time in accordance with the terms hereof and thereof.

"Refinancing Senior Subordinated Notes Indenture" shall mean any indenture or similar agreement entered into in connection with the issuance of Refinancing Senior Subordinated Notes, as the same may be amended, modified or supplemented from time to time in accordance with the terms hereof and thereof.

"Register" shall have the meaning provided in Section 13.07(c).

"Regulation D" shall mean Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing reserve requirements.

"Regulation T" shall mean Regulation T of the Board of Governors of the Federal Reserve System as from to time in effect and any successor to all or any portion thereof.

"Regulation U" shall mean Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof.

"Regulation X" shall mean Regulation X of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or any portion thereof.

"Release" means disposing, discharging, injecting, spilling, pumping, leaking, leaching, dumping, emitting, escaping, emptying, seeping, placing, pouring and the like, into or upon any land or water or air, or otherwise entering into the environment.

"Replaced Lender" shall have the meaning provided in Section 1.13.

"Replacement Lender" shall have the meaning provided in Section 1.13.

"Reportable Event" shall mean an event described in Section 4043(c) of ERISA with respect to a Plan that is subject to Title IV of ERISA other than those events as to which the 30-day notice period is waived under subsection .22, .23, .25, .27, or ..28 of PBGC Regulation Section 4043.

"Required Lenders" shall mean Non-Defaulting Lenders, the sum of whose outstanding Second-Lien Loans represent an amount greater than 50% of the sum of all outstanding Second-Lien Loans of Non-Defaulting Lenders.

"S&P" shall mean Standard & Poor's Ratings Services, a division of McGraw Hill, Inc.

"Screen Rate" means, for any Interest Period:

(a) the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate that appears on the page of the Telerate screen (or any successor thereto) that displays an average British Bankers Association Interest Settlement Rate for deposits in U.S. Dollars (for delivery on the first day of such Interest Period) with a term

equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period; or

(b) if the rate referenced in the preceding clause (a) does not appear on such page or service or such page or service shall cease to be available, the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in U.S. Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period.

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

"Second-Lien Loans" shall have the meaning provided in Section 1.01.

"Second-Lien Loan Note" shall have the meaning provided in Section 1.05.

"Section 4.04(b)(ii) Certificate" shall have the meaning provided in Section 4.04(b)(ii).

"Secured Creditors" shall have the meaning provided in the Security Documents.

"Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Security Agreement" shall have the meaning provided in Section 5.12(b).

"Security Agreement Collateral" shall mean all "Collateral" as defined in the Security Agreement.

"Security Documents" shall mean and include the Security Agreement, the Pledge Agreement, each Mortgage, each Additional Security Document, if any, and any other pledge agreement entered into pursuant to Section 13.25.

"Senior Managers" shall mean, collectively, John D. Craig, Charles K. McManus, John A. Shea, Richard W. Zuidema and Michael T. Philion.

"Shareholder Subordinated Note" shall mean an unsecured junior subordinated note issued by Holdings (and not guaranteed or supported in any way by the Borrower or any of its Subsidiaries), which note shall be in the form of Exhibit M, provided that additional provisions may be included so long as such provisions do not adversely affect the interests of the Lenders and are not in conflict with the provisions of this Agreement or any other Credit Document.

"Shareholders' Agreements" shall have the meaning provided in Section 5.13.

"Shareholder Rights Plan" shall mean a plan approved by the board of directors of Holdings after consummation of, or in conjunction with, a Qualified IPO providing for the distribution to shareholders of Holdings of rights to purchase Preferred Stock of Holdings (which Preferred Stock need not be Qualified Preferred Stock) on such terms and conditions as are customary for similar plans adopted by publicly-held companies of comparable size to Holdings.

"Specified Default" shall mean any Default under Section 10.01 or 10.05.

"Sponsor" shall mean Morgan Stanley Dean Witter Capital Partners IV, L.P (and any successor entity thereto) and its affiliated funds.

"Sponsor Distribution" shall have the meaning provided in Section 5.08.

"Standard Securitization Undertakings" shall mean representations, warranties, covenants and indemnities entered into by the Borrower or any Subsidiary thereof in connection with the Accounts Receivables Facility which are reasonably customary in an off-balance-sheet accounts receivable transaction.

"Subsidiaries Guaranty" shall have the meaning provided in Section 5.11.

"Subsidiary" of any Person shall mean and include (i) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person directly or indirectly through Subsidiaries and (ii) any partnership, limited liability company, association, joint venture or other entity (other than a corporation) in which such Person directly or indirectly through Subsidiaries, has more than a 50% equity interest at the time.

"Subsidiary Guarantor" shall mean each Wholly-Owned Domestic Subsidiary of Holdings (other than the Borrower, the Receivables Entity and the Cayman Partnership Shareholders).

"Swap Contract" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a "Master Agreement"), including any such obligations or liabilities under any Master Agreement.

"Swap Termination Value" means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender or any Affiliate of a Lender).

"Syndication Agent" shall have the meaning provided in the first paragraph of this Agreement.

"Syndication Date" shall mean the earlier of (i) the 90th day following the Initial Borrowing Date and (ii) the date upon which the Administrative Agent determines (and notifies the Borrower and the Lenders) that the primary syndication (and resultant addition of Persons as Lenders pursuant to Section 13.07(b)) has been completed.

"Synthetic Lease Obligation" means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

"Tax Allocation Agreements" shall have the meaning provided in Section 5.13.

"Tax Benefit" shall have the meaning provided in Section 4.04(c).

"Taxes" shall have the meaning provided in Section 4.04(a).

"Test Period" shall mean each period of four consecutive fiscal quarters then last ended, in each case taken as one accounting period.

"Total Commitment" shall mean the sum of the Commitments of each of the Lenders.

"Transaction" shall mean, collectively, (i) the Recapitalization, (ii) the entering into of the First-Lien Credit Documents and the incurrence of all loans thereunder, (iii) the entering into of the Credit Documents and the incurrence of all Second-Lien Loans on the Initial Borrowing Date, and (iv) the payment of fees and expenses in connection with the foregoing.

"Type" shall mean any type of Loan determined with respect to the interest option applicable thereto, i.e., a Base Rate Loan or a Eurodollar Loan.

"UCC" shall mean the Uniform Commercial Code as in effect from time to time in the relevant jurisdiction.

"Unfunded Current Liability" of any Plan shall mean the amount, if any, by which the actuarial present value of the accumulated plan benefits under the Plan as of the close of its

most recent plan year exceeds the fair market value of the assets allocable thereto, each determined in accordance with Statement of Financial Accounting Standards No. 87, based upon the actuarial assumptions used by the Plan's actuary in the most recent annual valuation of the Plan.

"U.S. Dollars" and the sign "$" shall each mean freely transferable lawful money of the United States of America.

"Wholly-Owned Domestic Subsidiary" shall mean, as to any Person, any Wholly-Owned Subsidiary of such Person which is a Domestic Subsidiary.

"Wholly-Owned Foreign Subsidiary" shall mean, as to any Person, any Wholly-Owned Subsidiary of such Person which is not a Domestic Subsidiary.

"Wholly-Owned Subsidiary" shall mean, as to any Person, (i) any corporation 100% of whose capital stock (other than director's qualifying shares and/or other nominal amounts of shares required to be held other than by such Person under applicable law and, in the case of Hawker SA FA (Poland) and Hawker SA (France), shares (not to exceed 1% of the capital stock of either such entity) held by third parties) is at the time owned by such Person and/or one or more Wholly-Owned Subsidiaries of such Person and (ii) any partnership, limited liability company, association, joint venture or other entity in which such Person and/or one or more Wholly-Owned Subsidiaries of such Person has a 100% equity interest at such time (for such purpose, without taking account of directors qualifying shares and/or other nominal amounts of shares required to be held by such Person under applicable law); provided that Shenzen Hunda Power Mechanical & Electrical Co, Ltd. (China), Hunda (Jianqsu) Power Supply System Co. Ltd. (China) and Oldham Italia S.R.L. shall be deemed to be "Wholly-Owned Subsidiaries" of the Borrower for all purposes of this Agreement, so long as at least 80% (or, in the case of Oldham Italia S.R.L., 99.5%) of the capital (and voting) stock of such entities is at all times owned (directly or indirectly) by the Borrower or a Wholly-Owned Subsidiary of the Borrower.

"Written" (whether lower or upper case) or "in writing" shall mean any form of written communication or a communication by means of telex, facsimile device, telegraph or cable.

SECTION 12. The Agents.

12.01. Appointment. (a) Each Lender hereby irrevocably appoints, designates and authorizes Bank of America as Administrative Agent and as Collateral Agent for such Lender, MSSF as Syndication Agent for such Lender and LCPI as Documentation Agent for such Lender (for purposes of this Section 12, the term "Agents" shall mean Bank of America in its capacity as Administrative Agent hereunder and in its capacity as Collateral Agent hereunder and pursuant to the Security Documents, MSSF in its capacity as Syndication Agent and LCPI in its capacity as Documentation Agent), to act on its behalf under the provisions of this Agreement and each other Credit Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Credit Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere herein or in any other Credit Document, no Agent shall have any

duties or responsibilities, except those expressly set forth herein, nor shall any Agent have or be deemed to have any fiduciary relationship with any Lender or participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Credit Document or otherwise exist against the Agents. Without limiting the generality of the foregoing sentence, the use of the term "agent" herein and in the other Credit Documents with reference to the Agents is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

(b) Each Lender irrevocably authorizes the Second-Lien Collateral Agent to sign the Intercreditor Agreement on behalf of the Lenders and acknowledges and agrees that (i) Bank of America may act as First-Lien Collateral Agent and Second-Lien Collateral Agent under the Intercreditor Agreement, (ii) such Lender will be bound by the terms of the Intercreditor Agreement as a "Creditor" and "Second-Lien Creditor" thereunder and (iii) the Collateral granted under the Security Documents will be subject to the prior Lien securing the First-Lien Obligations (as defined in the Intercreditor Agreement) on the terms provided in the Intercreditor Agreement.

12.02. Delegation of Duties. Each Agent may execute any of its duties under this Agreement or any other Credit Document by or through agents, employees or attorneys-in-fact, including, for the purposes of any payments in a currency other than U.S. Dollars, such sub-agents as shall be deemed necessary by such Agent, and shall be entitled to advice of counsel and other consultants or experts concerning all matters pertaining to such duties. No Agent shall be responsible for the negligence or misconduct of any agent, sub-agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct. Any such agent, sub-agent or other Person retained or employed pursuant to this Section 12.02 shall have all the benefits and immunities provided to any Agent in this Section 12 with respect to any acts taken or omissions suffered by such Person in connection herewith or therewith, as fully as if the term "Agent" as used in this Section 12 and in the definition of "Agent-Related Person" included such additional Persons with respect to such acts or omissions.

12.03. Liability of Agents. No Agent-Related Person shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Credit Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct in connection with its duties expressly set forth herein), or (b) be responsible in any manner to any Lender or participant for any recital, statement, representation or warranty made by any Credit Party or any officer thereof, contained herein or in any other Credit Document, or in any certificate, report,

statement or other document referred to or provided for in, or received by any Agent under or in connection with, this Agreement or any other Credit Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Credit Document, or for any failure of any Credit Party or any other party to any Credit Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lender or participant to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Credit Document, or to inspect the properties, books or records of any Credit Party or any Affiliate thereof.

12.04. Reliance by Administrative Agent**.** (a) Each Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, communication, signature, resolution, representation, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, electronic mail message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to any Credit Party), independent accountants and other experts selected by such Agent. Each Agent shall be fully justified in failing or refusing to take any action under any Credit Document unless such Agent shall first receive such advice or concurrence of the Required Lenders as such Agent deems appropriate (including, without limitation, for purposes of making determinations pursuant to Section 8.16 or 8.19 and the definition of "Refinancing Senior Subordinated Notes") and, if such Agent so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Each Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Credit Document in accordance with a request or consent of the Required Lenders (or such greater number of Lenders as may be expressly required hereby in any instance) and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders.

(b) For purposes of determining compliance with the conditions specified in Sections 5, 6, 8.16 and 8.19 and the definition of "Refinancing Senior Subordinated Notes", each Agent and each Lender shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Administrative Agent, the Collateral Agent, any other Agent and/or a Lender unless the Administrative Agent shall have received notice from an objecting Agent or Lender prior to the Effective Date or other relevant date of determination, as the case may be, specifying its objection thereto. Without limiting the foregoing, it is understood and agreed that each Lender has the right to request from the Administrative Agent and/or the Collateral Agent a copy of (x) any item required to be delivered pursuant to Section 5, 8.16 or 8.19 which is required to be satisfactory in form, scope and substance to the Administrative Agent, the Collateral Agent or any other Agent and (y) any Refinancing Senior Subordinated Notes Documents.

12.05. Notice of Default**.** The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Lenders, unless the Administrative Agent shall have received written notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default." The Administrative Agent will notify the Lenders of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Default or Event of Default as may be directed by the Required Lenders in accordance with Section 10; provided, however, that unless and until the Administrative Agent has received any such direction, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of the Lenders.

12.06. Credit Decision; Disclosure of Information by the Agents**.** Each Lender acknowledges that no Agent-Related Person has made any representation or warranty to it, and that no act by any Agent hereafter taken, including any consent to and acceptance of any assignment or review of the affairs of any Credit Party or any Affiliate thereof, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender as to any matter, including whether Agent-Related Persons have disclosed material information in their possession. Each Lender represents to each Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Credit Parties and their respective Subsidiaries, and all applicable bank or other regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Borrower. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Credit Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of Holdings and its Subsidiaries. Except for notices, reports and other documents expressly required to be furnished to the Lenders by an Agent herein, no Agent shall have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of any of the Credit Parties or any of their respective Affiliates which may come into the possession of any Agent-Related Person.

12.07. Indemnification**.** Whether or not the transactions contemplated hereby are consummated, the Lenders shall indemnify upon demand each Agent-Related Person (to the extent not reimbursed by or on behalf of any Credit Party and without limiting the obligation of any Credit Party to do so), pro rata, and hold harmless each Agent-Related Person from and against any and all Indemnified Liabilities incurred by it; provided, however, that no Lender shall be liable for the payment to any Agent-Related Person of any portion of such Indemnified Liabilities to the extent determined in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such Agent-Related Person's own gross negligence or willful misconduct, provided, however, that no action taken in accordance with the directions of the Required Lenders shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section 12.07. Without limitation of the foregoing, each Lender shall reimburse each Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by such Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Credit Document, or any document contemplated by or referred to herein, to the extent that such Agent is not reimbursed for such expenses by or on behalf of the Borrower. The undertaking in this Section 12.07 shall survive termination of the Total Commitment, the payment of all other Obligations and the resignation of the Agents.

12.08. Agents in their Individual Capacities**.** Each Agent and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity

interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with each of the Credit Parties and their respective Affiliates (including, without limitation, entering into Interest Rate Protection Agreements with the Borrower as contemplated by Section 8.16 and underwriting and/or placing the Refinancing Senior Subordinated Notes) as though such Agent were not an Agent hereunder and without notice to or consent of the Lenders. The Lenders acknowledge that, pursuant to such activities, any Agent or its Affiliates may receive information regarding any Credit Party or its Affiliates (including information that may be subject to confidentiality obligations in favor of such Credit Party or such Affiliate) and acknowledge that no Agent shall be under any obligation to provide such information to them. With respect to its Second-Lien Loans and all Obligators owing it, any Agent shall have the same rights and powers under this Agreement as any other Lender and may exercise such rights and powers as though it were not an Agent and the terms "Lender" and "Lenders" include any Agent in its individual capacity.

12.09. Successor Agents**.** (a) The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Lenders. If the Administrative Agent resigns under this Agreement, the Required Lenders shall appoint from among the Lenders a successor administrative agent for the Lenders, which successor administrative agent shall be consented to by the Borrower at all times other than during the existence of an Event of Default (which consent of the Borrower shall not be unreasonably withheld or delayed). If no successor administrative agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders and the Borrower, a successor administrative agent from among the Lenders. Upon the acceptance of its appointment as successor administrative agent hereunder, the Person acting as such successor administrative agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor administrative agent and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated without any other or further act or deed on the part of any other Lender. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Section 12 and Sections 13.04 and 13.05 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor administrative agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above.

(b) The Syndication Agent may resign as Syndication Agent upon 5 days' notice to the Lenders. If the Syndication Agent resigns under this Agreement, the Administrative Agent shall succeed to all the rights, powers and duties of the retiring Syndication Agent, and the retiring Syndication Agent's appointment, powers and duties as Syndication Agent shall be terminated, without any other or further act or deed on the part of such retiring Syndication Agent. After any retiring Syndication Agent's resignation hereunder as Syndication Agent, the provisions of this Section 12 and Sections 13.04 and 13.05 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Syndication Agent under this Agreement.

(c) The Documentation Agent may resign as Documentation Agent upon 5 days' notice to the Lenders. If the Documentation Agent resigns under this Agreement, the Administrative Agent shall succeed to all the rights, powers and duties of the retiring Documentation Agent, and the retiring Documentation Agent's appointment, powers and duties as Documentation Agent shall be terminated, without any other or further act or deed on the part of such retiring Documentation Agent. After any retiring Documentation Agent's resignation hereunder as Documentation Agent, the provisions of this Section 12 and Sections 13.04 and 13.05 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Documentation Agent under this Agreement.

12.10. Administrative Agent May File Proofs of Claim**.** In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to any Credit Party, the Administrative Agent (irrespective of whether the principal of any Second-Lien Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Second-Lien Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Agents under Sections 3.01 and 13.04) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 3.01 and 13.04.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

12.11. Collateral and Guaranty Matters**.** The Lenders irrevocably authorize the Administrative Agent (including in its capacity as Collateral Agent), at its option and in its discretion,

(a) to release any Lien on any property granted to or held by the Administrative Agent (in its capacity as Collateral Agent) under any Security Document (i) upon termination of the Total Commitment and payment in full of all Obligations (other than contingent

indemnification obligations), (ii) that is sold or to be sold as part of or in connection with any sale permitted hereunder or under any other Credit Document (other than a sale to Holdings or any of its Subsidiaries), (iii) subject to Section 13.01, if approved, authorized or ratified in writing by the Required Lenders or (iv) required by the terms of the Intercreditor Agreement;

(b) to subordinate any Lien on any property granted to or held by the Administrative Agent under any Security Document to the holder of any Lien on such property that is permitted by Section 9.03 or required by the Intercreditor Agreement; and

(c) to release any Subsidiary Guarantor from its obligations under the Subsidiary Guaranty if (x) such Person ceases to be a Subsidiary as a result of a transaction permitted hereunder or (y) such release is required by the Intercreditor Agreement.

Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Subsidiary Guarantor from its obligations under the Subsidiary Guaranty pursuant to this Section 12.11.

12.12. Other Agents; Arrangers and Managers. None of the Lenders or other Persons identified on the facing page or signature pages of this Agreement as a "co-agent," "book manager," "lead manager," "arranger," "lead arranger" or "co-arranger" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than, in the case of such Lenders, those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders or other Persons so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders or other Persons so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

SECTION 13. Miscellaneous.

13.01. Amendment or Waiver. (a) Except as provided by the Intercreditor Agreement, neither this Agreement nor any other Credit Document nor any terms hereof or thereof may be changed, waived, discharged or terminated unless such change, waiver, discharge or termination is in writing signed by the respective Credit Parties party thereto and the Required Lenders, provided that no such change, waiver, discharge or termination shall, without the consent of each Lender (with Obligations being directly affected thereby in the case of the following clause (i)), (i) extend the final stated maturity of any Second-Lien Loan or Second-Lien Loan Note, or reduce the rate or extend the time of payment of interest or Fees thereon, or reduce the principal amount thereof (it being understood that the waiver of any mandatory repayment or repurchase of Second-Lien Loans pursuant to Section 4.02 shall not constitute a reduction or waiver of any Fee, interest or premium otherwise payable in connection therewith), (ii) subject to the Intercreditor Agreement, release all or substantially all of the Collateral (except

as expressly provided in the Security Documents) under all the Security Documents, (iii) amend, modify or waive any provision of this Section 13.01 (except for technical amendments with respect to additional extensions of credit pursuant to this Agreement which afford the protections to such additional extensions of credit of the type provided to the Second-Lien Loans on the Effective Date), (iv) reduce the percentage specified in the definition of Required Lenders (it being understood that, with the consent of the Required Lenders, additional extensions of credit pursuant to this Agreement may be included in the determination of the Required Lenders on substantially the same basis as the extensions of Second-Lien Loans are included on the Effective Date), (v) consent to the assignment or transfer by Holdings or the Borrower of any of its rights and obligations under this Agreement, (vi) amend or modify Section 13.19(a), or (vii) release Holdings from the Holdings Guaranty or Holdings or the Borrower from this Agreement; provided further, that no such change, waiver, discharge or termination shall (w) be effective without the written acknowledgment (though not consent) of the Administrative Agent (such acknowledgment not to be unreasonably withheld or delayed), (x) increase the Commitments of any Lender over the amount thereof then in effect without the consent of such Lender (it being understood that waivers or modifications of conditions precedent, covenants, Defaults or Events of Default or of a mandatory reduction in the Total Commitment shall not constitute an increase of the Commitment of any Lender, and that an increase in the available portion of any Commitment of any Lender shall not constitute an increase in the Commitment of such Lender), (y) without the consent of the respective Agent affected thereby, amend, modify or waive any provision of Section 12 as same applies to such Agent or any other provision as same relates to the rights or obligations of such Agent, and (z) without the consent of the Collateral Agent, amend, modify or waive any provision relating to the rights or obligations of the Collateral Agent.

(b) If, in connection with any proposed change, waiver, discharge or termination of or to any of the provisions of this Agreement as contemplated by clauses (i) through (vii), inclusive, of the first proviso to Section 13.01(a), the consent of the Required Lenders is obtained but the consent of one or more of such other Lenders whose consent is required is not obtained, then the Borrower shall have the right, so long as all non-consenting Lenders whose individual consent is required are treated as described in either clause (A) or (B) below, to either (A) replace each such non-consenting Lender or Lenders with one or more Replacement Lenders pursuant to Section 1.13 so long as at the time of such replacement, each such Replacement Lender consents to the proposed change, waiver, discharge or termination or (B) repay outstanding Second-Lien Loans of such Lender in accordance with Section 4.01(v), provided that, unless the Second-Lien Loans which are repaid pursuant to preceding clause (B) are immediately replaced in full at such time through the addition of new Lenders or the increase of the outstanding Loans of existing Lenders (who in each case must specifically consent thereto), then in the case of any action pursuant to preceding clause (B), the Required Lenders (determined after giving effect to the proposed action) shall specifically consent thereto, provided further, that the Borrower shall not have the right to replace a Lender or repay its Second-Lien Loans solely as a result of the exercise of such Lender's rights (and the withholding of any required consent by such Lender) pursuant to the second proviso to Section 13.01(a).

13.02. Notices and Other Communications; Facsimile Copies. (a) General. Unless otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including by facsimile transmission). All such written notices

shall be mailed certified or registered mail, faxed or delivered to the applicable address, facsimile number or (subject to subsection (c) below) electronic mail address, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Borrower, any Agent or the Collateral Agent, to the address, facsimile number, electronic mail address or telephone number specified for such Person on Schedule II or to such other address, facsimile number, electronic mail address or telephone number as shall be designated by such party in a notice to the other parties; and

(ii) if to any other Lender, to the address, facsimile number, electronic mail address or telephone number specified in its Administrative Questionnaire or to such other address, facsimile number, electronic mail address or telephone number as shall be designated by such party in a notice to the Borrower and the Administrative Agent.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Section 1, 2 or 3 if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Sections by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

(c) Effectiveness of Facsimile Documents and Signatures. Credit Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable law, have the same force and effect as manually-signed originals and shall be binding on all Credit Parties, the Agents, the Collateral Agent, and the Lenders. The Administrative Agent may also require that any such documents and signatures be confirmed by a manually-signed original thereof; provided, however, that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

(d) Reliance by Administrative Agent and Lenders. The Administrative Agent, the Collateral Agent and the Lenders shall each be entitled to rely and act upon any notices (including telephonic Notices of Borrowing) believed by it in good faith to have been given by or on behalf of the Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any

confirmation thereof. The Borrower shall indemnify each Agent-Related Person and each Lender from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice believed by the respective such Person in good faith to have been given by or on behalf of the Borrower or any other Credit Party. All telephonic notices to and other communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

13.03. No Waiver; Cumulative Remedies**.** No failure by any Lender, any Agent or the Collateral Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

13.04. Attorney Costs, Expenses and Taxes**.** The Borrower agrees (a) to pay or reimburse each Agent and the Collateral Agent for all costs and expenses incurred in connection with the development, preparation, negotiation and execution of this Agreement and the other Credit Documents and any amendment, waiver, consent or other modification of the provisions hereof and thereof (whether or not the transactions contemplated hereby or thereby are consummated), and the consummation and administration of the transactions contemplated hereby and thereby, including all Attorney Costs, provided that the Borrower shall only be responsible for the fees and expenses of a single law firm acting as counsel to the Agents in each jurisdiction the laws of which govern any of the Credit Documents or in which Holdings or any of its Subsidiaries is organized or owns property or assets and (b) to pay or reimburse each Agent and each Lender for all costs and expenses incurred in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or the other Credit Documents (including all such costs and expenses incurred during any "workout" or restructuring in respect of the Obligations and during any legal proceeding, including any proceeding under any Debtor Relief Law), including all Attorney Costs. The foregoing costs and expenses shall include all search, filing, recording, title insurance and appraisal charges and fees and taxes related thereto, and other out-of-pocket expenses incurred by any Agent or the Collateral Agent and the cost of independent public accountants and other outside experts retained by any Agent, the Collateral Agent or any Lender. All amounts due under this Section 13.04 shall be payable within ten Business Days after demand therefor. The agreements in this Section shall survive the termination of the total Commitments and repayment of all other Obligations.

13.05. Indemnification by the Borrower**.** Whether or not the transactions contemplated hereby are consummated, the Borrower shall indemnify and hold harmless each Agent-Related Person, each Lender and their respective Affiliates, directors, officers, employees, counsel, agents and attorneys-in-fact (collectively the "Indemnitees") from and against any and all liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses and disbursements (including Attorney Costs) of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against any such Indemnitee in any way relating to or arising out of or in connection with (a) the execution, delivery, enforcement, performance or administration of any Credit Document or any other agreement,

letter or instrument delivered in connection with the transactions contemplated thereby or the consummation of the transactions contemplated thereby, (b) any Commitment or Loan or the use or proposed use of the proceeds therefrom, or (c) any actual or alleged presence or release of Hazardous Materials on or from any property currently or formerly owned or operated by Holdings or any of its Subsidiaries or any Environmental Claim related in any way to Holdings or any of its Subsidiaries, or (d) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, investigation, litigation or proceeding) and regardless of whether any Indemnitee is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"), in all cases, whether or

not caused by or arising, in whole or in part, out of the negligence of the Indemnitee; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses or disbursements are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee. No Indemnitee shall be liable for any damages arising from the use by others of any information or other materials obtained through IntraLinks or other similar information transmission systems in connection with this Agreement, nor shall any Indemnitee have any liability for any indirect or consequential damages relating to this Agreement or any other Credit Document or arising out of its activities in connection herewith or therewith (whether before or after the Effective Date). All amounts due under this Section 13.05 shall be payable within ten Business Days after demand therefor. The agreements in this Section shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the total Commitment and the repayment, satisfaction or discharge of all the other Obligations.

13.06. Payments Set Aside**.** To the extent that any payment by or on behalf of the Borrower is made to any Agent, the Collateral Agent or any Lender, or any Agent, the Collateral Agent or any Lender exercises its right of set-off, and such payment or the proceeds of such set-off or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by such Agent, the Collateral Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the applicable Federal Funds Rate from time to time in effect, in the applicable currency of such recovery or payment.

13.07. Successors and Assigns**.** (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Credit Agreement Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this

Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Second-Lien Loans at the time owing to it); provided that (i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Second-Lien Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund (as defined in subsection (g) of this Section) with respect to a Lender, the aggregate amount of the Second-Lien Loans subject to each such assignment, determined as of the date the Assignment and Assumption Agreement with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption Agreement, as of the Trade Date, shall not be less than $1,000,000, unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed); (ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Second-Lien Loans assigned; and (iii) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption Agreement, together with a processing and recordation fee of $3,500. Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption Agreement, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption Agreement, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption Agreement, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption Agreement covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 1.10, 1.11, 4.04, 13.04 and 13.05 with respect to facts and circumstances occurring prior to the effective date of such assignment). Upon request, the Borrower (at its expense) shall execute and deliver a Second-Lien Loan Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at the Notice Office a copy of each Assignment and Assumption Agreement delivered to it and a register for the recordation of the names and addresses of the Lenders, and principal amounts of the Second-Lien Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent, the Collateral Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender

hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower at any reasonable time and from time to time upon reasonable prior notice. In addition, at any time that a request for a consent for a material or other substantive change to the Credit Documents is pending, any Lender wishing to consult with other Lenders in connection therewith may request and receive from the Administrative Agent a copy of the Register.

(d) Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or Holdings' Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of Second-Lien Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent, the Collateral Agent and the other Lenders shall continue to deal solely and directly with such Lender in

connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement, except to the extent such amendment, modification or waiver would (i) extend the final stated maturity of any Second-Lien Loan or Second-Lien Loan Note in which such participant is participating, or reduce the rate or extend the time of payment of interest or Fees thereon (except in connection with a waiver of applicability of any post-default increase in interest rates) or reduce the principal amount thereof, or increase the amount of the participant's participation over the amount thereof then in effect (it being understood that a waiver of any Default or Event of Default or of a mandatory reduction in the Total Commitment or of a mandatory repayment of Second-Lien Loans shall not constitute a change in the terms of such participation, that an increase in any Commitment or Loan shall be permitted without the consent of any participant if the participant's participation is not increased as a result thereof and that any amendment or modification to the financial definitions in this Agreement shall not constitute a reduction in any rate of interest or fees for purposes of this clause (i)), (ii) consent to the assignment or transfer by Holdings or the Borrower of any of its rights and obligations under this Agreement or (iii) subject to the provisions of the Intercreditor Agreement, release all or substantially all of the Collateral under all of the Security Documents (except as expressly provided in the Security Documents) supporting the Second-Lien Loans hereunder in which such participant is participating. Subject to subsection (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 1.10, 1.11 and 4.04 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 13.09 as though it were a Lender, provided such Participant agrees to be subject to Section 13.19(b) as though it were a Lender.

(e) A Participant shall not be entitled to receive any greater payment under Section 1.10, 1.11 or 4.04 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a non-U.S. Lender for purposes of Section 4.04 if it were a Lender shall not be entitled to the

benefits of Section 4.04 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 4.04 as though it were a Lender.

(f) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Second-Lien Loan Note(s), if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) As used herein, the following terms have the following meanings:

"Eligible Assignee" means (a) a Lender; (b) an Affiliate of a Lender; (c) an Approved Fund; and (d) any other Person (other than a natural person) approved by (i) the Administrative Agent and (ii) unless an Event of Default has occurred and is continuing, the Borrower (each such approval not to be unreasonably withheld or delayed); provided that notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrower or any of Holdings' Affiliates or Subsidiaries.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

(h) At the time of each assignment pursuant to Section 13.07(b) to a Person which is not already a Lender hereunder and which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for Federal income tax purposes, the respective assignee Lender shall provide to the Borrower and the Administrative Agent the appropriate Internal Revenue Service Forms (and, if applicable a Section 4.04(b)(ii) Certificate) described in Section 4.04(b). To the extent that an assignment of all or any portion of a Lender's Commitment and outstanding Obligations pursuant to Section 1.13 or Section 13.07(b) would, due to circumstances existing at the time of such assignment, result in increased costs under Section 1.10, 1.11 or 4.04 from those being charged by the respective assigning Lender prior to such assignment, then the Borrower shall not be obligated to pay such increased costs (although the Borrower shall be obligated to pay any other increased costs of the type described above resulting from changes after the date of the respective assignment).

13.08. Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any

regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Credit Document or any action or proceeding relating to this Agreement or any other Credit Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower, (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower or (i) to any direct or indirect contractual counterparty in swap agreements or such contractual counterparty's professional advisor (so long as such contractual counterparty or professional advisor to such contractual counterparty agrees to be bound by the provisions of this Section 13.08). For purposes of this Section, "Information" means all information received from Holdings or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the

Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by Holdings or any of its Subsidiaries; provided that, in the case of information received from Holdings or any Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Notwithstanding anything herein to the contrary, "Information" shall not include, and the Credit Parties, each Agent, each Lender and the respective Affiliates of each of the foregoing (and the respective partners, directors, officers, employees, agents, advisors and other representatives of each of the foregoing and their Affiliates) may disclose to any and all Persons, without limitation of any kind (a) any information with respect to the U.S. federal and state income tax treatment of the transactions contemplated hereby and any facts that may be relevant to understanding such tax treatment, which facts shall not include for this purpose the names of the parties or any other Person named herein, or information that would permit identification of the parties or such other Persons, or any pricing terms or other nonpublic business or financial information that is unrelated to such tax treatment or facts, and (b) all materials of any kind (including opinions or other tax analyses) relating to such tax treatment or facts that are provided to any of the Persons referred to above.

13.09. Set-off**.** In addition to any rights and remedies of the Lenders provided by law, upon the occurrence and during the continuance of any Event of Default, subject to the provisions of the Intercreditor Agreement, each Lender (acting in any capacity hereunder) is authorized at any time and from time to time, without prior notice to the Borrower or any other Credit Party, any such notice being waived by the Borrower (on its own behalf and on behalf of each Credit Party) to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other

indebtedness at any time owing by, such Lender to or for the credit or the account of the respective Credit Parties against any and all Obligations owing to such Lender hereunder or under any other Credit Document, now or hereafter existing, irrespective of whether or not the Administrative Agent or such Lender shall have made demand under this Agreement or any other Credit Document and although such Obligations may be contingent or unmatured or denominated in a currency different from that of the applicable deposit or indebtedness. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such set-off and application made by such Lender; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

13.10. Interest Rate Limitation**.** Notwithstanding anything to the contrary contained in any Credit Document, the interest paid or agreed to be paid under the Credit Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the "Maximum Rate"). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Second-Lien Loans or, if it exceeds such unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

13.11. Counterparts**.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

13.12. Integration**.** This Agreement, together with the other Credit Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the provisions of this Agreement and those of any other Credit Document, the provisions of this Agreement shall control; provided that the inclusion of supplemental rights or remedies in favor of the Administrative Agent or the Lenders in any other Credit Document shall not be deemed a conflict with this Agreement. Each Credit Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

13.13. Survival. (a) All representations and warranties made hereunder and in any other Credit Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or Event of Default at the time of any Credit Event, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied.

(b) All indemnities set forth herein including, without limitation, in Sections 1.10, 1.11, 4.04, 12.07, 13.04 and 13.05, shall, subject to the provisions of Section 13.18 (to the extent applicable), survive the execution and delivery of this Agreement and the making and repayment of the Second-Lien Loans.

13.14. Severability**.** If any provision of this Agreement or the other Credit Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Credit Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

13.15. Governing Law. (a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE**;** PROVIDED THAT THE ADMINISTRATIVE AGENT AND EACH LENDER SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK SITTING IN THE BOROUGH OF MANHATTAN, CITY OF

NEW YORK, OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF SUCH STATE, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE BORROWER, THE ADMINISTRATIVE AGENT AND LENDERS CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. THE BORROWER, THE ADMINISTRATIVE AGENT AND EACH LENDER IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF *FORUM NON CONVENIENS*, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF ANY CREDIT DOCUMENT OR OTHER DOCUMENT RELATED THERETO. THE BORROWER, THE ADMINISTRATIVE AGENT AND EACH LENDER WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY THE LAW OF SUCH STATE.

13.16. Waiver of Right to Trial by Jury. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY CREDIT DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE

OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

13.17. USA PATRIOT Act Notice**.** Each Lender and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies each Credit Agreement Party that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies such Credit Agreement Party, which information includes the name and address of such Credit Agreement Party and other information that will allow such Lender or the Administrative Agent, as applicable, to identify such Credit Agreement Party in accordance with the Act.

13.18. Limitation on Additional Amounts; Cash Collateral, etc. (a) Notwithstanding anything to the contrary contained in Section 1.10, 1.11 or 4.04 of this Agreement, unless a Lender gives notice to the Borrower that it is obligated to pay an amount under such Section within six months after the later of (x) the date the Lender incurs the respective increased costs, Taxes, loss, expense or liability, reduction in amounts received or receivable or reduction in return on capital or (y) the date such Lender has actual knowledge of its incurrence of the respective increased costs, Taxes, loss, expense or liability, reductions in amounts received or receivable or reduction in return on capital, then such Lender shall only be entitled to be compensated for such amount pursuant to said Section 1.10, 1.11 or 4.04, as the case may be, to the extent of the costs, Taxes, loss, expense or liability, reduction in amounts received or receivable or reduction in return on capital that are incurred or suffered on or after the date which occurs six months prior to such Lender giving notice to the Borrower that it is obligated to pay the respective amounts pursuant to said Section 1.10, 1.11 or 4.04, as the case may be. This Section 13.18 shall have no applicability to any Section of this Agreement other than said Sections 1.10, 1.11 and 4.04.

(b) So long as no Default or Event of Default shall exist and be continuing, at any time that the Borrower has on deposit with the Collateral Agent any cash collateral securing any of the Obligations, the Borrower shall have the right to direct the Collateral Agent to invest such cash collateral in Cash Equivalent reasonably satisfactory to the Administrative Agent until such time as such Cash Collateral is applied to the repayment of Obligations or otherwise disbursed in accordance with the provisions of this Agreement and the other Credit Documents.

13.19. Payments Pro Rata; Sharing of Payments. (a) The Administrative Agent agrees that promptly after its receipt of each payment from or on behalf of any Credit Party in respect of any Obligations of such Credit Party, it shall, except as otherwise provided in this Agreement, distribute such payment to the Lenders (other than any Lender that has consented in writing to waive its pro rata share of such payment) pro rata based upon their respective shares, if any, of the Obligations with respect to which such payment was received.

(b) If, other than as expressly provided elsewhere herein, any Lender shall obtain on account of the Second-Lien Loans made by it, any payment (whether voluntary,

involuntary, through the exercise of any right of set-off, or otherwise) in excess of its ratable share (or other share contemplated hereunder) thereof, such Lender shall immediately (a) notify the Administrative Agent of such fact, and (b) purchase from the other Lenders such participations in the Second-Lien Loans made by them as shall be necessary to cause such purchasing Lender to share the excess payment in respect of such Second-Lien Loans pro rata with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from the purchasing Lender under any of the circumstances described in Section 13.06 (including pursuant to any settlement entered into by the purchasing Lender in its discretion), such purchase shall to that extent be rescinded and each other Lender shall repay to the purchasing Lender the purchase price paid therefor, together with an amount equal to such paying Lender's ratable share (according to the proportion of (i) the amount of such paying Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered, without further interest thereon. The Borrower agrees that any Lender so purchasing a participation from another Lender may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off, but subject to Section 13.09) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation. The Administrative Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify the Lenders following any such purchases or repayments. Each Lender that purchases a participation pursuant to this Section shall from and after such purchase have the right to give all notices, requests, demands, directions and other communications under this Agreement with respect to the portion of the Obligations purchased to the same extent as though the purchasing Lender were the original owner of the Obligations purchased.

(c) Notwithstanding anything to the contrary contained herein, the provisions of the preceding Sections 13.19(a) and (b) shall be subject to the express provisions of this Agreement which require, or permit, differing payments to be made to Non-Defaulting Lenders as opposed to Defaulting Lenders.

13.20. Judgment Currency. If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due hereunder or any other Credit Document in one currency into another currency, the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the first currency with such other currency on the Business Day preceding that on which final judgment is given. The obligation of the Borrower in respect of any such sum due from it to the Administrative Agent or the Lenders hereunder or under the other Credit Documents shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than that in which such sum is denominated in accordance with the applicable provisions of this Agreement (the "Agreement Currency"), be discharged only to the extent that on the Business Day following receipt by the Administrative Agent of any sum adjudged to be so due in the Judgment Currency, the Administrative Agent may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the sum originally due to the Administrative Agent from the Borrower in the Agreement Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Administrative Agent or the Person to whom such obligation was owing against such loss. If

the amount of the Agreement Currency so purchased is greater than the sum originally due to the Administrative Agent in such currency, the Administrative Agent agrees to return the amount of any excess to the Borrower (or to any other Person who may be entitled thereto under applicable law).

13.21. Calculations; Computations. (a) The financial statements to be furnished to the Lenders pursuant hereto shall be made and prepared in accordance with GAAP consistently applied throughout the periods involved (except as set forth in the notes thereto or as otherwise disclosed in writing by the Borrower to the Lenders); provided that except as otherwise specifically provided herein, all computations determining the Applicable Margins and compliance with Sections 4.02, 8.14 and 9, including in each case definitions used therein, shall, in each case, utilize accounting principles and policies in effect at the time of the preparation of, and in conformity with those used to prepare, the March 31, 2003 financial statements of Holdings delivered to the Lenders pursuant to Section 7.10(b); provided further, that (i) to the extent expressly required pursuant to the provisions of this Agreement, certain calculations shall be made on a Pro Forma Basis, (ii) for all purposes of this Agreement, all Receivables Indebtedness shall be treated as Indebtedness of Holdings and its Subsidiaries hereunder, regardless of any differing treatment pursuant to generally accepted accounting principles and (iii) for purposes of determining compliance with any incurrence or expenditure tests set forth in Sections 8 and/or 9, any amounts so incurred or expended (to the extent incurred or expended in a currency other than U.S. Dollars) shall be converted into U.S. Dollars on the basis of the exchange rates (as shown on Reuters ECB page 37 or, if same does not provide such exchange rates, on such other basis as is satisfactory to the Administrative Agent) as in effect on the date of such incurrence or expenditure under any provision of any such Section that has an aggregate U.S. Dollar limitation therein (and to the extent the respective incurrence or expenditure test regulates the aggregate amount outstanding at any time and is expressed in terms of U.S. Dollars, all outstanding amounts originally incurred or spent in currencies other than U.S. Dollars shall be converted into U.S. Dollars on the basis of the exchange rates (as shown on Reuters ECB page 37 or, if same does not provide such exchange rates, on such other basis as is satisfactory to the Administrative Agent) as in effect on the date of any new incurrence or expenditures made under any provision of any such Section that regulates the U.S. Dollar amount outstanding at any time).

(b) All computations of interest (except as provided in the immediately succeeding sentence) hereunder shall be made on the actual number of days elapsed over a year of 360 days. All computations of Base Rate interest hereunder shall be made on the actual number of days elapsed over a year of 365/366 days.

13.22. Effectiveness. This Agreement shall become effective on the date (the "Effective Date") on which Holdings, the Borrower, each Agent and each of the Lenders shall have signed a counterpart hereof (whether the same or different counterparts) and shall have delivered the same (including by way of facsimile transmission) to the Administrative Agent at the Notice Office or at the office of the Administrative Agents' counsel. The Administrative Agent will give Holdings, the Borrower and each Lender prompt written notice of the occurrence of the Effective Date.

13.23. Headings Descriptive. The headings of the several sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

13.24. Domicile of Second-Lien Loans and Commitments. Each Lender may transfer and carry its Second-Lien Loans and/or Commitments at, to or for the account of any branch office, subsidiary or affiliate of such Lender; provided that the Borrower shall not be responsible for costs arising under Section 1.10, 1.11 or 4.04 resulting from any such transfer (other than a transfer pursuant to Section 1.12) to the extent such costs would not otherwise be applicable to such Lender in the absence of such transfer.

13.25. Special Provisions Regarding Pledges of Equity Interests in, and Promissory Notes Owed by, Foreign Persons. The parties hereto acknowledge and agree that the provisions of the various Security Documents executed and delivered by the Credit Parties require that, among other things, all promissory notes executed by, and Equity Interests in, various Persons owned by the respective Credit Party be pledged, and delivered for pledge, pursuant to the Security Documents. The parties hereto further acknowledge and agree that each Credit Party shall be required to take all actions under the laws of the jurisdiction in which such Credit Party is organized to create and perfect all security interests granted pursuant to the various Security Documents and to take all actions under the laws of the United States (or any state thereof) to perfect the security interests in the Equity Interests of, and promissory notes issued by, any Person organized under the laws of the United States or any state thereof (in each case, to the extent said Equity Interests or promissory notes are owned by any Credit Party). Except as provided in the immediately preceding sentence, to the extent any Security Document requires or provides for the pledge of promissory notes issued by, or Equity Interests in, any Person organized under the laws of a jurisdiction other than the United States or any state thereof, it is acknowledged that, as of the Initial Borrowing Date, no actions have been required to be taken to perfect, under local law of the jurisdiction of the Person who issued the respective promissory notes or whose Equity Interests are pledged, under the Security Documents. Holdings and the Borrower hereby agree that, following any request by the Administrative Agent or Required Lenders to do so, the Borrower shall, and shall cause its Subsidiaries to, take such actions (including, without limitation, the execution of Additional Security Documents, the making of any filings and the delivery of appropriate legal opinions) under the local law of any jurisdiction with respect to which such actions have not already been taken as are reasonably determined by the Administrative Agent or Required Lenders to be necessary or desirable in order to fully perfect, preserve or protect the security interests granted pursuant to the various Security Documents under the laws of such jurisdictions. If requested to do so pursuant to this Section 13.25, all such actions shall be taken in accordance with the provisions of this Section 13.25 and Section 8.11 and within the time periods set forth therein. All conditions and representations contained in this Agreement and the other Credit Documents shall be deemed modified to the extent necessary to effect the foregoing and so that same are not violated by reason of the failure to take actions under local law (but only with respect to Equity Interests in, and promissory notes issued by, Persons

organized under laws of jurisdictions other than the United States or any state thereof) not required to be taken in accordance with the provisions of this Section 13.25, provided that to the extent any representation or warranty would not be true because the foregoing actions were not taken, the respective representation of warranties shall be required to be true and correct in all material respects at such time as the respective action is

required to be taken in accordance with the foregoing provisions of this Section 13.25 or pursuant to Section 8.11.

13.26. Post-Closing Actions. Notwithstanding anything to the contrary contained in this Agreement or the other Credit Documents, the parties hereto acknowledge and agree that:

1. The actions relating to the Mortgages and Real Property of Holdings and its Subsidiaries described on Part A of Schedule XI shall be completed in accordance with Part A of Schedule XI.

2. Within 90 days following the Initial Borrowing Date, the Borrower shall have duly authorized, executed and delivered to the Administrative Agent a pledge agreement governed by the laws of Mexico covering 65% of the equity interests of the Mexican Subsidiary (as amended, restated, modified and/or supplemented from time to time in accordance with the terms thereof and hereof, the "Mexican Pledge Agreement"), which Mexican Pledge Agreement shall be in form and substance satisfactory to the Administrative Agent and in full force and effect, (ii) the Mexican Pledge Agreement shall have been duly recorded or filed in such manner and in such places as required by Mexican law to establish, perfect, preserve and protect the pledge in favor of the pledgee thereunder, (iii) all taxes, fees and other charges payable in connection with Mexican Pledge Agreement (including the recordation thereof) shall have been paid in full and (iv) the Administrative Agent shall have received such other evidence that all actions necessary or, in the opinion of the Administrative Agent, desirable, to perfect and/or render enforceable the security interest purported to be created by the Mexican Pledge Agreement have been taken (including, without limitation, the delivery of an opinion from Mexican counsel acceptable to the Administrative Agent in form, scope and substance reasonably satisfactory to the Administrative Agent).

3. Holdings and its Subsidiaries shall be required to take the actions specified in Parts B and C of Schedule XI as promptly as practicable and in any event within the time periods set forth in said Parts B and C of Schedule XI. The provisions of Parts B and C of Schedule XI shall be deemed incorporated herein by reference as fully as if set forth herein in its entirety.

All provisions of this Credit Agreement and the other Credit Documents (including, without limitation, all conditions precedent, representations, warranties, covenants, events of default and other agreements herein and therein) shall be deemed modified to the extent necessary to effect the foregoing (and to permit the taking of the actions described above within the time periods required above, rather than as otherwise provided in the Credit Documents); provided that (x) to the extent any representation and warranty would not be true because the foregoing actions were not taken on the Initial Borrowing Date the respective representation and warranty shall be required to be true and correct in all material respects at the time the respective action is taken (or was required to be taken) in accordance with the foregoing provisions of this

Section 13.26 and (y) all representations and warranties relating to the Security Documents shall be required to be true immediately after the actions required to be taken by this Section 13.26 have been taken (or were required to be taken). The acceptance of the benefits of the Second-Lien Loans shall constitute a covenant and agreement by each of Holdings and the Borrower to each of the Lenders that the actions required pursuant to this Section 13.26 will be, or have been, taken within the relevant time periods referred to in this Section 13.26 and that, at such time, all representations and warranties contained in this Credit Agreement and the other Credit Documents shall then be true and correct without any modification pursuant to this Section 13.26. The parties hereto acknowledge and agree that the failure to take any of the actions required above, within the relevant time periods required above, shall give rise to an immediate Event of Default pursuant to this Agreement.

SECTION 14. Holdings Guaranty..

14.01. Holdings Guaranty. In order to induce the Lenders to enter into this Agreement and to extend credit hereunder, and in recognition of the direct benefits to be received by Holdings from the proceeds of the Second-Lien Loans, Holdings hereby agrees with the Lenders as follows: Holdings hereby unconditionally and irrevocably guarantees, as primary obligor and not merely as surety the full and prompt payment when due, whether upon maturity, acceleration or otherwise, of any and all of the Guaranteed Obligations to the Guaranteed Creditors. If any or all of the Guaranteed Obligations to the Guaranteed Creditors becomes due and payable hereunder, Holdings unconditionally promises to pay such indebtedness to the Guaranteed Creditors, or order, on demand, together with any and all expenses which may be incurred by the Guaranteed Creditors in collecting any of the Guaranteed Obligations. This Holdings Guaranty is a guaranty of payment and not of collection. This Holdings Guaranty is a continuing one and all liabilities to which it applies or may apply under the terms hereof shall be conclusively presumed to have been created in reliance hereon. If claim is ever made upon any Guaranteed Creditor for repayment or recovery of any amount or amounts received in payment or on account of any of the Guaranteed Obligations and any of the aforesaid payees repays all or part of said amount by reason of (i) any judgment, decree or order of any court or administrative body having jurisdiction over such payee or any of its property or (ii) any settlement or compromise of any such claim effected by such payee with any such claimant (including the Borrower), then and in such event Holdings agrees that any such judgment, decree, order, settlement or compromise shall be binding upon Holdings, notwithstanding any revocation of this Holdings Guaranty or any other instrument evidencing any liability of the Borrower, and Holdings shall be and remain liable to the aforesaid payees hereunder for the amount so repaid or recovered to the same extent as if such amount had never originally been received by any such payee.

14.02. Bankruptcy. Additionally, Holdings unconditionally and irrevocably guarantees the payment of any and all of the Guaranteed Obligations to the Guaranteed Creditors whether or not due or payable by the Borrower upon the occurrence of any of the events specified in Section 10.05, and unconditionally promises to pay such indebtedness to the Guaranteed Creditors, or order, on demand.

14.03. Nature of Liability. The liability of Holdings hereunder is exclusive and independent of any guaranty of the Guaranteed Obligations whether executed by Holdings, any

other guarantor or by any other party, and the liability of Holdings hereunder is not affected or impaired by (a) any direction as to application of payment by the Borrower or by any other party, or (b) any other continuing or other guaranty, undertaking or maximum liability of a guarantor or of any other party as to the Guaranteed Obligations, or (c) any payment on or in reduction of any such other guaranty or undertaking, or (d) any dissolution, termination or increase, decrease or change in personnel by the Borrower, or (e) any payment made to the Guaranteed Creditors on the Guaranteed Obligations which any such Guaranteed Creditor repays to the Borrower pursuant to court order in any bankruptcy, reorganization, arrangement, moratorium or other debtor relief proceeding, and Holdings waives any right to the deferral or modification of its obligations hereunder by reason of any such proceeding, or (f) any action or inaction of the type described in Section 14.05, or (g) the lack of validity or enforceability of any Credit Document or any other instrument relating thereto.

14.04. Independent Obligation. No invalidity, irregularity or unenforceability of all or any part of the Guaranteed Obligations shall affect, impair or be a defense to this Holdings Guaranty, and this Holdings Guaranty shall be primary, absolute and unconditional notwithstanding the occurrence of any event or the existence of any other circumstances which might constitute a legal or equitable discharge of a surety or guarantor except payment in full of the Guaranteed Obligations. The obligations of Holdings hereunder are independent of the obligations of the Borrower, any other guarantor or any other Person and a separate action or actions may be brought and prosecuted against Holdings whether or not action is brought against the Borrower, any other guarantor or any other Person and whether or not the Borrower, any other guarantor or any other Person be joined in any such action or actions. Holdings waives, to the full extent permitted by law, the benefit of any statute of limitations affecting its liability hereunder or the enforcement thereof. Any payment by the Borrower with respect to any Guaranteed Obligations or other circumstance which operates to toll any statute of limitations as to the Borrower shall operate to toll the statute of limitations as to Holdings.

14.05. Authorization. Holdings authorizes the Guaranteed Creditors without notice or demand (except as shall be required by applicable statute and cannot be waived), and without affecting or impairing its liability hereunder, from time to time to:

(a) change the manner, place or terms of payment of, and/or change or extend the time of payment of, renew, increase, accelerate or alter, any of the Guaranteed Obligations (including any increase or decrease in the rate of interest thereon) or any liability incurred directly or indirectly in respect thereof, and this Holdings Guaranty shall apply to the Guaranteed Obligations as so changed, extended, renewed, increased or altered;

(b) take and hold security for the payment of the Guaranteed Obligations and sell, exchange, release, impair, surrender, realize upon or otherwise deal with in any manner and in any order any property by whomsoever at any time pledged or mortgaged to secure, or howsoever securing, the Guaranteed Obligations or any liabilities (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and/or any offset thereagainst;

(c) exercise or refrain from exercising any rights against the Borrower or

others or otherwise act or refrain from acting;

(d) release or substitute any one or more endorsers, guarantors, the Borrower or other obligors;

(e) settle or compromise any of the Guaranteed Obligations or any liability (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and may subordinate the payment of all or any part thereof to the payment of any liability (whether due or not) of the Borrower to its respective creditors other than the Guaranteed Creditors;

(f) apply any sums by whomsoever paid or howsoever realized to any liability or liabilities of the Borrower to the Guaranteed Creditors regardless of what liability or liabilities of the Borrower remain unpaid;

(g) consent to or waive any breach of, or any act, omission or default under, this Agreement, any other Credit Document or any of the instruments or agreements referred to herein or therein, or otherwise amend, modify or supplement this Agreement, any other Credit Document or any of such other instruments or agreements; and/or

(h) take any other action which would, under otherwise applicable principles of common law, give rise to a legal or equitable discharge of Holdings from its liabilities under this Holdings Guaranty.

14.06. Reliance. It is not necessary for the Guaranteed Creditors to inquire into the capacity or powers of the Borrower or the officers, directors, partners or agents acting or purporting to act on their behalf, and any Guaranteed Obligations made or created in reliance upon the professed exercise of such powers shall be guaranteed hereunder by Holdings.

14.07. Subordination. Any of the indebtedness of the Borrower now or hereafter owing to Holdings is hereby subordinated to the Guaranteed Obligations of the Borrower owing to the Guaranteed Creditors; and if the Administrative Agent so requests at a time when an Event of Default exists, all such indebtedness of the Borrower to Holdings shall be collected, enforced and received by Holdings for the benefit of the Guaranteed Creditors and be paid over to the Administrative Agent on behalf of the Guaranteed Creditors on account of the Guaranteed Obligations of the Borrower to the Guaranteed Creditors, but without affecting or impairing in any manner the liability of Holdings under the other provisions of this Holdings Guaranty. Prior to the transfer by Holdings to any Person (other than a Subsidiary Guarantor) of any note or negotiable instrument evidencing any of the indebtedness of the Borrower to Holdings, Holdings shall mark such note or negotiable instrument with a legend that the same is subject to this subordination. Without limiting the generality of the foregoing, Holdings hereby agrees with the Guaranteed Creditors that it will not exercise any right of subrogation which it may at any time otherwise have as a result of this Holdings Guaranty (whether contractual, under Section 509 of the Bankruptcy Code or otherwise) until all Guaranteed Obligations have been irrevocably paid in full in cash.

14.08. Waiver. (a) Holdings waives any right (except as shall be required by applicable statute and cannot be waived) to require any Guaranteed Creditor to (i) proceed

against the Borrower, any other guarantor or any other party, (ii) proceed against or exhaust any security held from the Borrower, any other guarantor or any other party or (iii) pursue any other remedy in any Guaranteed Creditor's power whatsoever. Holdings waives any defense based on or arising out of any defense of the Borrower, any other guarantor or any other party, other than payment in full in cash of the Guaranteed Obligations, based on or arising out of the disability of the Borrower, any other guarantor or any other party, or the unenforceability of the Guaranteed Obligations or any part thereof from any cause, or the cessation from any cause of the liability of the Borrower other than payment in full in cash of the Guaranteed Obligations. The Guaranteed Creditors may, at their election, foreclose on any security held by the Administrative Agent or any other Guaranteed Creditor by one or more judicial or nonjudicial sales, whether or not every aspect of any such sale is commercially reasonable (to the extent such sale is permitted by applicable law), or exercise any other right or remedy the Guaranteed Creditors may have against the Borrower or any other party, or any security, without affecting or impairing in any way the liability of Holdings hereunder except to the extent the Guaranteed Obligations of Holdings have been paid in full in cash. Holdings waives any defense arising out of any such election by the Guaranteed Creditors, even though such election operates to impair or extinguish any right of reimbursement or subrogation or other right or remedy of Holdings against the Borrower or any other party or any security.

(b) Holdings waives all presentments, demands for performance, protests and notices, including, without limitation, notices of nonperformance, notices of protest, notices of dishonor, notices of acceptance of this Holdings Guaranty, and notices of the existence, creation, modification or incurring of new or additional Guaranteed Obligations. Holdings assumes all responsibility for being and keeping itself informed of the Borrower's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations and the nature, scope and extent of the risks which Holdings assumes and incurs hereunder, and agrees that the Guaranteed Creditors shall have no duty to advise Holdings of information known to them regarding such circumstances or risks.

(c) Until such time as the Guaranteed Obligations have been paid in full in cash, Holdings hereby waives all rights of subrogation which it may at any time otherwise have as a result of this Holdings Guaranty (whether contractual, under Section 509 of the Bankruptcy Code, or otherwise) to the claims of the Guaranteed Creditors against any other guarantor of the Guaranteed Obligations and all contractual, statutory or common law rights of reimbursement, contribution or indemnity from the Borrower or any other guarantor which it may at any time otherwise have as a result of this Holdings Guaranty.

(d) Holdings hereby acknowledges and affirms that it understands that to the extent the Guaranteed Obligations are secured by Real Property located in California, Holdings shall be liable for the full amount of the liability hereunder notwithstanding the foreclosure on such Real Property by trustee sale or any other reason impairing Holdings' or any Guaranteed Creditor's right to proceed against the Borrower or any other guarantor of the Guaranteed Obligations. In accordance with Section 2856 of the California Civil Code, Holdings hereby waives:

(i) all rights of subrogation, reimbursement, indemnification, and contribution and any other rights and defenses that are or may become available to Holdings by reason of Sections 2787 to 2855, inclusive, 2899 and 3433 of the California Civil Code;

(ii) all rights and defenses that Holdings may have because the Guaranteed Obligations are secured by Real Property located in California, it being understood that this means, among other things: (A) the Guaranteed Creditors may collect from Holdings without first foreclosing on any real or personal property collateral pledged by the Borrower or any other Credit Party; and (B) if the Guaranteed Creditors foreclose on any Real Property collateral pledged by the Borrower or any other Credit Party, (1) the amount of the Guaranteed Obligations may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price, and (2) the Guaranteed Creditors may collect from the Borrower even if the Guaranteed Creditors, by foreclosing on the Real Property collateral, have destroyed any right the Borrower may have to collect from the Borrower. This is an unconditional and irrevocable waiver of any rights and defenses the Borrower may have because the Guaranteed Obligations are secured by Real Property. These rights and defenses include, but are not limited to, any rights or defenses based upon Section 580a, 580d or 726 of the California Code of Civil Procedure; and

(iii) all rights and defenses arising out of an election of remedies by the Guaranteed Creditors, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for the Guaranteed Obligations, has destroyed Holdings' rights of subrogation and reimbursement against the Borrower by the operation of Section 580d of the Code of Civil Procedure or otherwise.

(e) Holdings warrants and agrees that each of the waivers set forth above is made with full knowledge of its significance and consequences and that if any of such waivers are determined to be contrary to any applicable law of public policy, such waivers shall be effective only to the maximum extent permitted by law.

14.09. Payments. All payments made by Holdings pursuant to this Section 14 shall be made in U.S. Dollars. All payments made by Holdings pursuant to this Section 14 will be made without setoff, counterclaim or other defense, and shall be subject to the payment provisions applicable to the Borrower in Sections 4.03 and 4.04.

* * *

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this Agreement as of the date first above written.

Address:

2366 Bernville Road
Reading, PA 19605
Telephone No.: 610-208-1991
Facsimile No.: 610-208-1671
Attention: Michael T. Philion

ENERSYS

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA 19605
Telephone No.: 610-208-1991
Facsimile No.: 610-208-1671
Attention: Michael T. Philion

ENERSYS CAPITAL INC.

By: _____
Name:
Title:

Mailcode NC1-007-13-06
100 N. Tryon Street, 13th Floor
Charlotte, NC 28255
Telephone No.: 704-388-6415
Facsimile No.: 704-409-0564
Electronic Mail:
Laura.l.clark@bankofamerica.com
Attention: Laura Clark

BANK OF AMERICA, N.A.,
Individually

By: _____
Name:
Title:

For Payments and Requests for Credit Extensions:
Mailcode NC1-001-15-04
101 N. Tryon Street
Charlotte, NC 28255
Telephone: (704) 387-1184
Facsimile: (704) 409-0024
Electronic Mail:
kristen.gilliam@bankofamerica.com
Attention: Kristen Gilliam
Ref : EnerSys Capital, Inc.
Account # 1366212250600
ABA # 026009593

Other Notices:
Mailcode CA5-701-05-19
1455 Market Street, 5th Floor

BANK OF AMERICA, N.A., as
Administrative Agent

By: _____
Name:
Title:

San Francisco, CA 94103
Telephone: (415) 436-3495
Facsimile: (415) 503-5006
Electronic Mail:
charles.graber@bankofamerica.com
Attention: Charles Graber

with a copy to:

Mailcode NC1-007-13-06
100 North Tryon Street, 13th Floor
Charlotte, North Carolina 28255
Telephone No.: 704-388-6415
Facsimile No.: 704-409-0564
Electronic Mail: laura.l.clark@bankofamerica.com
Attention: Laura Clark

1585 Broadway
New York, NY 10036
Telephone No.: 212-761-2373
Facsimile No.: 212-507-2941
Attention: John McCann

MORGAN STANLEY SENIOR
FUNDING, INC., Individually and as
Syndication Agent

By: _____
Name:
Title:

745 Seventh Avenue, 23rd Floor
New York, NY 10019

LEHMAN COMMERCIAL PAPER
INC., Individually and as
Documentation Agent

Telephone No.: 212-526-4054
Facsimile No.: 646-758-5233
Attention: David Baron

By: _____
Name:
Title:

SIGNATURE PAGE TO THE SECOND-LIEN CREDIT AGREEMENT, DATED AS OF MARCH , 2004, AMONG ENERSYS, A DELAWARE CORPORATION, ENERSYS CAPITAL INC., A DELAWARE CORPORATION, THE LENDERS FROM TIME TO TIME PARTY HERETO, BANK OF AMERICA, N.A., AS ADMINISTRATIVE AGENT, MORGAN STANLEY SENIOR FUNDING, INC., AS SYNDICATION AGENT, AND LEHMAN COMMERCIAL PAPER INC., AS DOCUMENTATION AGENT

NAME OF INSTITUTION:

_____

By: _____
Name:
Title:

SCHEDULE I

LIST OF LENDERS AND COMMITMENTS

Lender		Commitment
Bank of America, N.A.	$	118,000,000.00
KZH SOLEIL-2 LLC	$	2,000,000.00
Total	$	120,000,000

SCHEDULE II

LENDER ADDRESSES

Administrative Agent	Address
For Payments and Requests for Credit Extensions	
Bank of America, N.A., as Administrative Agent	Mailcode NC1-001-15-04 101 N. Tryon Street Charlotte, NC 28255 Attention: Kristen Gilliam Telephone: (704) 387-1184 Facsimile: (704) 409-0024 Electronic Mail: kristen.gilliam@bankofamerica.com Ref : EnerSys Capital, Inc. Account # 1366212250600 ABA # 026009593
Other Notices to Administrative Agent:	
Bank of America, N.A., as Administrative Agent Agency Management	Mailcode CA5-701-05-19 1455 Market Street, 5th Floor San Francisco, CA 94103 Attention: Charles Graber Telephone: (415) 436-3495 Facsimile: (415) 503-5006 Electronic Mail: charles.graber@bankofamerica.com

with a copy to:

Bank of America, N.A.	Mailcode NC1-007-13-01 100 North Tryon Street, 13th Floor Charlotte, North Carolina 28255 Attention: Laura Clark Telephone No.: 704-388-6415 Facsimile No.: 704-409-0564 Electronic Mail: laura.l.clark@bankofamerica.com

Lender	**Address**
Bank of America, N.A.	Mailcode NC1-007-13-06 100 North Tryon Street, 13th Floor Charlotte, NC 28255 Attention: Laura Clark
	Telephone No.: (704) 388-6415 Facsimile No.: (704) 409-0564
Morgan Stanley Senior Funding, Inc.	1633 Broadway New York, New York 10036 Attention: Michael Fabiano Telephone No.: (212) 761-2383 Facsimile No.: (212) 507-3417
Lehman Commercial Paper Inc.	745 Seventh Avenue New York, New York 10019 Attention: Francis Chang Telephone No.: (212) 526-5390 Facsimile No.: (646) 758-3864
KZH SOLEIL-2 LLC	c/o JPMorgan Chase Bank 4 MetroTech Center- 10th Floor Brooklyn, New York 11245 Attention: Virginia R. Conway Telephone No.: (718) 242-4932 Facsimile No.: (718) 242-6220

SCHEDULE III

REAL PROPERTY

SCHEDULE IV

EXISTING INDEBTEDNESS

SCHEDULE V

PENSION PLANS

SCHEDULE VI

EXISTING INVESTMENTS

SCHEDULE VII

SUBSIDIARIES

SCHEDULE VIII

INSURANCE

Schedule of Insurance Policies

SCHEDULE IX

LIEN FILINGS

SCHEDULE X

CAPITALIZATION

SCHEDULE XI

POST-CLOSING MATTERS

SCHEDULE XII

CONFLICTS

SCHEDULE XV

GROUP STRUCTURE CHARTS

[TO BE PROVIDED]

Exhibit 10.14

PLEDGE AGREEMENT

PLEDGE AGREEMENT, dated as of March 17, 2004 (as amended, restated, modified and/or supplemented from time to time, this "Agreement"), among each of the undersigned (each, a "Pledgor" and, together with each other entity which becomes a party hereto pursuant to Section 25, collectively, the "Pledgors") and Bank of America, N.A., as Collateral Agent (together with any successor Collateral Agent, the "Pledgee"), for the benefit of the Secured Creditors (as defined below). Except as otherwise defined herein, terms used herein and defined in the Second-Lien Credit Agreement (as defined below) shall be used herein as therein defined.

W I T N E S S E T H :

WHEREAS, EnerSys ("Holdings"), EnerSys Capital Inc. (the "Borrower"), various financial institutions from time to time party thereto (the "Lenders"), Bank of America, N.A., as Administrative Agent (together with a successor Administrative Agent, the "Administrative Agent" and, together with the Lenders, the Collateral Agent, the other Agents and the Pledgee, the "Secured Creditors"), Morgan Stanley Senior Funding Inc., as Syndication Agent, and Lehman Commercial Paper Inc., as Documentation Agent, have entered into a Second-Lien Credit Agreement, dated as of March 17, 2004 providing for the making of Second-Lien Loans to the Borrower (as used herein, the term "Second-Lien Credit Agreement" means the Second-Lien Credit Agreement described above in this paragraph as amended, restated, modified, extended, renewed, replaced, supplemented, restructured and/or refinanced from time to time);

WHEREAS, pursuant to the Holdings Guaranty, Holdings has unconditionally guaranteed to the Secured Creditors the payment when due of all Guaranteed Obligations as described therein;

WHEREAS, pursuant to the Subsidiaries Guaranty, each Subsidiary Guarantor has jointly and severally guaranteed to the Secured Creditors the payment when due of all Guaranteed Obligations as described therein;

WHEREAS, it is a condition precedent to the making of Second-Lien Loans to the Borrower under the Second-Lien Credit Agreement that each Pledgor shall have executed and delivered to the Pledgee this Agreement;

WHEREAS, Holdings, the Borrower, various financial institutions from time to time party thereto and Bank of America, N.A., as administrative agent and collateral agent (in such capacity, the "First-Lien Collateral Agent"), have entered into a credit agreement, dated as of the date hereof (as amended, restated, modified, extended, renewed, replaced, supplemented, restructured and/or refinanced from time to time, the "First-Lien Credit Agreement");

WHEREAS, each Pledgor will obtain benefits from the incurrence of Second-Lien Loans by the Borrower under the Second-Lien Credit Agreement and accordingly, desires

---

to execute this Agreement in order to satisfy the condition precedent described in the second preceding paragraph and to induce the Lenders to make Second-Lien Loans to the Borrower;

WHEREAS, in order to secure the obligations under the First-Lien Credit Agreement, each Pledgor is concurrently granting to the First-Lien Collateral Agent, for the benefit of the holders of obligations under the First-Lien Credit Agreement, a first priority security interest in the Collateral (it being understood that the relative rights and priorities of the grantees in respect of the Collateral are governed by the Intercreditor Agreement, dated as of the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the "Intercreditor Agreement"), among Holdings, the Borrower, the First-Lien Collateral Agent, the Collateral Agent and certain other persons party or that may become party thereto from time to time); and

NOW, THEREFORE, in consideration of the foregoing and other benefits accruing to each Pledgor, the receipt and sufficiency of which are hereby acknowledged, each Pledgor hereby makes the following representations and warranties to the Pledgee for the benefit of the Secured Creditors and hereby covenants and agrees with the Pledgee for the benefit of the Second Creditors as follows:

1. SECURITY FOR OBLIGATIONS. This Agreement is made by each Pledgor for the benefit of the Secured Creditors to secure:

(i) the full and prompt payment when due (whether at stated maturity, by acceleration or otherwise) of all obligations, liabilities and indebtedness (including, without limitation, principal, premium, interest (including, without limitation, all interest that accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency, reorganization or similar proceeding of any Pledgor or any Subsidiary thereof at the rate provided for in the respective documentation, whether or not a claim for post-petition interest is allowed in any such proceeding), fees, costs and indemnities) of such Pledgor owing to the Secured Creditors, whether now existing or hereafter incurred under, arising out of, or in connection with, the Second-Lien Credit Agreement and the other Credit Documents to which such Pledgor is a party (including, in the case of each Pledgor that is a Guarantor, all such obligations, liabilities and indebtedness of such Pledgor under its Guaranty) and the due performance and compliance by such Pledgor with all of the terms, conditions and agreements contained in the Second-Lien Credit Agreement and in such other Credit Documents (all such obligations, liabilities and indebtedness under this clause (i), being herein collectively called the "Credit Document Obligations");

(ii) any and all sums advanced by the Pledgee in order to preserve the Collateral (as hereinafter defined) or preserve its security interest in the Collateral;

(iii) in the event of any proceeding for the collection or enforcement of any indebtedness, obligations or liabilities of such Pledgor referred to in clause (i) above, after an Event of Default shall have occurred and be continuing, the reasonable expenses of retaking, holding, preparing for sale or lease, selling or otherwise disposing of or realizing on the Collateral, or of any exercise by the

---

Pledgee of its rights hereunder, together with reasonable attorneys' fees and court costs;

(iv) all amounts paid by any Indemnitees as to which such Indemnitee has the right to reimbursement under Section 11 of this Agreement; and

(v) all amounts owing to any Agent or any of its affiliates pursuant to any of the Credit Documents in its capacity as such;

all such obligations, liabilities, indebtedness, sums and expenses set forth in clauses (i) through (v) of this Section 1 being collectively called the "Obligations", it being agreed that the "Obligations" shall include extensions of credit of the types described above, whether outstanding on the date of this Agreement or extended from time to time after the date of this Agreement.

2. DEFINITIONS; ANNEXES. (a) Unless otherwise defined herein, all capitalized terms used herein and defined in the Second-Lien Credit Agreement shall be used herein as therein defined. Reference to singular terms shall include the plural and vice versa.

(b) The following capitalized terms used herein shall have the definitions specified below:

"Administrative Agent" shall have the meaning set forth in the recitals hereto.

"Adverse Claim" shall have the meaning given such term in Section 8-102(a)(1) of the UCC.

"Agreement" shall have the meaning set forth in the first paragraph hereof.

"Borrower" shall have the meaning set forth in the recitals hereto.

"Certificated Security" shall have the meaning given such term in Section 8-102(a)(4) of the UCC.

"Clearing Corporation" shall have the meaning given such term in Section 8-102(a)(5) of the UCC.

"Collateral" shall have the meaning set forth in Section 3.1 hereof.

"Collateral Accounts" shall mean any and all accounts established and maintained by the Pledgee in the name of any Pledgor to which Collateral may be credited.

"Credit Document Obligations" shall have the meaning set forth in Section 1(i) hereof.

"Domestic Corporation" shall have the meaning set forth in the definition of "Stock."

"Event of Default" shall mean any Event of Default under, and as defined in, the Second-Lien Credit Agreement and shall in any event include, without limitation, any payment default on any of the Obligations after the expiration of any applicable grace period.

"Excluded Collateral" shall mean (x) on and after the Accounts Receivable Facility Transaction Date, any Accounts Receivable Facility Assets for so long as, and to the extent, same have been sold or transferred pursuant to the Accounts Receivable Facility Documents, provided that at such time as, and to the extent that, any such Excluded Collateral is repurchased by or reconveyed to, an Assignor, such Accounts Receivable Facility Assets shall cease to constitute Excluded Collateral, (y) Margin Stock owned or held by any Pledgor except to the extent required to be pledged pursuant to Section 8.18 of the Credit Agreement and (z) the capital stock of Yuasa Inc. S.A., EnerSys Europe Ltd. and YCI Inc. so long as, in the case of EnerSys Europe Ltd. and YCI Inc., the gross book value of the assets of each entity does not exceed $50,000 at any time.

"Exempted Foreign Corporation" shall mean (i) any Foreign Corporation and any limited liability company organized under the laws of a jurisdiction other than the United States or any State or Territory thereof that, in any such case, is treated as a corporation or an association taxable as a corporation for U.S. Federal income tax purposes and (ii) Cayman Partnership Shareholder #1.

"Financial Asset" shall have the meaning given such term in Section 8-102(a)(9) of the UCC.

"Foreign Corporation" shall have the meaning set forth in the definition of "Stock."

"Holdings" shall have the meaning set forth in the first paragraph hereof.

"Indemnitees" shall have the meaning set forth in Section 11 hereof.

"Instrument" shall have the meaning given such term in Section 9-102(a)(47) of the UCC.

"Intercreditor Agreement" shall have the meaning given such term in the recitals hereto.

"Investment Property" shall have the meaning given such term in Section 9-102(a)(49) of the UCC.

"Lenders" shall have the meaning set forth in the Recitals hereto.

"Limited Liability Company Assets" shall mean all assets, whether tangible or intangible and whether real, personal or mixed (including, without limitation, all limited liability company capital and interest in other limited liability companies), at any time owned by any Pledgor or represented by any Limited Liability Company Interest.

"Limited Liability Company Interests" shall mean the entire limited liability company membership interest at any time owned by any Pledgor in any limited liability company.

"Location" of any Pledgor has the meaning given such term in Section 9-307 of the UCC.

"Non-Voting Stock" shall mean all capital stock which is not Voting Stock.

"Notes" shall mean (x) all intercompany notes at any time issued to each Pledgor and (y) all other promissory notes from time to time issued to, or held by, each Pledgor.

"Obligations" shall have the meaning set forth in Section 1 hereof.

"Partnership Assets" shall mean all assets, whether tangible or intangible and whether real, personal or mixed (including, without limitation, all partnership capital and interest in other partnerships), at any time owned or represented by any Partnership Interest.

"Partnership Interest" shall mean the entire general partnership interest or limited partnership interest at any time owned by any Pledgor in any general partnership or limited partnership.

"Pledged Notes" shall mean all Notes at any time pledged or required to be pledged hereunder.

"Pledgee" shall have the meaning set forth in the first paragraph hereof.

"Pledgor" shall have the meaning set forth in the first paragraph hereof.

"Proceeds" shall have the meaning given such term in Section 9-102(a)(64) of the UCC.

"Registered Organization" shall have the meaning given such term in Section 9-102(a)(70) of the UCC.

"Required Lenders" shall have the meaning given such term in the Second-Lien Credit Agreement.

"Second-Lien Collateral Agent" shall have the meaning provided in the Intercreditor Agreement.

"Second-Lien Credit Agreement" shall have the meaning set forth in the recitals hereto.

"Secured Creditors" shall have the meaning set forth in the recitals hereto.

"Secured Debt Agreements" shall have the meaning set forth in Section 5 hereof.

"Securities Account" shall have the meaning given such term in Section 8-501(a) of the UCC.

"Securities Act" shall mean the Securities Act of 1933, as amended, as in effect from time to time.

"Securities Intermediary" shall have the meaning given such term in Section 8-102(14) of the UCC.

"Security" and "Securities" shall have the meaning given such term in Section 8-102(a)(15) of the UCC and shall in any event also include all Stock and all Notes.

"Security Entitlement" shall have the meaning given such term in Section 8-102(a)(17) of the UCC.

"Specified Default" shall have the meaning set forth in Section 5 hereof.

"Stock" shall mean (x) with respect to corporations incorporated under the laws of the United States or any State or territory thereof or the District of Columbia (each, a "Domestic Corporation"), all of the issued and outstanding shares of capital stock of any Domestic Corporation at any time owned by any Pledgor and (y) with respect to corporations not Domestic Corporations (each, a "Foreign Corporation"), all of the issued and outstanding shares of capital stock of any Foreign Corporation at any time owned by any Pledgor.

"Termination Date" shall have the meaning set forth in Section 19 hereof.

"UCC" shall mean the Uniform Commercial Code as in effect in the State of New York from time to time; provided that all references herein to specific sections or subsections of the UCC are references to such sections or subsections, as the case may be, of the Uniform Commercial Code as in effect in the State of New York on the date hereof.

"Uncertificated Security" shall have the meaning given such term in Section 8-102(a)(18) of the UCC.

"Voting Stock" shall mean all classes of equity interests of any Foreign Corporation entitled to vote (as used in the Treasury Regulations under Section 956 under the Code).

3. PLEDGE OF SECURITY INTEREST, ETC.

3.1. Pledge. To secure the Obligations now or hereafter owed or to be performed by such Pledgor (but subject to the terms of the Intercreditor Agreement), each Pledgor does hereby grant, pledge and assign to the Pledgee for the benefit of the Secured Creditors, and does hereby create a continuing security interest in favor of the Pledgee for the benefit of the Secured Creditors in, all of the right, title and interest in and to the following, whether now existing or hereafter from time to time acquired (collectively, the "Collateral"):

(a) each of the Collateral Accounts, including any and all assets of whatever type or kind deposited by such Pledgor in such Collateral Account, whether now owned or hereafter acquired, existing or arising, including, without limitation, all Financial Assets, Investment Property, moneys, checks, drafts, Instruments, Securities or interests therein of any type or nature deposited or required by the Second-Lien Credit Agreement or any other Secured Debt Agreement to be deposited in such Collateral Account, and all investments and all certificates and other Instruments (including depository receipts, if any) from time to time representing or evidencing the same, and all dividends, interest, distributions, cash and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the foregoing;

(b) all Securities owned or held by such Pledgor from time to time and all options and warrants owned by such Pledgor from time to time to purchase Securities;

(c) all Limited Liability Company Interests owned by such Pledgor from time to time and all of its right, title and interest in each limited liability company to which each such Limited Liability Company Interest relates, whether now existing or hereafter acquired, including, without limitation, to the fullest extent permitted under the terms and provisions of the documents and agreements governing such Limited Liability Company Interests and applicable law:

(A) all its capital therein and its interest in all profits, losses, Limited Liability Company Assets and other distributions to which such Pledgor shall at any time be entitled in respect of such Limited Liability Company Interests;

(B) all other payments due or to become due to such Pledgor in respect of Limited Liability Company Interests, whether under any limited liability company agreement or otherwise, whether as contractual obligations, damages, insurance proceeds or otherwise;

(C) all of its claims, rights, powers, privileges, authority, options, security interests, liens and remedies, if any, under any limited liability company agreement or operating agreement, or at law or otherwise in respect of such Limited Liability Company Interests;

(D) all present and future claims, if any, of such Pledgor against any such limited liability company for moneys loaned or advanced, for services rendered or otherwise;

(E) all of such Pledgor's rights under any limited liability company agreement or operating agreement or at law to exercise and enforce every right, power, remedy, authority, option and privilege of such Pledgor relating to such Limited Liability Company Interests, including any power to terminate, cancel or modify any limited liability company agreement or operating agreement, to execute any instruments and to take any and all other action on behalf of and in the name of any such Pledgor in respect of such Limited Liability Company Interests and any such limited liability company, to make determinations, to exercise any election (including, but not limited to, election of remedies) or option or to give or receive any notice, consent, amendment, waiver or approval, together with full power and authority to demand, receive, enforce, collect or receipt for any of the foregoing or for any Limited Liability Company Asset, to enforce or execute any checks, or other instruments or orders, to file any claims and to take any action in connection with any of the foregoing; and

(F) all other property hereafter delivered in substitution for or in addition to any of the foregoing, all certificates and instruments representing or evidencing such other property and all cash, securities, interest, dividends, rights and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all thereof;

(d) all Partnership Interests of such Pledgor from time to time and all of its right, title and interest in each partnership to which each such interest relates, whether now existing or hereafter acquired, including, without limitation:

(A) all its capital therein and its interest in all profits, losses, Partnership Assets and other distributions to which such Pledgor shall at any time be entitled in respect of such Partnership Interests;

(B) all other payments due or to become due to such Pledgor in respect of Partnership Interests, whether under any partnership agreement or otherwise, whether as contractual obligations, damages, insurance proceeds or otherwise;

(C) all of its claims, rights, powers, privileges, authority, options, security interests, liens and remedies, if any, under any partnership agreement or operating agreement, or at law or otherwise in respect of such Partnership Interests;

(D) all present and future claims, if any, of such Pledgor against any such partnership for moneys loaned or advanced, for services rendered or otherwise;

(E) all of such Pledgor's rights under any partnership agreement or operating agreement or at law to exercise and enforce every right, power, remedy, authority, option and privilege of such Pledgor relating to such Partnership Interests, including any power to terminate, cancel or modify any partnership agreement or operating agreement, to execute any instruments and to take any and all other action on behalf of and in the name of any such Pledgor in respect of such Partnership Interests and any such partnership, to make determinations, to exercise any election (including, but not limited to, election of remedies) or option or to give or receive any notice, consent, amendment, waiver or approval, together with full power and authority to demand, receive, enforce, collect or receipt for any of the foregoing or for any Partnership Asset, to enforce or execute any checks, or other instruments or orders, to file any claims and to take any action in connection with any of the foregoing; and

(F) all other property hereafter delivered in substitution for or in addition to any of the foregoing, all certificates and instruments representing or evidencing such other property and all cash, securities, interest, dividends, rights and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all thereof;

(e) all Financial Assets and Investment Property of such Pledgor from time to time;

(f) all Security Entitlements of such Pledgor from time to time in any and all of the foregoing; and

(g) all Proceeds of any and all of the foregoing;

---

provided that (x) no Pledgor shall be required at any time to pledge hereunder, and the pledge granted hereunder shall not be deemed to extend to, more than 65% of the total combined voting power of all classes of Voting Stock of any Exempted Foreign Corporation and (y) each Pledgor shall be required to pledge hereunder 100% of any Non-Voting Stock of each Exempted Foreign Corporation at any time and from time to time acquired by such Pledgor, which Non-Voting Stock shall not be subject to the limitations described in clause (x). Notwithstanding anything to the contrary contained herein, (I) the Collateral shall at no time include any items which would at such time constitute Excluded Collateral and (II) the lien and security interest granted to the Pledgee pursuant to this Agreement and the exercise of any right or remedy by the Pledgee hereunder are subject to the provisions of the Intercreditor Agreement. In the event of any conflict between the terms of the Intercreditor Agreement and this Agreement, the terms of the Intercreditor Agreement shall govern and control.

3.2. Procedures. (a) To the extent that any Pledgor at any time or from time to time owns, acquires or obtains any right, title or interest in any Collateral, such Collateral shall automatically (and without the taking of any action by the respective Pledgor) be pledged pursuant to Section 3.1 of this Agreement and, in addition thereto (but subject to the terms of the Intercreditor Agreement (including, without limitation, Section 5.5 thereof)), such Pledgor shall (to the extent provided below and not inconsistent with the terms of the Intercreditor Agreement) take the following actions as set forth below (as promptly as practicable and, in any event, within 10 days after it obtains such Collateral) for the benefit of the Pledgee and the Secured Creditors:

(i) with respect to a Certificated Security (other than a Certificated Security credited on the books of a Clearing Corporation or Securities Intermediary), such Pledgor shall physically deliver such Certificated Security to the Pledgee, endorsed to the Pledgee or endorsed in blank;

(ii) with respect to an Uncertificated Security (other than an Uncertificated Security credited on the books of a Clearing Corporation or Securities Intermediary), such Pledgor shall cause the issuer of such Uncertificated Security to duly authorize and execute, and deliver to the Pledgee, an agreement for the benefit of the Pledgee and the other Secured Creditors substantially in the form of Annex G hereto (appropriately completed to the satisfaction of the Pledgee and with such modifications, if any, as shall be satisfactory to the Pledgee) pursuant to which such issuer agrees to comply with any and all instructions originated by the Pledgee without further consent by the registered owner and not to comply with instructions regarding such Uncertificated Security (and any Partnership Interests and Limited Liability Company Interests issued by such issuer) originated by any other Person other than a court of competent jurisdiction;

(iii) with respect to a Certificated Security, Uncertificated Security, Partnership Interest or Limited Liability Company Interest credited on the books of a Clearing Corporation or Securities Intermediary (including a Federal Reserve Bank, Participants Trust Company or The Depository Trust Company), the respective Pledgor shall promptly notify the Pledgee thereof and shall promptly take all actions (x) required (i) to comply with the applicable rules of such Clearing Corporation or Securities Intermediary and (ii) to perfect the security interest of the Pledgee under applicable law (including, in any event, under

---

Sections 9-314(a), (b), and (c), 9-106 and 8-106(d) of the UCC) and (y) as the Pledgee deems necessary or desirable to effect the foregoing;

(iv) with respect to a Partnership Interest or a Limited Liability Company Interest (other than a Partnership Interest or Limited Liability Company Interest credited on the books of a Clearing Corporation or Securities Intermediary), (1) if such Partnership Interest or Limited Liability Company Interest is represented by a certificate and is a Security for purposes of the UCC, the procedure set forth in Section 3.2(a)(i), and (2) if such Partnership Interest or Limited Liability Company Interest is not represented by a certificate and is a Security for purposes of the UCC, the procedure set forth in Section 3.2(a)(ii);

(v) with respect to any Note, physical delivery of such Note to the Pledgee, endorsed to the Pledgee or endorsed in blank (except that any Note with a face amount of less than $500,000 shall not be required to be so delivered, so long as not more than $2,500,000 in aggregate principal amount of Notes are excluded pursuant to the delivery requirements of this clause (v) as a result of such $500,000 limitation); and

(vi) with respect to cash proceeds from any of the Collateral, prompt deposit of such cash in a "Subject Deposit Account" (as such term is defined in the Security Agreement) or, if an Event of Default shall have occurred and be continuing, a Collateral Account.

(b) In addition to the actions required to be taken pursuant to preceding Section 3.2(a), each Pledgor shall take the following additional actions with respect to the Securities and Collateral:

(i) with respect to all Collateral of such Pledgor of which the Pledgee may obtain "control" thereof within the meaning of Section 8-106 of the UCC (or under any provision of the UCC as same may be amended or supplemented from time to time, or under the laws of any relevant State other than the State of New York), the respective Pledgor shall take all actions as may be requested from time to time by the Pledgee (to the extent not inconsistent with the Intercreditor Agreement) so that "control" of such Collateral is obtained and at all times held by the Pledgee; and

(ii) each Pledgor shall from time to time cause appropriate financing statements (on Form UCC-1 or other appropriate form) under the Uniform Commercial Code as in effect in the various relevant States, in form covering all Collateral hereunder (with such form to be satisfactory to the Pledgee), to be filed in the relevant filing offices so that at all times the Pledgee has a security interest in all Investment Property and other

Collateral which is perfected by the filing of such financing statements (in each case to the maximum extent perfection by filing may be obtained under the laws of the relevant States, including, without limitation, Section 9-312(a) of the UCC).

3.3. Subsequently Acquired Collateral. If any Pledgor shall acquire (by purchase, stock dividend, distribution or otherwise) any additional Collateral at any time or from time to time after the date hereof, such Collateral shall automatically (and without any further action being required to be taken) be subject to the pledge and security interests created pursuant

---

to Section 3.1 and, furthermore, such Pledgor will, to the extent not inconsistent with the Intercreditor Agreement, promptly thereafter take (or cause to be taken) all action with respect to such Collateral in accordance with the procedures set forth in Section 3.2 and the Intercreditor Agreement, and will, to the extent not inconsistent with the Intercreditor Agreement, promptly thereafter deliver to the Pledgee (i) a certificate executed by a principal executive officer of such Pledgor describing such Collateral and certifying that the same has been duly pledged in favor of the Pledgee (for the benefit of the Secured Creditors) hereunder and (ii) supplements to Annexes A through F hereto as are necessary to cause such annexes to be complete and accurate at such time. Without limiting the foregoing, each Pledgor shall be required to pledge hereunder any shares of stock or other equity interests of any Exempted Foreign Corporation at any time and from time to time after the date hereof acquired by such Pledgor, provided that (x) no Pledgor shall be required at any time to pledge hereunder more than 65% of the total combined voting power of all classes of Voting Stock of any Exempted Foreign Corporation, and (y) each Pledgor shall be required to pledge hereunder 100% of the Non-Voting Stock of any Exempted Foreign Corporation at any time and from time to time acquired by such Pledgor. Notwithstanding the foregoing, except as otherwise required by Section 8.18 of the Credit Agreement, no Pledgor shall be required to pledge hereunder any Margin Stock owned by such Pledgor.

3.4. Transfer Taxes. Each pledge of Collateral under Section 3.1 or Section 3.3 shall be accompanied by any transfer tax stamps required in connection with the pledge of such Collateral.

3.5. Certain Representations and Warranties Regarding the Collateral. Each Pledgor represents and warrants that on the date hereof: (i) each Subsidiary of such Pledgor, and the direct ownership thereof, is listed in Annex A hereto; (ii) the Stock (and any warrant or options to purchase Stock) held by such Pledgor consists of the number and type of shares of the Stock (and any warrants or options to purchase Stock) of the corporations as described in Annex B hereto; (iii) such Stock referenced in clause (ii) of this paragraph constitutes that percentage of the issued and outstanding capital stock of the issuing corporation as is set forth in Annex B hereto; (iv) the Notes held by such Pledgor consist of the promissory notes described in Annex C hereto where such Pledgor is listed as the lender; (v) the Limited Liability Company Interests held by such Pledgor consist of the number and type of interests of the Persons described in Annex D hereto; (vi) each such Limited Liability Company Interest referenced in clause (v) of this paragraph constitutes that percentage of the issued and outstanding equity interest of the issuing Person as set forth in Annex D hereto; (vii) the Partnership Interests held by such Pledgor consist of the number and type of interests of the Persons described in Annex E hereto; (viii) each such Partnership Interest referenced in clause (vii) of this paragraph constitutes that percentage or portion of the entire partnership interest of the Partnership as set forth in Annex E hereto; (ix) the exact address of each chief executive office of such Pledgor is listed on Annex F hereto; (x) the Pledgor has complied with the respective procedure set forth in Section 3.2(a) with respect to each item of Collateral described in Annexes A through F hereto; and (xi) on the date hereof, such Pledgor owns no other Securities, Stock, Notes, Limited Liability Company Interests or Partnership Interests.

4. APPOINTMENT OF SUB-AGENTS; ENDORSEMENTS, ETC. Subject to the terms of the Intercreditor Agreement, the Pledgee shall have the right to appoint one or more sub-agents for the purpose of retaining physical possession of the Collateral, which may be held (in the discretion of the Pledgee) in the name of the relevant Pledgor, endorsed or assigned

---

in blank or in favor of the Pledgee or any nominee or nominees of the Pledgee or a sub-agent appointed by the Pledgee.

5. VOTING, ETC., WHILE NO EVENT OF DEFAULT OR SPECIFIED DEFAULT. Unless and until there shall have occurred and be continuing any Event of Default under the Second-Lien Credit Agreement or a Default under Section 10.01 or 10.05 of the Second-Lien Credit Agreement (each such Default, a "Specified Default"), each Pledgor shall be entitled to exercise all voting rights attaching to any and all Collateral owned by it, and to give consents, waivers or ratifications in respect thereof, provided that no vote shall be cast or any consent, waiver or ratification given or any action taken which would violate, result in breach of any covenant contained in, or be inconsistent with, any of the terms of this Agreement, the Second-Lien Credit Agreement or any other Credit Document (collectively, the "Secured Debt Agreements"), or which would have the effect of impairing the value of the Collateral or any part thereof or the position or interests of the Pledgee or any other Secured Creditor therein. All such rights of a Pledgor to vote and to give consents, waivers and ratifications shall cease in case an Event of Default shall occur and be continuing and Section 7 hereof shall become applicable.

6. DIVIDENDS AND OTHER DISTRIBUTIONS. Unless and until an Event of Default shall have occurred and be continuing, all cash dividends, cash distributions, cash Proceeds and other cash amounts payable in respect of the Collateral shall be paid to the respective Pledgor. Subject to Section 3.2 hereof and the terms of the Intercreditor Agreement, the Pledgee shall be entitled to receive directly, and to retain as part of the Collateral:

(i) all other or additional stock, notes, certificates, limited liability company interests, partnership interests, instruments or other securities or property (including, but not limited to, cash dividends other than as set forth above) paid or distributed by way of dividend or otherwise in respect of the Collateral;

(ii) all other or additional stock, notes, certificates, limited liability company interests, partnership interests, instruments or other securities or property (including, but not limited to, cash) paid or distributed in respect of the Collateral by way of stock-split, spin-off, split-up, reclassification, combination of shares or similar rearrangement; and

(iii) all other or additional stock, notes, certificates, limited liability company interests, partnership interests, instruments or other securities or property (including, but not limited to, cash) which may be paid in respect of the Collateral by reason of any consolidation, merger, exchange of stock, conveyance of assets, liquidation or similar corporate reorganization.

Except as otherwise provided in the Intercreditor Agreement, nothing contained in this Section 6 shall limit or restrict in any way the Pledgee's right to receive the proceeds of the Collateral in any form in accordance with Section 3 of this Agreement. To the extent not inconsistent with the terms of the Intercreditor Agreement, all dividends, distributions or other payments which are received by the respective Pledgor contrary to the provisions of this Section

6 or Section 7 shall be received in trust for the benefit of the Pledgee, shall be segregated from other property or funds of such Pledgor and shall be forthwith paid over to the Pledgee as Collateral in the same form as so received (with any necessary endorsement).

---

7. REMEDIES IN CASE OF AN EVENT OF DEFAULT OR SPECIFIED DEFAULT. In the event an Event of Default shall have occurred and be continuing, to the extent not inconsistent with the terms of the Intercreditor Agreement, the Pledgee shall be entitled to exercise all of the rights, powers and remedies (whether vested in it by this Agreement or by any other Secured Debt Agreement or by law) for the protection and enforcement of its rights in respect of the Collateral, including, without limitation, all the rights and remedies of a secured party upon default under the UCC and the Pledgee shall be entitled, without limitation, to exercise any or all of the following rights, which each Pledgor hereby agrees to be commercially reasonable:

(i) to receive all amounts payable in respect of the Collateral otherwise payable under Section 6 to such Pledgor;

(ii) to transfer all or any part of the Collateral into the Pledgee's name or the name of its nominee or nominees;

(iii) to accelerate any Pledged Note which may be accelerated in accordance with its terms, and take any other lawful action to collect upon any Pledged Note (including, without limitation, to make any demand for payment thereon);

(iv) to vote all or any part of the Collateral (whether or not transferred into the name of the Pledgee) and give all consents, waivers and ratifications in respect of the Collateral and otherwise act with respect thereto as though it were the outright owner thereof (each Pledgor hereby irrevocably constituting and appointing the Pledgee the proxy and attorney-in-fact of such Pledgor, with full power of substitution to do so); provided that prior to taking the actions described in this clause (iv), the Pledgee shall give such Pledgor at least 5 days notice of its intention to do so unless there shall have occurred and be continuing any Default or Event of Default under Section 10.05 of the Credit Agreement, in which case no such notice to such Pledgor shall be required;

(v) at any time or from time to time to sell, assign and deliver, or grant options to purchase, all or any part of the Collateral, or any interest therein, at any public or private sale, without demand of performance, advertisement or notice of intention to sell or of the time or place of sale or adjournment thereof or to redeem or otherwise (all of which are hereby waived by each Pledgor), for cash, on credit or for other property, for immediate or future delivery without any assumption of credit risk, and for such price or prices and on such terms as the Pledgee in its absolute discretion may determine; provided that at least 10 days' notice of the time and place of any such sale shall be given to such Pledgor. The Pledgee shall not be obligated to make such sale of Collateral regardless of whether any such notice of sale has theretofore been given. Each purchaser at any such sale shall hold the property so sold absolutely free from any claim or right on the part of each Pledgor, and each Pledgor hereby waives and releases to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after sale hereunder, all rights, if any, of marshalling the Collateral and any other security for the Obligations or otherwise, and all rights, if any, of stay and/or appraisal which it now has or may at any time in the future have under rule of law or statute now existing or hereafter enacted. At any such sale, unless prohibited by applicable law, the Pledgee on behalf of all Secured Creditors (or certain of them) may bid for and purchase (by bidding in Obligations or otherwise) all or any part of the

---

Collateral so sold free from any such right or equity of redemption. Neither the Pledgee nor any other Secured Creditor shall be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing nor shall any of them be under any obligation to take any action whatsoever with regard thereto; and

(vi) to set-off any and all Collateral against any and all Obligations, and to withdraw any and all cash or other Collateral from any and all Collateral Accounts and to apply such cash and other Collateral to the payment of any and all Obligations.

(b) If there shall have occurred and be continuing a Specified Default, then and in every such case but subject to the terms of the Intercreditor Agreement, the Pledgee shall be entitled to vote (and exercise all rights and powers in respect of voting) all or any part of the Collateral, (whether or not transferred into the name of the Pledgee), and give all consents, waivers and ratifications in respect of the Collateral and otherwise act with respect thereto as though it were the outright owner thereof (each Pledgor hereby irrevocably constituting and appointing the Pledgee the proxy and attorney-in-fact of such Pledgor, with full power of substitution to do so).

8. REMEDIES, ETC., CUMULATIVE. Each right, power and remedy of the Pledgee provided for in this Agreement or any other Secured Debt Agreement (including, without limitation, the Intercreditor Agreement), or now or hereafter existing at law or in equity or by statute shall be cumulative and concurrent and shall be in addition to every other such right, power or remedy. The exercise or beginning of the exercise by the Pledgee or any other Secured Creditor of any one or more of the rights, powers or remedies provided for in this Agreement or any other Secured Debt Agreement (including, without limitation, the Intercreditor Agreement) or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by the Pledgee or any other Secured Creditor of all such other rights, powers or remedies, and no failure or delay on the part of the Pledgee or any other Secured Creditor to exercise any such right, power or remedy shall operate as a waiver thereof. Unless otherwise required by the Credit Documents, no notice to or demand on any Pledgor in any case shall entitle such Pledgor to any other or further notice or demand in similar other circumstances or constitute a waiver of any of the rights of the Pledgee or any other Secured Creditor to any other or further action in any circumstances without demand or notice. Subject to the terms of the Intercreditor Agreement, the Secured Creditors agree that this Agreement may be enforced only by the action of the Pledgee, acting upon the instructions of the Required Lenders and that no other Secured Creditor shall have any right individually to seek to enforce or to enforce this Agreement or to realize upon the security to be granted hereby, it being understood and agreed that such rights and remedies may be exercised by the Pledgee, for the benefit of the Secured Creditors upon the terms of this Agreement, the Intercreditor Agreement and the other Credit Documents.

9. APPLICATION OF PROCEEDS. (a) All moneys collected by the Pledgee upon any sale or other disposition of the Collateral pursuant to the terms of this Agreement, together with all other moneys received by the Pledgee hereunder, shall be applied to the payment of the Obligations in the manner provided in the Security Agreement.

(b) It is understood and agreed that the Pledgors shall remain jointly and severally liable to the extent of any deficiency between the amount of proceeds of the Collateral hereunder and the aggregate amount of the Obligations.

---

10. PURCHASERS OF COLLATERAL. Upon any sale of the Collateral by the Pledgee hereunder (whether by virtue of the power of sale herein granted, pursuant to judicial process or otherwise), the receipt of the Pledgee or the officer making such sale of the purchase money paid as consideration pursuant to such sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold, and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Pledgee or such officer or be answerable in any way for the misapplication or nonapplication thereof.

11. INDEMNITY. Each Pledgor jointly and severally agrees (i) to indemnify, reimburse and hold harmless the Pledgee and each other Secured Creditor and their respective successors, assigns, employees, agents and affiliates (individually an "Indemnitee", and collectively, the "Indemnitees") from and against any and all obligations, damages, injuries, penalties, claims, demands, losses, judgments and liabilities (including, without limitation, liabilities for penalties) of whatsoever kind or nature, and (ii) to reimburse each Indemnitee for all reasonable costs, expenses and disbursements, including reasonable attorneys' fees and expenses, in each case arising out of or resulting from this Agreement or the exercise by any Indemnitee of any right or remedy granted to it hereunder or under any other Secured Debt Agreement (but excluding any obligations, damages, injuries, penalties, claims, demands, losses, judgments and liabilities (including, without limitation, liabilities for penalties) or expenses of whatsoever kind or nature to the extent incurred or arising by reason of gross negligence or willful misconduct of such Indemnitee (as determined by a court of competent jurisdiction in a final and non-appealable decision)). In no event shall the Pledgee hereunder be liable, in the absence of gross negligence or willful misconduct on its part (as determined by a court of competent jurisdiction in a final and non-appealable decision), for any matter or thing in connection with this Agreement other than to account for monies or other property actually received by it in accordance with the terms hereof. If and to the extent that the obligations of any Pledgor under this Section 11 are unenforceable for any reason, such Pledgor hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable law. The indemnity obligations of each Pledgor contained in this Section 11 shall continue in full force and effect notwithstanding the full payment of all the Notes issued under the Second-Lien Credit Agreement and the payment of all other Obligations and notwithstanding the discharge thereof.

12. FURTHER ASSURANCES; POWER OF ATTORNEY. (a) Each Pledgor agrees that it will join with the Pledgee in executing and, at such Pledgor's own expense, file and refile under the UCC or other applicable law such financing statements, continuation statements and other documents in such offices as the Pledgee (acting on its own or on the instructions of the Required Lenders) may reasonably deem necessary or appropriate (to the extent not inconsistent with the Intercreditor Agreement) and wherever required or permitted by law in order to perfect and preserve the Pledgee's security interest in the Collateral hereunder and hereby authorizes the Pledgee to file financing statements and amendments thereto relative to all or any part of the Collateral (including, without limitation, financing statements which list the Collateral specifically and/or "all assets" as collateral) without the signature of such Pledgor where permitted by law, and agrees to do such further acts and things and to execute and deliver to the Pledgee such additional conveyances, assignments, agreements and instruments as the Pledgee may reasonably require or deem advisable to carry into effect the purposes of this Agreement or to further assure and confirm unto the Pledgee its rights, powers and remedies hereunder or thereunder.

(b) Each Pledgor hereby appoints the Pledgee such Pledgor's attorney-in-fact, with full authority in the place and stead of such Pledgor and in the name of such Pledgor or otherwise, from time to time after the occurrence and during the continuance of an Event of Default, in the Pledgee's discretion to take any action and to execute any instrument which the Pledgee may deem necessary or advisable to accomplish the purposes of this Agreement.

13. THE PLEDGEE AS SECOND-LIEN COLLATERAL AGENT. Subject to the terms of the Intercreditor Agreement, the Pledgee will hold in accordance with this Agreement all items of the Collateral at any time received under this Agreement. It is expressly understood, acknowledged and agreed by each Secured Creditor that by accepting the benefits of this Agreement each such Secured Creditor acknowledges and agrees that the obligations of the Pledgee as holder of the Collateral and interests therein and with respect to the disposition thereof, and otherwise under this Agreement, are only those expressly set forth in this Agreement. The Pledgee shall act hereunder on the terms and conditions set forth herein and in Section 12 of the Second-Lien Credit Agreement.

14. TRANSFER BY THE PLEDGORS. No Pledgor will sell or otherwise dispose of, grant any option with respect to, or mortgage, pledge or otherwise encumber any of the Collateral or any interest therein (except in accordance with the terms of this Agreement and the other Secured Debt Agreements).

15. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE PLEDGORS. (a) Each Pledgor represents, warrants and covenants that:

(i) it is the legal, beneficial and record owner of, and has good and marketable title to, all Collateral consisting of one or more Securities, Partnership Interests and Limited Liability Company Interests and that it has sufficient interest in all Collateral in which a security interest is purported to be created hereunder for such security interest to attach (subject, in each case, to no pledge, lien, mortgage, hypothecation, security interest, charge, option, Adverse Claim or other encumbrance whatsoever, except the liens and security interests created by this Agreement);

(ii) it has full power, authority and legal right to pledge all the Collateral pledged by it pursuant to this Agreement;

(iii) this Agreement has been duly authorized, executed and delivered by such Pledgor and constitutes a legal, valid and binding obligation of such Pledgor enforceable against such Pledgor in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws generally affecting creditors' rights and by equitable principles (regardless of whether enforcement is sought in equity or at law);

(iv) except to the extent already obtained or made (or, in the case of the filing of UCC-1 Financing Statements, as will be made within 10 days of the Initial Borrowing Date), no consent of any other party (including, without limitation, any stockholder, member, partner or creditor of such Pledgor or any of its Subsidiaries) and no consent, license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority is required to be obtained by such Pledgor in connection with (a) the execution, delivery or performance

---

of this Agreement, (b) the validity or enforceability of this Agreement (except as set forth in clause (iii) above), (c) the perfection or enforceability of the Pledgee's security interest in the Collateral or (d) except for compliance with or as may be required by applicable securities laws, the exercise by such Pledgee of any of its rights or remedies provided herein;

(v) neither the execution, delivery and performance by such Pledgor of this Agreement nor compliance by such Pledgor with the terms and provisions hereof, nor the consummation of the transactions contemplated herein, will contravene any material provision of any material applicable law, statute, rule or regulation or any order, judgment, writ, injunction, award or decree of any court, arbitrator or governmental authority, domestic or foreign, applicable to such Pledgor, or violate any provision of the certificate of incorporation, by-laws, operating agreement, certificate of partnership, partnership agreement, certificate of limited liability company or limited liability company agreement of such Pledgor or any of its Subsidiaries or of any securities issued by such Pledgor or any of its Subsidiaries, nor will it in any material respect conflict or be inconsistent with or result in any breach of, any of the terms, covenants, conditions or provisions, or constitute a default under or, (other than pursuant to this Agreement) result in the creation or imposition of (or the obligation to create or impose) any lien or encumbrance (other than the Liens created by the Security Documents) upon any of the property or assets of such Pledgor or any of its Subsidiaries pursuant to the terms of any mortgage, deed of trust, indenture, lease, loan agreement, credit agreement or any other material contract, agreement, instrument or undertaking to which such Pledgor or any of its Subsidiaries is a party or by which it or any of its assets are bound or to which it may be subject (including, without limitation, the Existing Indebtedness Agreements);

(vi) all of the Collateral (consisting of Securities, Limited Liability Company Interests or Partnership Interests) has been duly and validly issued, is fully paid and non-assessable and is subject to no options to purchase or similar rights;

(vii) each of the Pledged Notes constitutes, or when executed by the obligor thereof will constitute, the legal, valid and binding obligation of such obligor, enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws generally affecting creditors' rights and by equitable principles (regardless of whether enforcement is sought in equity or at law);

(viii) the pledge, collateral assignment and delivery to the Pledgee of the Collateral consisting of Certificated Securities and Pledged Notes pursuant to this Agreement creates a valid and perfected second priority security interest in such Securities (subject in priority to the Lien of the First-Lien Collateral Agent in accordance with the terms of the Intercreditor Agreement), and the proceeds thereof, subject to no prior Lien or encumbrance or to any agreement purporting to grant to any third party a Lien or encumbrance on the property or assets of such Pledgor which would include the Securities and the Pledgee is entitled to all the rights, priorities and benefits afforded by the UCC or other relevant law as enacted in any relevant jurisdiction to perfect security interests in respect of such Collateral; and

---

(ix) "control" (as defined in Section 8-106 of the UCC) has been obtained by the Pledgee over all Collateral consisting of Securities (including Notes which are Securities) with respect to which such "control" may be obtained pursuant to Section 8-106 of the UCC.

(b) Each Pledgor covenants and agrees that it will defend the Pledgee's right, title and security interest in and to the Securities and the proceeds thereof against the claims and demands of all persons whomsoever; and each Pledgor covenants and agrees that it will have like title to and right to pledge any other property at any time hereafter pledged to the Pledgee as Collateral hereunder and will likewise defend the right thereto and security interest therein of the Pledgee and the other Secured Creditors.

(c) Each Pledgor covenants and agrees that it will take no action which would violate any of the terms of any Secured Debt Agreement.

16. LEGAL NAMES; TYPE OF ORGANIZATION (AND WHETHER A REGISTERED ORGANIZATION AND/OR A TRANSMITTING UTILITY); JURISDICTION OF ORGANIZATION; LOCATION; ORGANIZATIONAL IDENTIFICATION NUMBERS; CHANGES THERETO; ETC. The exact legal name of each Pledgor, the type of organization of such Pledgor, whether or not such Pledgor is a Registered Organization, the jurisdiction of organization of such Pledgor, such Pledgor's Location, the organizational identification number (if any) of each Pledgor, and whether or not such Pledgor is a Transmitting Utility, is listed on Annex A hereto for such Pledgor. No Pledgor shall change its legal name, its type of organization, its status as a Registered Organization (in the case of a Registered Organization), its status as a Transmitting Utility or as a Person which is not a Transmitting Utility, as the case may be, its jurisdiction of organization, its Location, or its organizational identification number (if any), except that any such changes shall be permitted (so long as not in violation of the applicable requirements of the Secured Debt Agreements and so long as same do not involve (x) a Registered Organization ceasing to constitute same or (y) any Pledgor changing its jurisdiction of organization or Location from the United States or a State thereof to a jurisdiction of organization or Location, as the case may be, outside the United States or a State thereof) if (i) it shall have given to the Second-Lien Collateral Agent not less than 15 days' prior written notice of each change to the information listed on Annex A (as adjusted for any subsequent changes thereto previously made in accordance with this sentence), together with a supplement to Annex A which shall correct all information contained therein for such Pledgor, and (ii) in connection with the respective such change or changes, it shall have taken all action reasonably requested by the Second-Lien Collateral Agent to maintain the security interests of the Second-Lien Collateral Agent in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect. In addition, to the extent that any Pledgor does not have an organizational identification number on the date hereof and later obtains one, such Pledgor shall promptly thereafter deliver a notification to the Second-Lien Collateral Agent of such organizational identification number and shall take all actions reasonably satisfactory to the Second-Lien Collateral Agent to the extent necessary to maintain the security interest of the Second-Lien Collateral Agent in the Collateral intended to be granted hereby fully perfected and in full force and effect.

17. PLEDGORS' OBLIGATIONS ABSOLUTE, ETC. The obligations of each Pledgor under this Agreement shall be absolute and unconditional and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated

---

or otherwise affected by, any circumstance or occurrence whatsoever (other than termination of this Agreement pursuant to Section 19 hereof), including, without limitation:

(i) any renewal, extension, amendment or modification of, or addition or supplement to or deletion from any Secured Debt Agreement (other than this Agreement in accordance with its terms), or any other instrument or agreement referred to therein, or any assignment or transfer of any thereof;

(ii) any waiver, consent, extension, indulgence or other action or inaction under or in respect of any such agreement or instrument or this Agreement (other than a waiver, consent or extension with respect to this Agreement in accordance with its terms);

(iii) any furnishing of any additional security to the Pledgee or its assignee or any acceptance thereof or any release of any security by the Pledgee or its assignee;

(iv) any limitation on any party's liability or obligations under any such instrument or agreement or any invalidity or unenforceability, in whole or in part, of any such instrument or agreement or any term thereof; or

(v) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to any Pledgor or any Subsidiary of any Pledgor, or any action taken with respect to this Agreement by any trustee or receiver, or by any court, in any such proceeding, whether or not such Pledgor shall have notice or knowledge of any of the foregoing.

18. REGISTRATION, ETC. (a) If an Event of Default shall have occurred and be continuing and any Pledgor shall have received from the Pledgee a written request or requests (to the extent not inconsistent with the terms of the Intercreditor Agreement) that such Pledgor cause any registration, qualification or compliance under any federal or state securities law or laws to be effected with respect to all or any part of the Collateral consisting of Securities, Limited Liability Company Interests or Partnership Interests, such Pledgor as soon as practicable and at its expense will use its best efforts to cause such registration to be effected (and be kept effective) and will use its best efforts to cause such qualification and compliance to be effected (and be kept effective) as may be so requested and as would permit or facilitate the sale and distribution of such Collateral consisting of Securities, Limited Liability Company Interests or Partnership Interests, including, without limitation, registration under the Securities Act of 1933, as then in effect (or any similar statute then in effect), appropriate qualifications under applicable blue sky or other state securities laws and appropriate compliance with any other governmental requirements; provided, that the Pledgee shall furnish to such Pledgor such information regarding the Pledgee as such Pledgor may request in writing and as shall be required in connection with any such registration, qualification or compliance. Each Pledgor will cause the Pledgee to be kept reasonably advised in writing as to the progress of each such registration, qualification or compliance and as to the completion thereof, will furnish to the Pledgee such number of prospectuses, offering circulars and other documents incident thereto as the Pledgee from time to time may reasonably request, and will indemnify, to the extent permitted by law, the Pledgee and all other Secured Creditors participating in the distribution of such Collateral consisting of Securities, Limited Liability Company Interests or Partnership Interests against all claims, losses, damages and liabilities caused by any untrue statement (or alleged untrue

---

statement) of a material fact contained therein (or in any related registration statement, notification or the like) or by any omission (or alleged omission) to state therein (or in any related registration statement, notification or the like) a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as the same may have been caused by an untrue statement or omission based upon information furnished in writing to such Pledgor by the Pledgee expressly for use therein.

(b) Subject to the terms of the Intercreditor Agreement, if at any time when the Pledgee shall determine to exercise its right to sell all or any part of the Collateral consisting of Securities, Limited Liability Company Interests or Partnership Interests pursuant to Section 7, and such Collateral or the part thereof to be sold shall not, for any reason whatsoever, be effectively registered under the Securities Act of 1933, as then in effect, the Pledgee may, in its sole and absolute discretion, sell such Collateral or part thereof by private sale in such manner and under such circumstances as the Pledgee may deem necessary or advisable in order that such sale may legally be effected without such registration. Without limiting the generality of the foregoing, in any such event the Pledgee, in its sole and absolute discretion (to the extent not inconsistent with the terms of the Intercreditor Agreement): (i) may proceed to make such private sale notwithstanding that a registration statement for the purpose of registering such Collateral or part thereof shall have been filed under such Securities Act; (ii) may approach and negotiate with a single possible purchaser to effect such sale; and (iii) may restrict such sale to a purchaser who will represent and agree that such purchaser is purchasing for its own account, for investment, and not with a view to the distribution or sale of such Collateral or part thereof. In the event of any such sale, the Pledgee shall incur no responsibility or liability for selling all or any part of the Collateral at a price which the Pledgee, in its sole and absolute discretion, may in good faith deem reasonable under the circumstances, notwithstanding the possibility that a substantially higher price might be realized if the sale were deferred until the registration as aforesaid.

19. TERMINATION; RELEASE. (a) On the Termination Date (as defined below), this Agreement shall terminate (provided that all indemnities set forth herein including, without limitation, in Section 11 hereof shall survive any such termination) and the Pledgee, at the request and expense of the respective Pledgor, will execute and deliver to such Pledgor a proper instrument or instruments acknowledging the satisfaction and termination of this Agreement (including, without limitation, UCC termination statements and instruments of satisfaction, discharge and/or reconveyance), and will duly assign, transfer and deliver to such Pledgor (without recourse and without any representation or warranty) such of the Collateral as may be in the possession of the Pledgee and as has not theretofore been sold or otherwise applied or released pursuant to this Agreement, together with any moneys at the time held by the Pledgee or any of its sub-agents hereunder and, with respect to any Collateral consisting of an Uncertificated Security (other than an Uncertificated Security credited on the books of a Clearing Corporation), a Partnership Interest or a Limited Liability Company Interest, a termination of the agreement relating thereto executed and delivered by the issuer of such Uncertificated Security pursuant to Section 3.2(a)(ii) or by the respective partnership or limited liability company pursuant to Section 3.2(a)(iv). As used in this Agreement, "Termination Date" shall mean the date upon which the Total Commitments have been terminated, no Second-Lien Loan Note is outstanding (and all Second-Lien Loans have been paid in full), and all other Obligations (other than indemnitees provided for in the Credit Documents for which no claim has been made) have been paid in full.

(b) In the event that any part of the Collateral is sold or otherwise disposed of (to a Person other than a Credit Party) in connection with a sale or disposition permitted by Section 9.02 of the Second-Lien Credit Agreement or is otherwise released at the direction of the Required Lenders (or all the Lenders if required by Section 13.01 of the Second-Lien Credit Agreement) or is required to be released pursuant to the terms of the Intercreditor Agreement, and, the proceeds of such sale or disposition (or from such release) are applied in accordance with the terms of the Second-Lien Credit Agreement, to the extent required to be so applied, the Pledgee, at the request and expense of such Pledgor, will duly assign, transfer and deliver to such Pledgor (without recourse and without any representation or warranty) such of the Collateral as is then being (or has been) so sold or released and as may be in possession of the Pledgee and has not theretofore been released pursuant to this Agreement and to the extent requested by such Pledgor, deliver UCC termination statements and instruments of satisfaction, discharge and/or reconveyance.

(c) At any time that any Pledgor desires that Collateral be released as provided in the foregoing Section 19(a) or (b), it shall deliver to the Pledgee a certificate signed by a principal executive officer of such Pledgor stating that the release of the respective Collateral is permitted pursuant to Section 19(a) or (b). If reasonably requested by the Pledgee (although the Pledgee shall have no obligation to make any such request), the relevant Pledgor shall furnish appropriate legal opinions (from counsel reasonably acceptable to the Pledgee) to the effect set forth in the immediately preceding sentence. The Pledgee shall have no liability whatsoever to any Secured Creditor as the result of any release of Collateral by it as permitted by this Section 19.

20. NOTICES, ETC. All notices and other communications hereunder shall be in writing and shall be delivered or mailed by first class mail, postage prepaid, addressed:

(i) if to any Pledgor, at its address set forth opposite its signature below;

(ii) if to the Pledgee, at:

Bank of America, N.A., as Second-Lien Collateral Agent
Mailcode CA5-701-05-19
1455 Market Street, 5th Floor
San Francisco, CA 94103
Telephone: (415) 436-3495
Facsimile: (415) 503-5006
Attention: Charles Graber

with a copy to:

Bank of America, N.A., as Second-Lien Collateral Agent
Mailcode NC1-007-13-06
100 N. Tryon Street, 13th Floor
Charlotte, NC 28255
Telephone: (704) 388-6415
Facsimile: (704) 409-0564
Attention: Laura Clark

(iii) if to any Lender (other than the Pledgee), at such address as such Lender shall have specified in the Second-Lien Credit Agreement;

or at such address as shall have been furnished in writing by any Person described above to the party required to give notice hereunder.

21. PLEDGEE NOT A PARTNER OR LIMITED LIABILITY COMPANY MEMBER. (a) Nothing herein shall be construed to make the Pledgee or any other Secured Creditor liable as a member of any limited liability company or partnership and neither the Pledgee nor any other Secured Creditor by virtue of this Agreement or otherwise (except as referred to in the following sentence) shall have any of the duties, obligations or liabilities of a member of any limited liability company or partnership. The parties hereto expressly agree that, unless the Pledgee shall become the absolute owner of Collateral consisting of a Limited Liability Company Interest or Partnership Interest pursuant hereto, this Agreement shall not be construed as creating a partnership or joint venture among the Pledgee, any other Secured Creditor and/or any Pledgor.

(b) Except as provided in the last sentence of paragraph (a) of this Section 21, the Pledgee, by accepting this Agreement, did not intend to become a member of any limited liability company or partnership or otherwise be deemed to be a co-venturer with respect to any Pledgor or any limited liability company or partnership either before or after an Event of Default shall have occurred. The Pledgee shall have only those powers set forth herein and the Secured Creditors shall assume none of the duties, obligations or liabilities of a member of any limited liability company or partnership or any Pledgor except as provided in the last sentence of paragraph (a) of this Section 21.

(c) The Pledgee and the other Secured Creditors shall not be obligated to perform or discharge any obligation of any Pledgor as a result of the pledge hereby effected.

(d) The acceptance by the Pledgee of this Agreement, with all the rights, powers, privileges and authority so created, shall not at any time or in any event obligate the Pledgee or any other Secured Creditor to appear in or defend any action or proceeding relating to the Collateral to which it is not a party, or to take any action hereunder or thereunder, or to expend any money or incur any expenses or perform or discharge any obligation, duty or liability under the Collateral.

22. WAIVER; AMENDMENT. Except as contemplated by the Intercreditor Agreement and Sections 19 and 28 hereof, none of the terms and conditions of this Agreement may be changed, waived, discharged or terminated in any manner whatsoever unless such change, waiver, discharge or termination is in writing duly signed by each Pledgor directly and adversely affected thereby and the Second-Lien Collateral Agent (with the consent of the Required Lenders (or, to the extent required by Section 13.01 of the Second-Lien Credit Agreement, all of the Lenders).

23. MISCELLANEOUS. This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect, subject to release and/or termination as set forth in Section 19, (ii) be binding upon each Pledgor, its successors and assigns, and (iii) inure, together with the rights and remedies of the Pledgee hereunder, to the benefit of the Pledgee, the other Secured Creditors and their respective successors, transferees

---

and assigns. The headings of the several sections and subsections in this Agreement are for purposes of reference only and shall not limit or define the meaning hereof. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. In the event that any provision of this Agreement shall prove to be invalid or unenforceable, such provision shall be deemed to be severable from the other provisions of this Agreement which shall remain binding on all parties hereto. All agreements, statements, representations and warranties

made by each Pledgor herein or in any certificate or other instrument delivered by such Pledgor or on its behalf under this Agreement shall be considered to have been relied upon by the Secured Creditors and shall survive the execution and delivery of this Agreement and the other Secured Debt Agreements regardless of any investigation made by the Secured Creditors or on their behalf.

24. GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE; WAIVER OF JURY TRIAL. (A) THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, IN EACH CASE WHICH ARE LOCATED IN THE COUNTY OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH PLEDGOR HEREBY IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS. EACH PLEDGOR HEREBY FURTHER IRREVOCABLY WAIVES ANY CLAIM THAT ANY SUCH COURTS LACK PERSONAL JURISDICTION OVER SUCH PLEDGOR, AND AGREES NOT TO PLEAD OR CLAIM IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT BROUGHT IN ANY OF THE AFORESAID COURTS THAT ANY SUCH COURT LACKS PERSONAL JURISDICTION OVER SUCH PLEDGOR. EACH PLEDGOR FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO ANY SUCH PLEDGOR AT ITS ADDRESS FOR NOTICES AS PROVIDED IN SECTION 20 ABOVE, SUCH SERVICE TO BECOME EFFECTIVE 30 DAYS AFTER SUCH MAILING. EACH PLEDGOR HEREBY IRREVOCABLY WAIVES ANY OBJECTION TO SUCH SERVICE OF PROCESS AND FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY ACTION OR PROCEEDING COMMENCED HEREUNDER OR UNDER ANY OTHER CREDIT DOCUMENT THAT SUCH SERVICE OF PROCESS WAS IN ANY WAY INVALID OR INEFFECTIVE. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE PLEDGEE UNDER THIS AGREEMENT, OR ANY SECURED CREDITOR, TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANY PLEDGOR IN ANY OTHER JURISDICTION.

(B) EACH PLEDGOR HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID ACTIONS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT

BROUGHT IN THE COURTS REFERRED TO IN CLAUSE (a) ABOVE AND HEREBY FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

25. ADDITIONAL PLEDGORS. It is understood and agreed that any Subsidiary of the Borrower that is required to become a party to this Agreement after the date hereof pursuant to the requirements of the Second-Lien Credit Agreement shall automatically become a Pledgor hereunder by (x) executing a counterpart hereof and/or an assumption agreement, in each case in form and substance satisfactory to the Pledgee, (y) delivering supplements to Annexes A through F hereto as are necessary to cause such Annexes to be complete and accurate with respect to such additional Pledgor on such date and (z) taking all actions as specified in Section 3 of this Agreement as would have been taken by such Pledgor had it been an original party to this Agreement, in each case with all documents required above to be delivered to the Pledgee and with all documents and actions required to be taken above to be taken to the reasonable satisfaction of the Pledgee.

26. RECOURSE. This Agreement is made with full recourse to the Pledgors and pursuant to and upon all the representations, warranties, covenants and agreements on the part of the Pledgors contained herein and in the other Secured Debt Agreements and otherwise in writing in connection herewith or therewith.

27. FRAUDULENT CONVEYANCE; ETC. It is the desire and intent of each Pledgor and the Secured Creditors that this Agreement shall be enforced against each Pledgor to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Notwithstanding anything to the contrary contained herein, in furtherance of the foregoing, it is noted that the obligations of each Pledgor constituting a Subsidiary Guarantor have been limited as, and to the extent, provided in Section 27 of the Subsidiaries Guaranty.

28. RELEASE OF PLEDGORS. If at any time all of the Equity Interests of any Pledgor owned by the Borrower or any of its Subsidiaries are sold (to a Person other than a Credit Party) in a transaction permitted pursuant to the Second-Lien Credit Agreement or the security interest therein is otherwise required to be released pursuant to the terms of the Intercreditor Agreement, then such Pledgor shall be released as a Pledgor pursuant to this Agreement without any further action hereunder (it being understood that the sale of all of the equity interests in any Person that owns, directly or indirectly, all of the equity interests in any Pledgor shall be deemed to be a sale of all of the equity interests in such Pledgor for purposes of this Section), and the Pledgee is authorized and directed to execute and deliver such instruments of release as are reasonably satisfactory to it. At any time that the Borrower desires that a Pledgor be released from this Agreement as provided in this Section 28, the Borrower shall deliver to the Pledgee a certificate signed by a principal executive officer of the Borrower stating that the release of such Pledgor is permitted pursuant to this Section 28. If requested by Pledgee

---

(although the Pledgee shall have no obligation to make any such request), the Borrower shall furnish legal opinions (from counsel acceptable to the Pledgee) to the effect set forth in the immediately preceding sentence. The Pledgee shall have no liability whatsoever to any other Secured Creditor as a result of the release of any Pledgor by it in accordance with, or which it believes to be in accordance with, this Section 28.

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

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

ENERSYS,
as a Pledgor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

ENERSYS CAPITAL INC.,
as a Pledgor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

ENERSYS DELAWARE INC.,
as a Pledgor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

ESFINCO, INC.,
as a Pledgor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

ESRMCO, INC.,
as a Pledgor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

HAWKER ENERGY PRODUCTS INC.,
as a Pledgor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

HAWKER POWER SYSTEMS, INC.,
as a Pledgor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

POWERSAFE STANDBY BATTERIES INC.,
as a Pledgor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

HAWKER POWERSOURCE, INC.,
as a Pledgor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

NEW PACIFICO REALTY, INC.,
as a Pledgor

By: _____
Name:
Title:

Accepted and Agreed to:

BANK OF AMERICA, N.A.,
as Second Lien Collateral Agent and Pledgee

By _____
Name:
Title:

ANNEX A
TO
PLEDGE AGREEMENT

SCHEDULE OF LEGAL NAMES, TYPE OF ORGANIZATION
(AND WHETHER A REGISTERED ORGANIZATION AND/OR
A TRANSMITTING UTILITY), JURISDICTION OF ORGANIZATION,
LOCATION AND ORGANIZATIONAL IDENTIFICATION NUMBERS

Exact Legal Name of Each Pledgor	Registered Organization? (Yes/No)	Jurisdiction of Organization	Pledgor's Location (for purposes of NY UCC § 9-307)	Pledgor's Organization Identification Number (or, if it has none, so indicate)	Transmitting Utility? (Yes/No)

ANNEX B
TO
PLEDGE AGREEMENT

LIST OF STOCK

ANNEX C
TO
PLEDGE AGREEMENT

LIST OF NOTES

ANNEX D
TO
PLEDGE AGREEMENT

LIST OF LIMITED LIABILITY COMPANY INTERESTS

ANNEX E
TO
PLEDGE AGREEMENT

LIST OF PARTNERSHIP INTERESTS

ANNEX F
TO
PLEDGE AGREEMENT

LIST OF CHIEF EXECUTIVE OFFICES

Form of Agreement Regarding Uncertificated Securities, Limited Liability Company Interests and Partnership Interests

AGREEMENT (as amended, modified or supplemented from time to time, this "Agreement"), dated as of , , among each of the undersigned pledgors (each a "Pledgor" and, collectively, the "Pledgors"), , not in its individual capacity but solely as Second-Lien Collateral Agent (the "Pledgee"), and , as the issuer of the Uncertificated Securities, Limited Liability Company Interests and/or Partnership Interests (each as defined below) (the "Issuer").

W I T N E S S E T H :

WHEREAS, each Pledgor and the Pledgee are entering into a Pledge Agreement, dated as of March 17, 2004 (as amended, amended and restated, modified or supplemented from time to time, the "Pledge Agreement"), under which, among other things, in order to secure the payment of the Obligations (as defined in the Pledge Agreement), each Pledgor will pledge to the Pledgee for the benefit of the Secured Creditors (as defined in the Pledge Agreement), and grant a security interest in favor of the Pledgee for the benefit of the Secured Creditors in, all of the right, title and interest of such Pledgor in and to any and all (1) "uncertificated securities" (as defined in Section 8-102(a)(18) of the Uniform Commercial Code, as adopted in the State of New York) ("Uncertificated Securities"), (2) Partnership Interests (as defined in the Pledge Agreement) and (3) Limited Liability Company Interests (as defined in the Pledge Agreement), in each case issued from time to time by the Issuer, whether now existing or hereafter from time to time acquired by such Pledgor (with all of such Uncertificated Securities, Partnership Interests and Limited Liability Company Interests being herein collectively called the "Issuer Pledged Interests"); and

WHEREAS, each Pledgor desires the Issuer to enter into this Agreement in order to perfect the security interest of the Pledgee under the Pledge Agreement in the Issuer Pledged Interests, to vest in the Pledgee control of the Issuer Pledge Interests and to provide for the rights of the parties under this Agreement;

NOW THEREFORE, in consideration of the premises and the mutual promises and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Subject to the terms of the Intercreditor Agreement, each Pledgor hereby irrevocably authorizes and directs the Issuer, and the Issuer hereby agrees, to comply with any and all instructions and orders originated by the Pledgee (and its successors and assigns) regarding any and all of the Issuer Pledged Interests without the further consent by the registered owner (including the respective Pledgor), and not to comply with any instructions or orders regarding any or all of the Issuer Pledged Interests originated by any person or entity other than the Pledgee (and its successors and assigns) or a court of competent jurisdiction.

2. The Issuer hereby certifies that (i) no notice of any security interest, lien or other encumbrance or claim affecting the Issuer Pledged Interests (other than the security interest

---

of the Pledgee) has been received by it, and (ii) the security interest of the Pledgee in the Issuer Pledged Interests has been registered in the books and records of the Issuer.

3. The Issuer hereby represents and warrants that (i) the pledge by the Pledgors of, and the granting by the Pledgors of a security interest in, the Issuer Pledged Interests to the Pledgee, for the benefit of the Secured Creditors, does not violate the charter, by-laws, partnership agreement, membership

agreement or any other agreement governing the Issuer or the Issuer Pledged Interests, and (ii) the Issuer Pledged Interests are fully paid and nonassessable.

4. All notices, statements of accounts, reports, prospectuses, financial statements and other communications to be sent to any Pledgor by the Issuer in respect of the Issuer will also be sent to the Pledgee at the following address:

Bank of America, N.A., as Second-Lien Collateral Agent
Mailcode CA5-701-05-19
1455 Market Street, 5th Floor
San Francisco, CA 94103
Telephone: (415) 436-3495
Facsimile: (415) 503-5006
Attention: Charles Graber

with a copy to:

Bank of America, N.A., as Second-Lien Collateral Agent
Mailcode NC1-007-13-06
100 N. Tryon Street, 13th Floor
Charlotte, NC 28255
Telephone: (704) 388-6415
Facsimile: (704) 409-0564
Attention: Laura Clark

5. Until the Pledgee shall have delivered written notice to the Issuer that all of the Obligations have been paid in full and this Agreement is terminated, the Issuer will send any and all redemptions, distributions, interest or other payments in respect of the Issuer Pledged Interests from the Issuer for the account of the Pledgor only by wire transfers to the following address:

_____
_____
_____
_____
[Account Information]
ABA No.: _____
Account in the Name of: _____
Account No.: _____

6. Except as expressly provided otherwise in Sections 4 and 5, all notices, instructions, orders and communications hereunder shall be sent or delivered by mail, telex,

---

telecopy or overnight courier service and all such notices and communications shall, when mailed, telexed, telecopied or sent by overnight courier, be effective when deposited in the mails or delivered to the overnight courier, prepaid and properly addressed for delivery on such or the next Business Day, or sent by telex or telecopier, except that notices and communications to the Pledgee shall not be effective until received by the Pledgee. All notices and other communications shall be in writing and addressed as follows:

(a) if to any Pledgor, at:

(b) if to the Pledgee, at the address given in Section 4 hereof:

(c) if to the Issuer, at:

_____
_____
_____
_____
Attention: _____
Telephone No.: _____
Telephone No.: _____

or at such other address as shall have been furnished in writing by any Person described above to the party required to give notice hereunder. As used in this Section 6, "Business Day" means any day other than a Saturday, Sunday, or other day in which banks in New York are authorized to remain closed.

7. This Agreement shall be binding upon the successors and assigns of each Pledgor and the Issuer and shall inure to the benefit of and be enforceable by the Pledgee and its successors and assigns. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which shall constitute one instrument. In the event that any provision of this Agreement shall prove to be invalid or unenforceable, such provision shall be deemed to be severable from the other provisions of this Agreement which shall remain binding on all parties hereto. None of the terms and conditions of this Agreement may be changed, waived, modified or varied in any manner whatsoever except in writing signed by the Pledgee, the Issuer and any Pledgor which at such time owns any Issuer Pledged Interests.

8. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to its principles of conflict of laws.

IN WITNESS WHEREOF, each Pledgor, the Pledgee and the Issuer have caused this Agreement to be executed by their duly elected officers duly authorized as of the date first above written.

[_____],
as Pledgor

By _____
Name:
Title:

BANK OF AMERICA, N.A.,
not in its individual capacity but solely as Second-Lien Collateral Agent and Pledgee

By _____
Name:
Title:

[_____],
as the Issuer

By _____
Name:
Title:

Exhibit 10.15

SECURITY AGREEMENT

among

ENERSYS,

VARIOUS SUBSIDIARIES OF ENERSYS

and

BANK OF AMERICA, N.A.,
as Second-Lien Collateral Agent

Dated as of March 17, 2004

TABLE OF CONTENTS

SECURITY AGREEMENT

SECURITY AGREEMENT, dated as of March 17, 2004 (as the same may be amended, restated, modified and/or supplemented from time to time in accordance with the terms hereof, this "Agreement"), among each of the undersigned (each, an "Assignor" and, together with each other entity which becomes a party hereto pursuant to Section 10.13, collectively, the "Assignors") and Bank of America, N.A., as Collateral Agent (the "Second-Lien Collateral Agent"), for the benefit of the Secured Creditors (as defined below). Except as otherwise defined herein, terms used herein and defined in the Second-Lien Credit Agreement (as defined below) shall be used herein as therein defined.

W I T N E S S E T H:

WHEREAS, EnerSys ("Holdings"), EnerSys Capital Inc. (the "Borrower"), various financial institutions from time to time party thereto (the "Lenders"), Bank of America, N.A., as Administrative Agent (together with a successor Administrative Agent, the "Administrative Agent" and, together with the Lenders, the Second-Lien Collateral Agent, each other Agent and the Pledgee, collectively, the "Secured Creditors"), Morgan Stanley Senior Funding Inc., as Syndication Agent, and Lehman Commercial Paper Inc., as Documentation Agent, have entered into a Second-Lien Credit Agreement, dated as of March 17, 2004 providing for the making of Second-Lien Loans to the Borrower (as used herein, the term "Second-Lien Credit Agreement" means the Second-Lien Credit Agreement described above in this paragraph as amended, restated, modified, extended, renewed, replaced, supplemented, restructured and/or refinanced from time to time);

WHEREAS, pursuant to the Holdings Guaranty, Holdings has unconditionally guaranteed to the Secured Creditors the payment when due of all Guaranteed Obligations as described therein;

WHEREAS, pursuant to the Subsidiaries Guaranty, each Subsidiary Guarantor has jointly and severally guaranteed to the Secured Creditors the payment when due of all Guaranteed Obligations as described therein;

WHEREAS, it is a condition precedent to the making of Second-Lien Loans to the Borrower under the Second-Lien Credit Agreement that each Assignor shall have executed and delivered to the Second-Lien Collateral Agent this Agreement; and

WHEREAS, Holdings, the Borrower, various financial institutions from time to time party thereto and Bank of America, N.A., as administrative agent and collateral agent (in such capacity, the "First-Lien Collateral Agent"), have entered into a credit agreement, dated as of the date hereof (as amended, restated, modified, extended, renewed, replaced, supplemented, restructured and/or refinanced from time to time, the "First-Lien Credit Agreement");

WHEREAS, each Assignor will obtain benefits from the incurrence of Second-Lien Loans by the Borrower under the Second-Lien Credit Agreement and, accordingly, each Assignor desires to execute this Agreement to satisfy the condition precedent described in the preceding paragraph;

WHEREAS, in order to secure the obligations under the First-Lien Credit Agreement, each Pledgor is concurrently granting to the First-Lien Collateral Agent, for the benefit of the holders of obligations under the First-Lien Credit Agreement, a first priority security interest in the Collateral (it being understood that the relative rights and priorities of the grantees in respect of the Collateral are governed by the Intercreditor Agreement, dated as of the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the "Intercreditor Agreement"), among Holdings, the Borrower, the First-Lien Collateral Agent, the Second-Lien Collateral Agent and certain other persons party or that may become party thereto from time to time); and

NOW, THEREFORE, in consideration of the benefits accruing to each Assignor, the receipt and sufficiency of which are hereby acknowledged, each Assignor hereby makes the following representations and warranties to the Second-Lien Collateral Agent and hereby covenants and agrees with the Second-Lien Collateral Agent as follows:

ARTICLE I

SECURITY INTERESTS

1.1. Grant of Security Interests. (a) Subject to the terms of the Intercreditor Agreement, as security for the prompt and complete payment and performance when due of all of the Obligations, each Assignor does hereby assign and transfer unto the Second-Lien Collateral Agent, and does hereby pledge and grant to the Second-Lien Collateral Agent for the benefit of the Secured Creditors, a continuing security interest in, all of the right, title and interest of such Assignor in, to and under all of the following, whether now existing or hereafter from time to time acquired:

(i) each and every Receivable;

(ii) all cash;

(iii) the Cash Collateral Account and all monies, securities, Instruments and other investments deposited or required to be deposited in the Cash Collateral Account;

(iv) all Chattel Paper (including, without limitation, all Tangible Chattel Paper and all Electronic Chattel Paper);

(v) all Commercial Tort Claims;

(vi) all computer programs of such Assignor and all intellectual property rights therein and all other proprietary information of such Assignor, including but not limited to Domain Names and Trade Secret Rights;

(vii) Contracts, together with all Contract Rights arising thereunder;

(viii) all Copyrights;

(ix) all Equipment;

(x) all Deposit Accounts and all other demand, deposit, time, savings, cash management, passbook and similar accounts maintained by such Assignor with any Person and all monies, securities, Instruments and other investments deposited or required to be deposited in any of the foregoing;

(xi) all Documents;

(xii) all General Intangibles;

(xiii) all Goods;

(xiv) all Instruments;

(xv) all Inventory;

(xvi) all Investment Property;

(xvii) all Letter-of-Credit Rights (whether or not the respective letter of credit is evidenced by a writing);

(xviii) all Marks, together with the registrations and right to all renewals thereof, and the goodwill of the business of such Assignor symbolized by the Marks;

(xix) all Patents;

(xx) all Permits;

(xxi) all Software and all Software licensing rights, all writings, plans, specifications and schematics, all engineering drawings, customer lists, goodwill and licenses, and all recorded data of any kind or nature, regardless of the medium of recording;

(xxii) all Supporting Obligations; and

(xxiii) all Proceeds and products of any and all of the foregoing (all of the above, the "Collateral").

(b) The security interest of the Second-Lien Collateral Agent under this Agreement extends to all Collateral of the kind which is the subject of this Agreement which any

---

Assignor may acquire at any time during the continuation of this Agreement. Notwithstanding anything to the contrary contained herein, the Collateral shall at no time include any items which would at such time constitute Excluded Collateral.

(c) Notwithstanding anything herein to the contrary, the lien and security interest granted to the Second-Lien Collateral Agent pursuant to this Agreement and the exercise of any right or remedy by the Second-Lien Collateral Agent hereunder are subject to the provisions of the Intercreditor Agreement. In the event of any conflict between the terms of the Intercreditor Agreement and this Agreement, the terms of the Intercreditor Agreement shall govern and control.

1.2. Power of Attorney. Subject to the terms of the Intercreditor Agreement, each Assignor hereby constitutes and appoints the Second-Lien Collateral Agent its true and lawful attorney, irrevocably, with full power after the occurrence of and during the continuance of an Event of Default (in the name of such Assignor or otherwise) to act, require, demand, receive, compound and give acquittance for any and all monies and claims for monies due or to become due to such Assignor under or arising out of the Collateral, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which the Second-Lien Collateral Agent may deem to be necessary or advisable to accomplish the purposes of this Agreement, which appointment as attorney is coupled with an interest.

ARTICLE II

GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS

Each Assignor represents, warrants and covenants, which representations, warranties and covenants shall survive execution and delivery of this Agreement, as follows:

2.1. Necessary Filings. (i) All filings, registrations and recordings necessary or appropriate to create, preserve, protect and perfect the security interest granted by such Assignor to the Second-Lien Collateral Agent for the benefit of the Secured Creditors hereby in respect of the Collateral have been accomplished (or, in the case of Collateral for which it is necessary to file a UCC-1 financing statement or make a filing with the United States Trademark and Patent Office or United States Copyright Office in order to perfect a security interest in such Collateral, such filings will be accomplished within 10 days following the Initial Borrowing Date (or to the extent such Collateral is acquired after the Initial Borrowing Date, within 10 days following the date of the acquisition of such Collateral)), and (ii) the security interest granted to the Second-Lien Collateral Agent pursuant to this Agreement in and to the Collateral constitutes (or, in the case of Collateral referred to in the parenthetical in clause (i) above, upon compliance with the requirements of such parenthetical, will constitute) a perfected security interest therein prior to the rights of all other Persons therein (except as otherwise permitted by the Credit

Documents (including, without limitation, (x) Section 3.9 of this Agreement with respect to Deposit Accounts and (y) the terms of the Intercreditor Agreement)) and subject to no other Liens (other than Permitted Liens) and is entitled to all the rights, priorities and benefits afforded by the

---

Uniform Commercial Code or other relevant law as enacted in any relevant jurisdiction to perfected security interests.

2.2. No Liens. Such Assignor is, and as to all Collateral acquired by it from time to time after the date hereof such Assignor will be, the owner of all Collateral free from any Lien, security interest, encumbrance or other right, title or interest of any Person (other than Permitted Liens and Liens created under this Agreement) and such Assignor shall defend the Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein adverse to the Second-Lien Collateral Agent.

2.3. Other Financing Statements. As of the date hereof, there is no financing statement evidencing a valid security interest against Holdings or any of its Subsidiaries (or similar statement or instrument of registration under the law of any jurisdiction) covering or purporting to cover any interest of any kind in the Collateral (other than (x) those created under this Agreement, (y) as may be filed in connection with Permitted Liens and (z) those with respect to which appropriate termination statements executed by the secured lender thereunder have been delivered to the Administrative Agent pursuant to the terms of the Second-Lien Credit Agreement), and so long as the Total Commitment has not been terminated or any Second Lien Loan Note remains outstanding or any of the Obligations (other than arising from indemnities for which no request has been made) remain unpaid or any Obligations are owed with respect thereto, such Assignor will not execute or authorize to be filed in any public office any financing statement (or similar statement or instrument of registration under the law of any jurisdiction) relating to the Collateral, except financing statements filed or to be filed in respect of and covering the security interests granted hereby by such Assignor or as permitted by the First-Lien Credit Agreement, the Second-Lien Credit Agreement or the Intercreditor Agreement.

2.4. Chief Executive Office; Records. The chief executive office of such Assignor is located at the address or addresses indicated on Annex A hereto. During the period of the four calendar months preceding the date of this Agreement, the chief executive office of such Assignor has not been located at any address other than that indicated on Annex A in accordance with the immediately preceding sentence, in each case unless each such other address is also indicated on Annex A hereto for such Assignor.

2.5. Location of Inventory and Equipment. All Inventory and Equipment held on the date hereof by such Assignor is located at one of the locations shown on Annex B hereto.

2.6. Recourse. This Agreement is made with full recourse to each Assignor and pursuant to and upon all the warranties, representations, covenants and agreements on the part of such Assignor contained herein, in the other Credit Documents and otherwise in writing in connection herewith or therewith.

2.7. Legal Names; Type of Organization (and Whether a Registered Organization and/or a Transmitting Utility); Jurisdiction of Organization; Location; Organizational Identification Numbers; Changes Thereto; etc. The exact legal name of each Assignor, the type of organization of such Assignor, whether or not such Assignor is a Registered Organization, the jurisdiction of organization of such Assignor, such Assignor's Location, the organizational identification number (if any) of such Assignor, and whether or not such Assignor is a

---

Transmitting Utility, is listed on Annex C hereto for such Assignor. Such Assignor shall not change its legal name, its type of organization, its status as a Registered Organization (in the case of a Registered Organization), its status as a Transmitting Utility or as a Person which is not a Transmitting Utility, as the case may be, its jurisdiction of organization, its Location, or its organizational identification number (if any) from that used on Annex C hereto, except that any such changes shall be permitted (so long as not in violation of the applicable requirements of the Second-Lien Credit Agreement and so long as same do not involve (x) a Registered Organization ceasing to constitute same or (y) such Assignor changing its jurisdiction of organization or Location from the United States or a State thereof to a jurisdiction of organization or Location, as the case may be, outside the United States or a State thereof) if (i) it shall have given to the Second-Lien Collateral Agent not less than 15 days' prior written notice of each change to the information listed on Annex C (as adjusted for any subsequent changes thereto previously made in accordance with this sentence), together with a supplement to Annex C which shall correct all information contained therein for such Assignor, and (ii) in connection with the respective such change or changes, it shall have taken all action reasonably requested by the Second-Lien Collateral Agent to maintain the security interests of the Second-Lien Collateral Agent in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect. In addition, to the extent that such Assignor does not have an organizational identification number on the date hereof and later obtains one, such Assignor shall promptly thereafter notify the Second-Lien Collateral Agent of such organizational identification number and shall take all actions reasonably satisfactory to the Second-Lien Collateral Agent to the extent necessary to maintain the security interest of the Second-Lien Collateral Agent in the Collateral intended to be granted hereby fully perfected and in full force and effect.

2.8. Trade Names; Etc. Such Assignor has or operates in any jurisdiction under, or in the preceding five years has had or has operated in any jurisdiction under, no trade names, fictitious names or other names except its legal name as specified in Annex C and such other trade or fictitious names as are listed on Annex D hereto for such Assignor. Such Assignor shall not assume or operate in any jurisdiction under any new trade, fictitious or other name until (i) it shall have given to the Second-Lien Collateral Agent not less than 30 days' written notice of its intention so to do, clearly describing such new name and the jurisdictions in which such new name will be used and providing such other information in connection therewith as the Second-Lien Collateral Agent may reasonably request and (ii) with respect to such new name, it shall have taken all action reasonably requested by the Second-Lien Collateral Agent to maintain the security interest of the Second-Lien Collateral Agent in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect.

2.9. Certain Significant Transactions. During the one year period preceding the date of this Agreement, no Person shall have merged or consolidated with or into any Assignor, and no Person shall have liquidated into, or transferred all or substantially all of its assets to, any Assignor, in each case except as described in Annex E hereto. With respect to any transactions so described in Annex E hereto, the respective Assignor shall have furnished such information with respect to the Person (and the assets of the Person and locations thereof) which merged with or into or consolidated with such Assignor, or was liquidated into or transferred all or substantially all of its assets to such Assignor, and shall have furnished to the Second-Lien Collateral Agent such UCC lien searches as may have been requested with respect to such Person and its assets, to establish that no security interest (excluding Permitted Liens) continues

---

perfected on the date hereof with respect to any Person described above (or the assets transferred to the respective Assignor by such Person), including without limitation pursuant to Section 9-316(a)(3) of the UCC.

2.10. Non-UCC Property. The aggregate fair market value (as determined by the Assignors in good faith) of all property of the Assignors of the type described in clause (1) of Section 9-311(a) of the UCC does not exceed $5,000,000. If the aggregate value of all such property at any time owned by all Assignors exceeds $5,000,000, the Assignors shall provide prompt written notice thereof to the Second-Lien Collateral Agent and, upon the request of the Second-Lien Collateral Agent, the Assignors shall promptly (and in any event within 30 days) take such actions (at their own cost and expense) as may be required under the respective United States or other laws, regulations or treaties referenced in Section 9-311(a)(1) of the UCC to perfect the security interests granted herein in any Collateral where the filing of a financing statement does not perfect the security interest in such property in accordance with the provisions of Section 9-311(a)(1) of the UCC.

2.11. As-Extracted Collateral; Timber-to-be-Cut. On the date hereof, such Assignor does not own, or expect to acquire, any property which constitutes, or would constitute, As-Extracted Collateral or Timber-to-be-Cut. If at any time after the date of this Agreement such Assignor owns, acquires or obtains rights to any As-Extracted Collateral or Timber-to-be-Cut, such Assignor shall furnish the Second-Lien Collateral Agent with prompt written notice thereof (which notice shall describe in reasonable detail the As-Extracted Collateral and/or Timber-to-be-Cut and the locations thereof) and shall take all actions as may be deemed reasonably necessary or desirable by the Second-Lien Collateral Agent to perfect the security interest of the Second-Lien Collateral Agent therein.

2.12. Collateral in the Possession of a Bailee. If any Inventory or other Goods are at any time in the possession of a bailee (other than the First-Lien Collateral Agent), such Assignor shall promptly notify the Second-Lien Collateral Agent thereof and, if requested by the Second-Lien Collateral Agent, shall use its commercially reasonable efforts to promptly obtain an acknowledgment from such bailee, in form and substance reasonably satisfactory to the Second-Lien Collateral Agent, that the bailee holds such Collateral for the benefit of the Second-Lien Collateral Agent and shall act upon the instructions of the Second-Lien Collateral Agent, without the further consent of such Assignor. The Second-Lien Collateral Agent agrees with such Assignor that the Second-Lien Collateral Agent shall not give any such instructions unless an Event of Default has occurred and is continuing or would occur after taking into account any action by the respective Assignor with respect to any such bailee.

ARTICLE III

SPECIAL PROVISIONS CONCERNING RECEIVABLES; CONTRACT RIGHTS; INSTRUMENTS

3.1. Additional Representations and Warranties. As of the time when each of its material Receivables arises, each Assignor shall be deemed to have represented and warranted that such Receivable, and all records, papers and documents relating thereto (if any) are genuine

---

and accurate in all material respects, and that all papers and documents (if any) relating thereto (i) will represent in all material respects the genuine legal, valid and binding (except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws generally affecting creditors' rights and by equitable principles, regardless of whether enforcement is sought in equity or law) obligation of the account debtor evidencing indebtedness unpaid and owed by the respective account debtor arising out of the performance of labor or services or the sale or lease and delivery of the inventory, materials, equipment or merchandise listed therein, or both, (ii) will be the only original writings evidencing and embodying such obligation of the account debtor named therein (other than copies created for general accounting purposes), (iii) will evidence true, legal and valid obligations, enforceable in accordance with their respective terms (except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws generally affecting creditors' rights and by equitable principles (regardless of whether enforcement is sought in equity or law)) and (iv) will be in compliance and will conform in all material respects with all applicable federal, state and local laws and applicable laws of any relevant foreign jurisdiction.

3.2. Maintenance of Records. Each Assignor will keep and maintain at its own cost and expense satisfactory and complete records of its Receivables and Contracts, including, but not limited to, originals or copies of all documentation (including each Contract), if any, with respect thereto, records of all payments received, all credits granted thereon, all merchandise returned and all other dealings therewith, and such Assignor will make the same available on such Assignor's premises to the Second-Lien Collateral Agent for inspection, at such Assignor's own cost and expense, at any and all reasonable times and intervals as the Second-Lien Collateral Agent may request, but no more than two times in any calendar year unless an Event of Default has occurred and is continuing. Upon the occurrence and during the continuance of an Event of Default and at the request of the Second-Lien Collateral Agent, such Assignor shall, at its own cost and expense, deliver all tangible evidence of its Receivables and Contract Rights (including, without limitation, all documents, if any, evidencing the Receivables and all Contracts) and such books and records to the Second-Lien Collateral Agent or to its representatives (copies of which evidence and books and records may be retained by such Assignor). If the Second-Lien Collateral Agent so directs (but subject to the provisions of the Intercreditor Agreement), such Assignor shall legend, in form and manner satisfactory to the Second-Lien Collateral Agent, the Receivables and the Contracts, as well as books, records and documents of such Assignor evidencing or pertaining to such Receivables and Contracts with an appropriate reference to the fact that such Receivables and Contracts have been assigned to the Second-Lien Collateral Agent and that the Second-Lien Collateral Agent has a security interest therein.

3.3. Direction to Account Debtors; Contracting Parties; etc. Subject to the terms of the Intercreditor Agreement, upon the occurrence and during the continuance of an Event of Default, and if the Second-Lien Collateral Agent so directs any Assignor, such Assignor agrees (x) to cause all payments on account of the Receivables and Contracts to be made directly to the Cash Collateral Account, (y) that the Second-Lien Collateral Agent may, at its option, directly notify the obligors with respect to any Receivables and/or under any Contracts to make payments with respect thereto as provided in preceding clause (x), and (z) that the Second-Lien Collateral Agent may enforce collection of any such Receivables or Contracts and may adjust, settle or

---

compromise the amount of payment thereof, in the same manner and to the same extent as such Assignor. Subject to the terms of the Intercreditor Agreement, upon the occurrence and during the continuance of an Event of Default, without notice to or assent by any Assignor, the Second-Lien Collateral Agent may apply any or all amounts then in, or thereafter deposited in, the Cash Collateral Account in the manner provided in Section 7.4 of this Agreement.

The costs and expenses (including attorneys' fees) of collection, whether incurred by any Assignor or the Second-Lien Collateral Agent, shall be borne by such Assignor.

3.4. Modification of Terms; etc. Except in accordance with such Assignor's ordinary course of business and consistent with reasonable business judgment (and, in the case of any Accounts Receivable Facility Assets, except in accordance with the provisions of the Accounts Receivable Facility Documents), no Assignor shall rescind or cancel any indebtedness evidenced by any Receivable or under any Contract, or modify any term thereof or make any adjustment with respect thereto, or extend or renew the same, or compromise or settle any material dispute, claim, suit or legal proceeding relating thereto, or sell any Receivable or Contract, or interest therein, without the prior written consent of the Second-Lien Collateral Agent. No Assignor will do anything to impair the rights of the Second-Lien Collateral Agent in the Receivables or Contracts, it being understood that nothing herein shall prevent any Assignor from entering into or performing its obligations under the Accounts Receivable Facility Documents.

3.5. Collection. Each Assignor shall use reasonable efforts to endeavor to cause to be collected from the account debtor named in each of its Receivables or obligor under any Contract, as and when due (including, without limitation, amounts, services or products which are delinquent, such amounts, services or products to be collected in accordance with generally accepted lawful collection procedures) any and all amounts, services or products owing under or on account of such Receivable or Contract, and apply forthwith upon receipt thereof all such amounts, services or products as are so collected to the outstanding balance of such Receivable or under such Contract, except that, prior to the occurrence of an Event of Default, any Assignor may allow in the ordinary course of business as adjustments to amounts, services or products owing under its Receivables and Contracts (i) an extension or renewal of the time or times of payment or exchange, or settlement for less than the total unpaid balance, which such Assignor finds appropriate in accordance with reasonable business judgment and (ii) a refund or credit due as a result of returned or damaged merchandise or improperly performed services. The costs and expenses (including, without limitation, attorneys' fees) of collection, whether incurred by an Assignor or the Second-Lien Collateral Agent, shall be borne by the relevant Assignor.

3.6. Instruments. If any Assignor owns or acquires any Instrument constituting Collateral, such Assignor will within 10 days notify the Second-Lien Collateral Agent thereof, and upon request by the Second-Lien Collateral Agent, will (subject to the terms of the Intercreditor Agreement) promptly deliver such Instrument (to the extent such Instrument is not otherwise required to be delivered to the Second-Lien Collateral Agent pursuant to the Pledge Agreement) to the Second-Lien Collateral Agent appropriately endorsed to the order of the Second-Lien Collateral Agent as further security hereunder; provided, however, that Instruments with a face amount of less than $500,000 shall not be required to be delivered pursuant to this Section 3.6 unless and until the aggregate amount of all Instruments and Tangible Chattel Paper

---

not delivered to the Second-Lien Collateral Agent pursuant to this Section 3.6 and Section 3.12 hereof exceeds $2,500,000.

3.7. Further Actions. Each Assignor will, to the extent not inconsistent with the terms of the Intercreditor Agreement, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the Second-Lien Collateral Agent from time to time such vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, certificates, reports and other assurances or instruments and take such further steps, including any and all actions as may be necessary or required under the Federal Assignment of Claims Act, relating to its Receivables, Contracts, Instruments and other property or rights covered by the security interest hereby granted, as the Second-Lien Collateral Agent may reasonably require.

3.8. Assignors Remain Liable Under Contracts. Anything herein to the contrary notwithstanding, the Assignors shall remain liable under each of the Contracts to observe and perform all of the conditions and obligations to be observed and performed by them thereunder, all in accordance with and pursuant to the terms and provisions of each Contract. Neither the Second-Lien Collateral Agent nor any other Secured Creditor shall have any obligation or liability under any Contract by reason of or arising out of this Agreement or the receipt by the Second-Lien Collateral Agent or any other Secured Creditor of any payment relating to such Contract pursuant hereto, nor shall the Second-Lien Collateral Agent or any other Secured Creditor be obligated in any manner to perform any of the obligations of any Assignor under or pursuant to any Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any performance by any party under any Contract, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to them or to which they may be entitled at any time or times.

3.9. Deposit Accounts; Etc. (a) No Assignor maintains, or at any time after the date of this Agreement shall establish or maintain, any demand, time, savings, passbook or similar account, except for such accounts maintained with a bank (as defined in Section 9-102 of the UCC) whose jurisdiction (determined in accordance with Section 9-304 of the UCC) is within a State of the United States. Annex F hereto accurately sets forth, as of the date of this Agreement, for each Assignor, each Deposit Account maintained by such Assignor (including a description thereof and the respective account number), the name of the respective bank with which such Deposit Account is maintained, and the jurisdiction of the respective bank with respect to such Deposit Account. For each Subject Deposit Account, the respective Assignor shall cause the bank with which such Subject Deposit Account is maintained to execute and deliver to the Second-Lien Collateral Agent, within 60 days after the date of this Agreement, a "control agreement" in the form of Annex G hereto (appropriately completed), with such changes thereto as may be reasonably acceptable to the Second-Lien Collateral Agent. If any bank with which a Subject Deposit Account is maintained refuses to, or does not, enter into such a "control agreement", then the respective Assignor shall promptly (and in any event within 60 days after the date of this Agreement) close the respective Subject Deposit Account and transfer all balances therein to (x) the Cash Collateral Account, (y) another Subject Deposit Account subject to a "control agreement" and meeting the requirements of this Section 3.9(a) or (z) another Deposit Account subject to a "control agreement" and meeting the requirements of this Section 3.9(a) as if such Deposit Account were a Subject Deposit Account (each such Deposit

---

Account referred to in this clause (z), an "Alternate Perfected Deposit Account"). If any bank with which a Subject Deposit Account is maintained refuses to subordinate all its claims with respect to such Subject Deposit Account to the Second-Lien Collateral Agent's security interest therein on terms reasonably satisfactory to the Second-Lien Collateral Agent, then the Second-Lien Collateral Agent, at its option, may (x) require that such Subject Deposit Account be terminated in accordance with the immediately preceding sentence or (y) agree to a "control agreement" without such subordination, provided that in such event the Second-Lien Collateral Agent may at any time, at its option, subsequently require that such Subject Deposit Account be terminated (within 30 days after notice from the Second-Lien Collateral Agent) in accordance with the requirements of the immediately preceding sentence. If any Assignor intends to close a Subject Deposit Account in accordance with the terms of the respective "control agreement" for such Subject Deposit Account, then the respective Assignor shall, immediately prior to closing such Subject Deposit Account, transfer all balances therein to the Cash Collateral Account, another Subject Deposit Account or an Alternate Perfected Deposit Account.

(b) After the date of this Agreement, no Assignor shall establish any new demand, time, savings, passbook or similar account, except for Deposit Accounts established and maintained with banks and meeting the requirements of the first sentence of preceding clause (a). At the time any such Deposit Account is established, the respective Assignor shall furnish to the Second-Lien Collateral Agent a supplement to Annex F hereto containing the relevant information with respect to the respective Deposit Account and the bank with which same is established.

(c) Each Assignor covenants and agrees to transfer, by the close of business on each Business Day (in the city where the respective Deposit Account is maintained), any and all cash and other funds on deposit in each Deposit Account of such Assignor to a Subject Deposit Account or an Alternate Perfected Deposit Account, provided that, in the case of a Deposit Account that is an Excluded Local Deposit Account, all Cash and other funds on deposit in such Excluded Local Deposit Account in excess of $50,000 shall be transferred, by the close of business on the Business Day (in the city where the respective Excluded Local Deposit Account is maintained) following the date of initial deposit of such cash and other funds in such Excluded Local Deposit Account, to a Subject Deposit Account or an Alternate Perfected Deposit Account.

3.10. Letter-of-Credit Rights. If any Assignor is at any time a beneficiary under a letter of credit with a stated amount of $1,000,000 or more, such Assignor shall promptly notify the Second-Lien Collateral Agent thereof and, at the request of the Second-Lien Collateral Agent, such Assignor shall, pursuant to an agreement in form and substance reasonably satisfactory to the Second-Lien Collateral Agent, use its commercially reasonable efforts to (i) arrange for the issuer and any confirmer of such letter of credit to consent to an assignment to the Second-Lien Collateral Agent of the proceeds of any drawing under such letter of credit or (ii) arrange for the Second-Lien Collateral Agent to become the transferee beneficiary of such letter of credit, with the Second-Lien Collateral Agent agreeing, in each case, that the proceeds of any drawing under the letter of credit are (subject to the Intercreditor Agreement) to be applied as provided in this Agreement after the occurrence and during the continuance of an Event of Default.

3.11. Commercial Tort Claims. All Commercial Tort Claims of each Assignor in existence on the date of this Agreement are described in Annex H hereto. If any Assignor shall at any time after the date of this Agreement acquire a Commercial Tort Claim in an amount (taking the greater of the aggregate claimed damages thereunder or the reasonably estimated value thereof) of $1,000,000 or more, such Assignor shall promptly notify the Second-Lien Collateral Agent thereof in a writing signed by such Assignor and describing the details thereof and shall grant to the Second-Lien Collateral Agent in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to the Second-Lien Collateral Agent.

3.12. Chattel Paper. Upon the request of the Second-Lien Collateral Agent made at any time or from time to time, each Assignor shall promptly furnish to the Second-Lien Collateral Agent a list of all Electronic Chattel Paper held or owned by such Assignor. Furthermore, if requested by the Second-Lien Collateral Agent, each Assignor shall promptly take all actions which are reasonably practicable so that the Second-Lien Collateral Agent has "control" of all Electronic Chattel Paper in accordance with the requirements of Section 9-105 of the UCC. Each Assignor will promptly (and in any event within 10 days) following any request by the Second-Lien Collateral Agent, deliver (to the extent not inconsistent with the terms of the Increcreidtor Agreement) all of its Tangible Chattel Paper to the Second-Lien Collateral Agent; provided, however, that Tangible Chattel Paper with a value of less than $1,000,000 shall not be required to be delivered pursuant to this Section 3.12 unless and until the aggregate amount of all Tangible Chattel Paper and Instruments not delivered to the Second-Lien Collateral Agent pursuant to this Section 3.12 and Section 3.6 hereof exceeds $2,500,000.

ARTICLE IV

SPECIAL PROVISIONS CONCERNING TRADEMARKS AND DOMAIN NAMES

4.1. Additional Representations and Warranties. Each Assignor represents and warrants that it is the true, lawful, sole and exclusive owner of or otherwise has the right to use the Marks and Domain Names listed in Annex I hereto and that said listed Marks and Domain Names (i) constitute all the Marks and Domain Names that such Assignor presently owns or uses in connection with its business and (ii) include all Marks and applications for Marks registered in the United States Patent and Trademark Office (or the equivalent thereof in any foreign country), all material unregistered Marks that such Assignor now owns, licenses or uses in connection with its business on the date hereof and all Domain Names that such Assignor owns or uses in connection with its business on the date hereof. Each Assignor further warrants that it has no knowledge, as of the date hereof, of any material third party claim that any aspect of such Assignor's present or contemplated business operations infringes or will infringe any rights in any trademark, service mark or trade name. Each Assignor represents and warrants that it is the beneficial and record owner of all trademark registrations and applications listed in Annex I hereto and designated as "owned" thereon and that said registrations are valid, subsisting and have not been canceled and that such Assignor is not aware of any material third party claim that any of said registrations is invalid or unenforceable, or that there is any reason that any of said

---

applications will not pass to registration. Each Assignor represents and warrants that upon the recordation of a Grant of Security Interest in United States Trademarks and Patents in the form of Annex L hereto in the United States Patent and Trademark Office, together with filings on Form UCC-1 pursuant to this Agreement, all filings, registrations and recordings necessary or appropriate to perfect the security interest granted to the Second-Lien Collateral Agent in the United States Marks covered by this Agreement under federal law will have been accomplished. Each Assignor agrees to execute such a Grant of Security Interest in United States Trademarks and Patents covering all right, title and interest in each United States Mark, and the associated goodwill, of such Assignor, and to record the same. Each Assignor hereby grants to the Second-Lien Collateral Agent an absolute power of attorney to sign, upon the occurrence and during the continuance of an Event of Default, any document which may be required by the U.S. Patent and Trademark Office or secretary of state or equivalent governmental agency of any State of the United States or any foreign jurisdiction in order to effect an absolute assignment of all right, title and interest in each Mark and/or Domain Name, and record the same.

4.2. Licenses and Assignments. Each Assignor hereby agrees not to divest itself of any right under any Mark or Domain Name absent prior written approval of the Second-Lien Collateral Agent (which approval shall not be unreasonably withheld), except as otherwise permitted by this Agreement or the Second-Lien Credit Agreement.

4.3. Infringements. Each Assignor agrees, promptly upon learning thereof, to notify the Second-Lien Collateral Agent in writing of the name and address of, and to furnish such pertinent information that may be available with respect to, (i) any party who such Assignor believes is infringing or diluting or otherwise violating in any material respect any of such Assignor's rights in and to any Mark or Domain Name, or (ii) with respect to any party

claiming that such Assignor's use of any Mark or Domain Name violates in any material respect any property right of that party. Each Assignor further agrees, unless otherwise agreed by the Second-Lien Collateral Agent, to prosecute, in accordance with reasonable business practices, any Person infringing any Mark or Domain Name owned by such Assignor.

4.4. Preservation of Marks. Each Assignor agrees to use its Marks and Domain Names in interstate or foreign commerce, as the case may be, during the time in which this Agreement is in effect, sufficiently to preserve such Marks as valid and subsisting trademarks or service marks under the laws of the United States or the relevant foreign jurisdiction; provided that no Assignor shall be obligated to preserve any Mark to the extent the Assignor determines, in its reasonable business judgment, that the preservation of such Mark is no longer economically desirable in the conduct of its business.

4.5. Maintenance of Registration. Each Assignor shall, at its own expense and in accordance with reasonable business practices, process all documents required to maintain Mark and Domain Name registrations, including but not limited to affidavits of continued use and applications for renewals of registration in the United States Patent and Trademark Office for all of its registered Marks pursuant to 15 U.S.C. §§ 1058, 1059 and 1065 or any foreign equivalent thereof, as applicable, and shall pay all fees and disbursements in connection therewith and shall not abandon any such filing of affidavit of use or any such application of renewal prior to the exhaustion of all administrative and judicial remedies without prior written consent of the Second-Lien Collateral Agent; provided that no Assignor shall be obligated to maintain any

---

Mark and/or Domain Name to the extent such Assignor determines, in its reasonable business judgment, that the maintenance of such Mark and/or Domain Name is no longer economically desirable in the conduct of its business.

4.6. Future Registered Marks and Domain Names. If any registration for any Mark issued hereafter to any Assignor as a result of any application now or hereafter pending before the United States Patent and Trademark Office or any Domain Name is registered by any Assignor, within 30 days of receipt of such certificate, such Assignor shall deliver to the Second-Lien Collateral Agent a copy of such certificate, and a grant for security in such Mark and/or Domain Name, to the Second-Lien Collateral Agent and at the expense of such Assignor, confirming the grant for security in such Mark and/or Domain Name to the Second-Lien Collateral Agent hereunder, the form of such grant for security to be substantially the same as the form hereof or in such other form as may be reasonably satisfactory to the Second-Lien Collateral Agent.

4.7. Remedies. Subject to the terms of the Intercreditor Agreement, if an Event of Default shall occur and be continuing, the Second-Lien Collateral Agent may, by written notice to the relevant Assignor, take any or all of the following actions: (i) declare the entire right, title and interest of such Assignor in and to each of the Marks and Domain Names, together with all trademark rights and rights of protection to the same and the goodwill of such Assignor's business symbolized by said Marks or Domain Names and the right to recover for past infringements thereof, vested in the Second-Lien Collateral Agent for the benefit of the Secured Creditors, in which event such rights, title and interest shall immediately vest, in the Second-Lien Collateral Agent for the benefit of the Secured Creditors, and the Second-Lien Collateral Agent shall be entitled to exercise the power of attorney referred to in Section 4.1 to execute, cause to be acknowledged and notarized and to record an absolute assignment with the applicable agency; (ii) take and use or sell the Marks or Domain Names and the goodwill of such Assignor's business symbolized by the Marks or Domain Names and the right to carry on the business and use the assets of such Assignor in connection with which the Marks or Domain Names have been used; and (iii) direct such Assignor to refrain, in which event such Assignor shall refrain, from using the Marks or Domain Names in any manner whatsoever, directly or indirectly, and, if requested by the Second-Lien Collateral Agent, change such Assignor's corporate name to eliminate therefrom any use of any Mark or Domain Name and execute such other and further documents that the Second-Lien Collateral Agent may request to further confirm this and to transfer ownership of the Marks or Domain Names and registrations and any pending trademark applications therefor in the United States Patent and Trademark Office or any equivalent government agency or office in any foreign jurisdiction to the Second-Lien Collateral Agent.

ARTICLE V

SPECIAL PROVISIONS CONCERNING PATENTS, COPYRIGHTS AND TRADE SECRETS

5.1. Additional Representations and Warranties. Each Assignor represents and warrants that it is the true and lawful exclusive owner of or otherwise has the right to use all (i)

Trade Secrets Rights and proprietary information necessary to operate the business of such Assignor, (ii) rights in the Patents of such Assignor listed in Annex J hereto and that said Patents constitute all the patents and applications for patents that such Assignor now owns or that are otherwise necessary in the conduct of the business of such Assignor, and (iii) rights in the Copyrights of such Assignor listed in Annex K hereto, and that such Copyrights constitute all registrations of copyrights and applications for copyright registrations that such Assignor now owns or that are otherwise necessary in the conduct of the business of such Assignor. Each Assignor further represents and warrants that it has the right to use and practice under all Patents and Copyrights that it owns, uses or under which it practices and has the right to exclude others from using or practicing under any Patents it owns. Each Assignor further warrants that it has no knowledge of any material third party claim that any aspect of such Assignor's present or contemplated business operations infringes or will infringe any rights in any Patent or Copyright or that such Assignor has misappropriated any Trade Secret, Trade Secret Rights or proprietary information. Each Assignor represents and warrants that upon the recordation of a Grant of Security Interest in United States Trademarks and Patents in the form of Annex L hereto in the United States Patent and Trademark Office and the recordation of a Grant of Security Interest in United States Copyrights in the form of Annex M hereto in the United States Copyright Office, together with filings on Form UCC-1 pursuant to this Agreement, all filings, registrations and recordings necessary or appropriate to perfect the security interest granted to the Second-Lien Collateral Agent in the United States Patents and United States Copyrights covered by this Agreement under federal law will have been accomplished. Upon obtaining any Patent, each Assignor agrees to execute a Grant of Security Interest in United States Trademarks and Patents covering all right, title and interest in each United States Patent of such Assignor and to record the same, and upon obtaining any Copyright, to execute such Grant of Security Interest in United States Copyrights covering all right, title and interest in each United States Copyright of such Assignor and to record the same. Each Assignor hereby grants to the Second-Lien Collateral Agent an absolute power of attorney to sign, upon the occurrence and during the continuance of any Event of Default, any document which may be required by the U.S. Patent and Trademark Office or equivalent governmental agency in any foreign jurisdiction or the U.S. Copyright Office or equivalent governmental agency in any foreign jurisdiction in order to effect an absolute assignment of all right, title and interest in each Patent and Copyright of such Assignor, as the case may be, and to record the same.

5.2. Licenses and Assignments. Each Assignor hereby agrees not to divest itself of any right under any Patent or Copyright absent prior written approval of the Second-Lien Collateral Agent (which approval shall not be unreasonably withheld), except as otherwise permitted by this Agreement or the Second-Lien Credit Agreement.

5.3. Infringements. Each Assignor agrees, promptly upon learning thereof, to furnish the Second-Lien Collateral Agent in writing with all pertinent information available to such Assignor with respect to any infringement, contributing infringement or active inducement to infringe any of such Assignor's rights in any Patent or Copyright of such Assignor or to any claim that the practice of any Patent or the use of any Copyright violates any property right of a third party, or with respect to any misappropriation of any Trade Secret Right of such Assignor or any claim that practice of any Trade Secret Right of such Assignor violates any property right of a third party. Each Assignor further agrees, absent direction of the Second-Lien Collateral Agent to the contrary, to prosecute, in accordance with reasonable business practices, any Person

---

infringing any Patent or Copyright of such Assignor or any Person misappropriating any Trade Secret Right of such Assignor.

5.4. Maintenance of Patents and Copyrights. At its own expense, each Assignor shall make timely payment of all post-issuance fees required pursuant to applicable law to maintain in force rights under each of its Patents, and to apply as permitted pursuant to applicable law for any renewal of each of its Copyrights, in any case absent prior written consent of the Second-Lien Collateral Agent; provided, that, no Assignor shall be obligated to pay any such fees or apply for any such renewal to the extent that such Assignor determines, in its reasonable business judgment, that the maintenance of such Patent or Copyright is no longer economically desirable in the conduct of its business.

5.5. Prosecution of Patent or Copyright Applications. At its own expense, each Assignor shall prosecute, in accordance with reasonable business practices, all of its applications for Patents listed in Annex J hereto and for Copyrights listed in Annex K hereto and shall not abandon any such application prior to exhaustion of all administrative and judicial remedies, absent written consent of the Second-Lien Collateral Agent.

5.6. Other Patents and Copyrights. Within 30 days of the acquisition or issuance of a United States Patent or of a Copyright registration, or of filing of an application for a United States Patent or Copyright registration, the relevant Assignor shall deliver to the Second-Lien Collateral Agent a copy of said Patent or Copyright registration or certificate or registration of, or application therefor, as the case may be, with a grant for security as to such Patent or Copyright, as the case may be, to the Second-Lien Collateral Agent and at the expense of such Assignor, confirming grant for security, the form of a grant for security to be substantially the same as the form hereof or in such other form as may be reasonably satisfactory to the Second-Lien Collateral Agent.

5.7. Remedies. Subject to the terms of the Intercreditor Agreement, if an Event of Default shall occur and be continuing, the Second-Lien Collateral Agent may by written notice to the relevant Assignor, take any or all of the following actions: (i) declare the entire right, title, and interest of such Assignor in each of the Patents and Copyrights vested in the Second-Lien Collateral Agent for the benefit of the Secured Creditors, in which event such right, title, and interest shall immediately vest in the Second-Lien Collateral Agent for the benefit of the Secured Creditors, and the Second-Lien Collateral Agent shall be entitled to exercise the power of attorney referred to in Section 5.1 to execute, cause to be acknowledged and notarized and to record an absolute assignment with the applicable agency; (ii) take and use, practice or sell the Patents, Copyrights and Trade Secret Rights; and (iii) direct such Assignor to refrain, in which event such Assignor shall refrain, from practicing the Patents and using the Copyrights and/or Trade Secret Rights directly or indirectly, and such Assignor shall execute such other and further documents as the Second-Lien Collateral Agent may request further to confirm this and to transfer ownership of the Patents, Copyrights and Trade Secret Rights to the Second-Lien Collateral Agent for the benefit of the Secured Creditors.

ARTICLE VI

PROVISIONS CONCERNING ALL COLLATERAL

6.1. Protection of Second-Lien Collateral Agent's Security. Subject to the terms of the Intercreditor Agreement, each Assignor will do nothing to impair the rights of the Second-Lien Collateral Agent in the Collateral. Each Assignor will at all times keep its Inventory and Equipment insured in favor of the Second-Lien Collateral Agent, at such Assignor's own expense to the extent and in the manner provided in the Second-Lien Credit Agreement and the other Credit Documents. All policies or certificates with respect to such material insurance (and any other material insurance maintained by such Assignor) shall (i) be endorsed to the Second-Lien Collateral Agent's satisfaction for the benefit of the Second-Lien Collateral Agent (including, without limitation, by naming the Second-Lien Collateral Agent as loss payee and naming each of the Lenders, the Administrative Agent and the Second-Lien Collateral Agent as additional insureds); (ii) state that such insurance policies shall not be canceled or materially revised without 30 days' prior written notice thereof by the insurer to the Second-Lien Collateral Agent; and (iii) be deposited (or certified copies of such policies or certificates shall be deposited) with the Second-Lien Collateral Agent to the extent, at the times and in the manner specified in the Second-Lien Credit Agreement. If any Assignor shall fail to insure its Inventory and Equipment in accordance with the preceding sentence, or if any Assignor shall fail to so endorse and deposit all policies or certificates with respect thereto, the Second-Lien Collateral Agent shall have the right (but shall be under no obligation) to procure such insurance and such Assignor agrees to promptly reimburse the Second-Lien Collateral Agent for all costs and expenses of procuring such insurance. Except as otherwise permitted to be retained or expended by the relevant Assignor pursuant to the Second-Lien Credit Agreement (and subject to the Intercreditor Agreement), the Second-Lien Collateral Agent shall, at the time such proceeds of such insurance are distributed to the Secured Creditors, apply such proceeds in accordance with the Second-Lien Credit Agreement, or after the Obligations have been accelerated or otherwise become due and payable, in accordance with Section 7.4. Each Assignor assumes all liability and responsibility in connection with the Collateral acquired by it and the liability of such Assignor to pay the Obligations shall in no way be affected or diminished by reason of the fact that such Collateral may be lost, destroyed, stolen, damaged or for any reason whatsoever unavailable to such Assignor.

6.2. Warehouse Receipts Non-Negotiable. Each Assignor agrees that if any warehouse receipt or receipt in the nature of a warehouse receipt is issued with respect to any of its Inventory, such warehouse receipt or receipt in the nature thereof shall not be "negotiable" (as such term is used in Section 7-104 of the Uniform Commercial Code as in effect in any relevant jurisdiction or under other relevant law).

6.3. Further Actions. Each Assignor will, to the extent not inconsistent with the terms of the Intercreditor Agreement, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the Second-Lien Collateral Agent from time to time such lists, descriptions and designations of its Collateral, warehouse receipts, receipts in the nature of warehouse receipts, bills of lading, documents of title, vouchers, invoices, schedules, confirmatory

assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports and other assurances or instruments and take such further steps relating to the

---

Collateral and other property or rights covered by the security interest hereby granted, which the Second-Lien Collateral Agent deems reasonably appropriate or advisable to perfect, preserve or protect its security interest in the Collateral.

6.4. Financing Statements. Each Assignor agrees to execute and deliver to the Second-Lien Collateral Agent such financing statements, in form acceptable to the Second-Lien Collateral Agent, as the Second-Lien Collateral Agent may from time to time reasonably request or as are reasonably necessary or desirable in the opinion of the Second-Lien Collateral Agent to establish and maintain a valid, enforceable, second priority perfected security interest in the Collateral (subject to the prior lien of the First-Lien Collateral Agent in accordance with the terms of the Intercreditor Agreement) as provided herein and the other rights and security contemplated hereby all in accordance with the Uniform Commercial Code as enacted in any and all relevant jurisdictions or any other relevant law. Each Assignor will pay any applicable filing fees, recordation taxes and related expenses relating to its Collateral. Each Assignor hereby authorizes the Second-Lien Collateral Agent to file any such financing statements without the signature of such Assignor where permitted by law (and such authorization includes describing the Collateral as "all assets" of such Assignor).

6.5. Additional Information. Each Assignor will, at its own expense, from time to time upon the reasonable request of the Second-Lien Collateral Agent, promptly (and in any event within 15 days after its receipt of the respective request) furnish to the Second-Lien Collateral Agent such information with respect to the Collateral (including the identity of the Collateral or such components thereof as may have been requested by the Agent, the value and location of such Collateral, etc.) as may be requested by the Second-Lien Collateral Agent. Without limiting the forgoing, each Assignor agrees that it shall promptly (and in any event within 10 days after its receipt of the respective request) furnish to the Second-Lien Collateral Agent such updated Annexes hereto as may from time to time be reasonably requested by the Second-Lien Collateral Agent.

ARTICLE VII

REMEDIES UPON OCCURRENCE OF EVENT OF DEFAULT

7.1. Remedies; Obtaining the Collateral Upon Default. Each Assignor agrees that, to the extent not inconsistent with the terms of the Intercreditor Agreement, if any Event of Default shall have occurred and be continuing, then and in every such case, the Second-Lien Collateral Agent, in addition to any rights now or hereafter existing under applicable law, shall have all rights as a secured creditor under the Uniform Commercial Code, and such additional rights and remedies to which a secured creditor is entitled under the laws in effect, in all relevant jurisdictions and may also:

(i) personally, or by agents or attorneys, immediately take possession of the Collateral or any part thereof, from such Assignor or any other Person who then has possession of any part thereof with or without notice or process of law, and for that purpose may enter upon such Assignor's premises where any of the Collateral is located

---

and remove the same and use in connection with such removal any and all services, supplies, aids and other facilities of such Assignor;

(ii) instruct the obligor or obligors on any agreement, instrument or other obligation (including, without limitation, the Receivables and the Contracts) constituting the Collateral to make any payment required by the terms of such agreement, instrument or other obligation directly to the Second-Lien Collateral Agent;

(iii) instruct all banks which have entered into a control agreement with the Second-Lien Collateral Agent to transfer all monies, securities and instruments held by such depositary bank to the Cash Collateral Account and withdraw all monies, securities and instruments in the Cash Collateral Account for application to the Obligations in accordance with Section 7.4;

(iv) sell, assign or otherwise liquidate, or direct such Assignor to sell, assign or otherwise liquidate, any or all of the Collateral or any part thereof in accordance with Section 7.2, or direct the relevant Assignor to sell, assign or otherwise liquidate any or all of the Collateral or any part thereof, and, in each case, take possession of the proceeds of any such sale or liquidation;

(v) take possession of the Collateral or any part thereof, by directing the relevant Assignor in writing to deliver the same to the Second-Lien Collateral Agent at any place or places designated by the Second-Lien Collateral Agent, in which event such Assignor shall at its own expense:

(x) forthwith cause the same to be moved to the place or places so designated by the Second-Lien Collateral Agent and there delivered to the Second-Lien Collateral Agent;

(y) store and keep any Collateral so delivered to the Second-Lien Collateral Agent at such place or places pending further action by the Second-Lien Collateral Agent as provided in Section 7.2; and

(z) while the Collateral shall be so stored and kept, provide such guards, other security and maintenance services as shall be necessary to protect the same and to preserve and maintain them in good condition; and

(vi) license or sublicense, whether on an exclusive or nonexclusive basis, any Marks, Domain Names, Patents or Copyrights included in the Collateral for such term and on such conditions and in such manner as the Second-Lien Collateral Agent shall in its sole judgment determine;

(vii) apply any monies constituting Collateral or proceeds thereof in accordance with the provisions of Section 7.4; and

(viii) take any other action as specified in clauses (1) through (5), inclusive, of Section 9-607 of the UCC;

---

it being understood that each Assignor's obligation so to deliver the Collateral is of the essence of this Agreement and that, accordingly, upon application to a court of equity having jurisdiction, the Second-Lien Collateral Agent shall be entitled to a decree requiring specific performance by such Assignor of said obligation. The Secured Creditors agree that this Agreement may, subject to the terms of the Intercreditor Agreement, be enforced only by the action of the Administrative Agent or the Second-Lien Collateral Agent, in each case acting upon the instructions of the Required Lenders and that no other Secured Creditor shall have any right individually to seek to enforce or to enforce this Agreement or to realize upon the security to be granted hereby, it being understood and agreed that such rights and remedies may, subject to the terms of the Intercreditor Agreement, be exercised by the Administrative Agent or the Second-Lien Collateral Agent for the benefit of the Secured Creditors upon the terms of this Agreement and the Second-Lien Credit Agreement.

7.2. Remedies; Disposition of the Collateral. Subject to the terms of the Intercreditor Agreement, any Collateral repossessed by the Second-Lien Collateral Agent under or pursuant to Section 7.1 and any other Collateral whether or not so repossessed by the Second-Lien Collateral Agent, may be sold, assigned, leased or otherwise disposed of under one or more contracts or as an entirety, and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner, at such time or times, at such place or places and on such terms as the Second-Lien Collateral Agent may, in compliance with any mandatory requirements of applicable law, determine to be commercially reasonable. Any of the Collateral may be sold, leased or otherwise disposed of, in the condition in which the same existed when taken by the Second-Lien Collateral Agent or after any overhaul or repair at the expense of the relevant Assignor which the Second-Lien Collateral Agent shall determine to be commercially reasonable. Any such disposition which shall be a private sale or other private proceedings permitted by such requirements shall be made upon not less than 10 days written notice to the relevant Assignor specifying the time at which such disposition is to be made and the intended sale price or other consideration therefor, and shall be subject, for the 10 days after the giving of such notice, to the right of the relevant Assignor or any nominee of such Assignor to acquire the Collateral involved at a price or for such other consideration at least equal to the intended sale price or other consideration so specified. Any such disposition which shall be a public sale permitted by such requirements shall be made upon not less than 10 days' written notice to the relevant Assignor specifying the time and place of such sale and, in the absence of applicable requirements of law, shall be by public auction (which may, at the Second-Lien Collateral Agent's option, be subject to reserve), after publication of notice of such auction not less than 10 days prior thereto in two newspapers in general circulation to be selected by the Second-Lien Collateral Agent. To the extent permitted by any such requirement of law, the Second-Lien Collateral Agent on behalf of the Secured Creditors (or certain of them) may bid for and become the purchaser of the Collateral or any item thereof, offered for sale in accordance with this Section without accountability to the relevant Assignor. If, under mandatory requirements of applicable law, the Second-Lien Collateral Agent shall be required to make a disposition of the Collateral within a period of time which does not permit the giving of notice to the relevant Assignor as hereinabove specified, the Second-Lien Collateral Agent need give such Assignor only such notice of disposition as shall be reasonably practicable in view of such mandatory requirements of applicable law. Each Assignor agrees to do or cause to be done all such other acts and things as may be reasonably necessary to make such sale or sales of all or any portion of the Collateral of such Assignor valid and binding and in compliance with any and all applicable

---

laws, regulations, orders, writs, injunctions, decrees or awards of any and all courts, arbitrations or governmental instrumentalities, domestic or foreign, having jurisdiction over any such sale or sales, all at such Assignor's expense.

7.3. Waiver of Claims. Except as otherwise provided in this Agreement, EACH ASSIGNOR HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, NOTICE AND JUDICIAL HEARING IN CONNECTION WITH THE COLLATERAL AGENT'S TAKING POSSESSION OR THE COLLATERAL AGENT'S DISPOSITION OF ANY OF THE COLLATERAL, INCLUDING, WITHOUT LIMITATION, ANY AND ALL PRIOR NOTICE AND HEARING FOR ANY PREJUDGMENT REMEDY OR REMEDIES AND ANY SUCH RIGHT WHICH SUCH ASSIGNOR WOULD OTHERWISE HAVE UNDER THE LAW OF THE UNITED STATES OR OF ANY STATE, and such Assignor hereby further waives, to the extent permitted by law:

(i) all damages occasioned by such taking of possession except any damages which are the direct result of the Second-Lien Collateral Agent's gross negligence or willful misconduct;

(ii) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of the Second-Lien Collateral Agent's rights hereunder; and

(iii) all rights of redemption, appraisement, valuation, stay, extension or moratorium now or hereafter in force under any applicable law in order to prevent or delay the enforcement of this Agreement or the absolute sale of the Collateral or any portion thereof, and each Assignor, for itself and all who may claim under it, insofar as it or they now or hereafter lawfully may, hereby waives the benefit of all such laws.

Any sale of, or the grant of options to purchase, or any other realization upon, any Collateral shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of the relevant Assignor therein and thereto, and shall be a perpetual bar both at law and in equity against such Assignor and against any and all Persons claiming or attempting to claim the Collateral so sold, optioned or realized upon, or any part thereof, from, through and under such Assignor.

7.4. Application of Proceeds. (a) Subject to the terms of (and to the extent not otherwise inconsistent with) the Intercreditor Agreement, all moneys collected by the Second-Lien Collateral Agent upon any sale or other disposition of the Collateral (or, to the extent the Pledge Agreement or any other Security Document requires proceeds of collateral thereunder to be applied in accordance with the provisions of this Agreement, the Pledgee under the Pledge Agreement or the collateral agent under such other Security Document), together with all other moneys received by the Second-Lien Collateral Agent hereunder, shall be applied as follows:

(i) first, to the payment of all Obligations owing to the Pledgee or the Second-Lien Collateral Agent of the type described in clauses (iii), (iv) and (v) of the definition of "Obligations";

(ii) second, to the extent proceeds remain after the application pursuant to the preceding clause (i), to the payment of all amounts owing to any Agent of the type described in clauses (v) and (vi) of the definition of "Obligations";

(iii) third, to the extent proceeds remain after the application pursuant to the preceding clauses (i) and (ii), an amount equal to the outstanding Primary Obligations shall be paid to the Secured Creditors as provided in Section 7.4(e), with each Secured Creditor receiving an amount equal to its outstanding Primary Obligations or, if the proceeds are insufficient to pay in full all such Primary Obligations, its Pro Rata Share of the amount remaining to be distributed;

(iv) fourth, to the extent proceeds remain after the application pursuant to the preceding clauses (i) and (ii) and (iii), an amount equal to the outstanding Secondary Obligations shall be paid to the Secured Creditors as provided in Section 7.4(e), with each Secured Creditor receiving an amount equal to its outstanding Secondary Obligations or, if the proceeds are insufficient to pay in full all such Secondary Obligations, its Pro Rata Share of the amount remaining to be distributed; and

(v) fifth, to the extent proceeds remain after the application pursuant to the preceding clauses (i) through (iv), inclusive, and following the termination of this Agreement pursuant to Section 10.8(a) hereof, to the relevant Assignor or to whoever may be lawfully entitled to receive such surplus.

(b) For purposes of this Agreement (x) "Pro Rata Share" shall mean, when calculating a Secured Creditor's portion of any distribution or amount, that amount (expressed as a percentage) equal to a fraction the numerator of which is the then unpaid amount of such Secured Creditor's Primary Obligations or Secondary Obligations, as the case may be, and the denominator of which is the then outstanding amount of all Primary Obligations or Secondary Obligations, as the case may be, (y) "Primary Obligations" shall mean, with respect to the Credit Document Obligations, all principal of, and interest on, all Second-Lien Loans under the Second-Lien Credit Agreement and all Fees and (z) "Secondary Obligations" shall mean all Obligations other than Primary Obligations.

(c) When payments to Secured Creditors are based upon their respective Pro Rata Shares, the amounts received by such Secured Creditors hereunder shall be applied (for purposes of making determinations under this Section 7.4 only) (i) first, to their Primary Obligations and (ii) second, to their Secondary Obligations. If any payment to any Secured Creditor of its Pro Rata Share of any distribution would result in overpayment to such Secured Creditor, such excess amount shall instead be distributed in respect of the unpaid Primary Obligations or Secondary Obligations, as the case may be, of the other Secured Creditors, with each Secured Creditor whose Primary Obligations or Secondary Obligations, as the case may be, have not been paid in full to receive an amount equal to such excess amount multiplied by a fraction the numerator of which is the unpaid Primary Obligations or Secondary Obligations, as the case may be, of such Secured Creditor and the denominator of which is the unpaid Primary Obligations or Secondary Obligations, as the case may be, of all Secured Creditors entitled to such distribution.

(d) Subject to the terms of the Intercreditor Agreement, all payments required to be made hereunder shall be made to the Administrative Agent under the Second-Lien Credit Agreement for the account of the Secured Creditors.

(e) For purposes of applying payments received in accordance with this Section 7.4, the Second-Lien Collateral Agent shall be entitled to rely upon the Administrative Agent under the Second-Lien Credit Agreement and for a determination (which the Administrative Agent and the Secured Creditors agree (or shall agree) to provide upon request of the Second-Lien Collateral Agent) of the outstanding Primary Obligations and Secondary Obligations owed to the Secured Creditors. Unless it has actual knowledge (including by way of written notice from a Secured Creditor) to the contrary, the Administrative Agent, in furnishing information pursuant to the preceding sentence, and the Second-Lien Collateral Agent, in acting hereunder, shall be entitled to assume that no Secondary Obligations are outstanding.

(f) It is understood and agreed that each of the Assignors shall remain liable to the extent of any deficiency between (x) the amount of the proceeds of the Collateral hereunder and (y) the aggregate amount of the sums referred to in clause (a) of this Section with respect to the relevant Assignor.

7.5. Remedies Cumulative. Subject to the terms of (and to the extent not inconsistent with) the Intercreditor Agreement, each and every right, power and remedy hereby specifically given to the Second-Lien Collateral Agent shall be in addition to every other right, power and remedy specifically given under this Agreement or the other Credit Documents or now or hereafter existing at law, in equity or by statute and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by the Second-Lien Collateral Agent. All such rights, powers and remedies shall be cumulative and the exercise or the beginning of the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Second-Lien Collateral Agent in the exercise of any such right, power or remedy and no renewal or extension of any of the Obligations shall impair any such right, power or remedy or shall be construed to be a waiver of any Default or Event of Default or an acquiescence therein. No notice to or demand on any Assignor in any case shall entitle it to any other or further notice or demand in similar or other circumstances or constitute a waiver of any of the rights of the Second-Lien Collateral Agent to any other or further action in any circumstances without notice or demand. In the event that the Second-Lien Collateral Agent shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Second-Lien Collateral Agent may recover expenses, including attorneys' fees, and the amounts thereof shall be included in such judgment.

7.6. Discontinuance of Proceedings. In case the Second-Lien Collateral Agent shall have instituted any proceeding to enforce any right, power or remedy under this Agreement by foreclosure, sale, entry or otherwise, and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Second-Lien Collateral Agent, then and in every such case the relevant Assignor, the Second-Lien Collateral Agent and each holder of any of the Obligations shall be restored to their former positions and rights hereunder with respect to the Collateral subject to the security interest created under this

---

Agreement, and all rights, remedies and powers of the Second-Lien Collateral Agent shall continue as if no such proceeding had been instituted.

ARTICLE VIII

INDEMNITY

8.1. Indemnity. (a) Each Assignor jointly and severally agrees to indemnify, reimburse and hold the Second-Lien Collateral Agent, each other Secured Creditor and their respective successors, permitted assigns, employees, agents and servants (hereinafter in this Section 8.1. referred to

individually as an "Indemnitee," and, collectively, as "Indemnitees") harmless from any and all liabilities, obligations, losses, damages, injuries, penalties, claims, demands, actions, suits, judgments and any and all costs, expenses or disbursements (including attorneys' fees and expenses) (for the purposes of this Section 8.1, the foregoing are collectively called "expenses") of whatsoever kind and nature imposed on, asserted against or incurred by any of the Indemnitees in any way relating to or arising out of this Agreement, any other Credit Document or any other document executed in connection herewith or therewith or in any other way connected with the administration of the transactions contemplated hereby or thereby or the enforcement of any of the terms of, or the preservation of any rights under any thereof, or in any way relating to or arising out of the manufacture, ownership, ordering, purchase, delivery, control, acceptance, lease, financing, possession, operation, condition, sale, return or other disposition, or use of the Collateral (including, without limitation, latent or other defects, whether or not discoverable), the violation of the laws of any country, state or other governmental body or unit, any tort (including, without limitation, claims arising or imposed under the doctrine of strict liability, or for or on account of injury to or the death of any Person (including any Indemnitee), or property damage), or contract claim; provided that no Indemnitee shall be indemnified pursuant to this Section 8.1(a) for losses, damages or liabilities to the extent caused by the gross negligence or willful misconduct of such Indemnitee. Each Assignor agrees that upon written notice by any Indemnitee of the assertion of such a liability, obligation, loss, damage, injury, penalty, claim, demand, action, suit or judgment, the relevant Assignor shall assume full responsibility for the defense thereof. Each Indemnitee agrees to use its best efforts to promptly notify the relevant Assignor of any such assertion of which such Indemnitee has knowledge.

(b) Without limiting the application of Section 8.1(a), each Assignor agrees, jointly and severally, to pay, or reimburse the Second-Lien Collateral Agent for any and all fees, costs and expenses of whatever kind or nature incurred in connection with the creation, preservation or protection of the Second-Lien Collateral Agent's Liens on, and security interest in, the Collateral, including, without limitation, all fees and taxes in connection with the recording or filing of instruments and documents in public offices, payment or discharge of any taxes or Liens upon or in respect of the Collateral, premiums for insurance with respect to the Collateral and all other fees, costs and expenses in connection with protecting, maintaining or preserving the Collateral and the Second-Lien Collateral Agent's interest therein, whether through judicial proceedings or otherwise, or in defending or prosecuting any actions, suits or proceedings arising out of or relating to the Collateral.

(c) Without limiting the application of Section 8.1(a) or (b), each Assignor agrees, jointly and severally, to pay, indemnify and hold each Indemnitee harmless from and against any loss, costs, damages and expenses which such Indemnitee may suffer, expend or incur in consequence of or growing out of any misrepresentation by any Assignor in this Agreement, any other Credit Document or in any writing contemplated by or made or delivered pursuant to or in connection with this Agreement or any other Credit Document.

(d) If and to the extent that the obligations of any Assignor under this Section 8.1 are unenforceable for any reason, such Assignor hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable law.

8.2. Indemnity Obligations Secured by Collateral; Survival. Any amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement shall constitute Obligations secured by the Collateral. The indemnity obligations of each Assignor contained in this Article VIII shall continue in full force and effect notwithstanding the full payment of all the Second-Lien Loan Notes issued under the Second-Lien Credit Agreement, and the payment of all other Obligations and notwithstanding the discharge thereof.

ARTICLE IX

DEFINITIONS

The following terms shall have the meanings herein specified. Such definitions shall be equally applicable to the singular and plural forms of the terms defined.

"Administrative Agent" shall have the meaning provided in the recitals to this Agreement.

"Agreement" shall have the meaning provided in the preamble to this Agreement.

"Alternate Perfected Deposit Account" shall have the meaning provided in Section 3.9(a) of this Agreement.

"As-Extracted Collateral" shall mean "as-extracted collateral" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Assignor" shall have the meaning provided in the preamble to this Agreement.

"Borrower" shall have the meaning provided in the recitals to this Agreement.

"Cash Collateral Account" shall mean a non-interest bearing cash collateral account maintained with, and in the sole dominion and control of, the Second-Lien Collateral Agent for the benefit of the Secured Creditors.

"Chattel Paper" shall have the meaning provided in the Uniform Commercial Code as in effect on the date hereof in the State of New York. Without limiting the foregoing, the term "Chattel Paper" shall in any event include all Tangible Chattel Paper and all Electronic Chattel Paper.

"Collateral" shall have the meaning provided in Section 1.1(a) of this Agreement.

"Commercial Tort Claims" shall mean "commercial tort claims" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Contract Rights" shall mean all rights of any Assignor under each Contract, including, without limitation, (i) any and all rights to receive and demand payments under any or all Contracts, (ii) any and all rights to receive and compel performance under any or all Contracts and (iii) any and all other rights, interests and claims now existing or in the future arising in connection with any or all Contracts.

"Contracts" shall mean all contracts between any Assignor and one or more additional parties (including, without limitation, licensing agreements and any partnership agreements, joint venture agreements and limited liability company agreements).

"Copyrights" shall mean any U.S. or foreign copyright owned by any Assignor, including any registrations of any Copyright, in the U.S. Copyright Office or the equivalent thereof in any foreign country, as well as any application for a U.S. or foreign copyright registration now or hereafter made with the U.S. Copyright Office or the equivalent thereof in any foreign jurisdiction by any Assignor.

"Credit Document Obligations" shall have the meaning provided in the definition of "Obligations" in this Article IX.

"Default" shall mean any event which, with notice or lapse of time, or both, would constitute an Event of Default.

"Deposit Accounts" shall mean all "deposit accounts" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Documents" shall have the meaning provided in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Domain Names" shall mean all Internet domain names and associated URL addresses in or to which any Assignor now or hereafter has any right, title or interest.

"Electronic Chattel Paper" shall mean "electronic chattel paper" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Equipment" shall mean any "equipment" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York, and in any event,

---

shall include, but shall not be limited to, all machinery, equipment, furnishings, fixtures and vehicles now or hereafter owned by any Assignor and any and all additions, substitutions and replacements of any of the foregoing and all accessions thereto, wherever located, together with all attachments, components, parts, equipment and accessories installed thereon or affixed thereto.

"Event of Default" shall mean any Event of Default under, and as defined in, the Second-Lien Credit Agreement and shall in any event, without limitation, include any payment default on any of the Obligations after the expiration of any applicable grace period.

"Excluded Local Deposit Account" shall mean (x) each Deposit Account listed on Annex F hereto and designated as an "Excluded Local Deposit Account" thereon and (y) certain other Deposit Accounts from time to time not listed on Annex F hereto (all of such Excluded Local Deposit Accounts described in preceding clauses (x) and (y) shall, in any such case, be local deposit accounts (and not top-tier concentration accounts or mid-tier concentration accounts (as jointly determined, in the case of accounts designated as "Excluded Local Deposit Accounts" after the date of this Agreement, by the Second-Lien Collateral Agent and the relevant Assignor))).

"Excluded Collateral" shall mean, on and after the Accounts Receivable Facility Transaction Date, any Accounts Receivable Facility Assets for so long as, and to the extent, same have been sold or transferred pursuant to the Accounts Receivable Facility Documents, provided that at such time as, and to the extent that, any such Excluded Collateral is repurchased by or reconveyed to, an Assignor, such Accounts Receivable Facility Assets shall cease to constitute Excluded Collateral.

"First-Lien Collateral Agent" shall have the meaning provided in the recitals to this Agreement.

"First-Lien Credit Agreement" shall have the meaning provided in the recitals.

"General Intangibles" shall mean "general intangibles" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Goods" shall mean "goods" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Health-Care-Insurance Receivable" shall mean any "health-care-insurance receivable" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Holdings" shall have the meaning provided in the recitals to this Agreement.

"Indemnitee" shall have the meaning provided in Section 8.1 of this Agreement.

"Instrument" shall mean "instruments" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Intercreditor Agreement" shall have the meaning provided in the recitals to this Agreement.

"Inventory" shall mean merchandise, inventory and goods, and all additions, substitutions and replacements thereof, wherever located, together with all goods, supplies, incidentals, packaging materials, labels, materials and any other items used or usable in manufacturing, processing, packaging or shipping same; in all stages of production — from raw materials through work-in-process to finished goods — and all products and proceeds of whatever sort and wherever located and any portion thereof which may be returned, rejected, reclaimed or repossessed by the Second-Lien Collateral Agent

from any Assignor's customers, and shall specifically include all "inventory" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York, now or hereafter owned by any Assignor.

"Investment Property" shall mean "investment property" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Lenders" shall have the meaning provided in the recitals to this Agreement.

"Letter-of-Credit Rights" shall mean "letter-of-credit rights" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Liens" shall mean any security interest, mortgage, pledge, lien, claim, charge, encumbrance, title retention agreement, lessor's interest in a financing lease or analogous instrument, in, of, or on any Assignor's property.

"Location" of any Assignor, shall mean such Assignor's "location" as determined pursuant to Section 9-307 of the UCC.

"Marks" shall mean all right, title and interest in and to any U.S. or foreign trademarks, service marks and trade names now held or hereafter acquired by any Assignor, including any registration or application for registration of any trademarks and service marks in the United States Patent and Trademark Office, or the equivalent thereof in any State of the United States or in any foreign country, and any trade dress including logos, designs, trade names, company names, business names, fictitious business names and other business identifiers in connection with which any of these registered or unregistered marks are used.

"Obligations" shall mean (i) the full and prompt payment when due (whether at the stated maturity, by acceleration or otherwise) of all obligations (including obligations which, but for the automatic stay under Section 362(a) of the Bankruptcy Code, would become due) and liabilities (including, without limitation, indemnities, fees and interest thereon and all interest that accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency, reorganization or similar proceeding of Holdings or any other Credit Party at the rate provided for in the respective documentation, whether or not a claim for post-petition interest is allowed in any such case, proceeding or other action) of each Assignor owing to the Secured Creditors, now existing or hereafter incurred under, arising out of or in connection with any Credit Document to which such Assignor is a party (including all such obligations and indebtedness under any Guaranty to which such Assignor is a party) and the due performance

---

and compliance by each Assignor with the terms, conditions and agreements of each such Credit Document (all such obligations and liabilities under this clause (i) being herein collectively called the "Credit Document Obligations"); (ii) any and all sums advanced by the Second-Lien Collateral Agent in order to preserve the Collateral or preserve its security interest in the Collateral; (iii) in the event of any proceeding for the collection or enforcement of any indebtedness, obligations, or liabilities of each Assignor referred to in clauses (i) and (ii) after an Event of Default shall have occurred and be continuing, the reasonable expenses of re-taking, holding, preparing for sale or lease, selling or otherwise disposing of or realizing on the Collateral, or of any exercise by the Second-Lien Collateral Agent of its rights hereunder, together with reasonable attorneys' fees and court costs; (iv) all amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement under Section 8.1 of this Agreement; and (v) all amounts owing to any Agent pursuant to any of the Credit Documents in its capacity as such. It is acknowledged and agreed that the "Obligations" shall include extensions of credit of the types described above, whether outstanding on the date of this Agreement or extended from time to time after the date of this Agreement.

"Patents" shall mean any patents in or to which any Assignor now or hereafter has any right, title or interest therein, and any divisions, continuations (including, but not limited to, continuations-in-parts) and improvements thereof, as well as any application for a patent now or hereafter made by any Assignor.

"Permits" shall mean, to the extent permitted to be assigned by the terms thereof or by applicable law, all licenses, permits, rights, orders, variances, franchises or authorizations (including certificates of need) of or from any governmental authority or agency.

"Primary Obligations" shall have the meaning provided in Section 7.4(b) of this Agreement.

"Pro Rata Share" shall have the meaning provided in Section 7.4(b) of this Agreement.

"Proceeds" shall have the meaning provided in the Uniform Commercial Code as in effect in the State of New York on the date hereof or under other relevant law and, in any event, shall include, but not be limited to, (i) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to the Second-Lien Collateral Agent or any Assignor from time to time with respect to any of the Collateral, (ii) any and all payments (in any form whatsoever) made or due and payable to any Assignor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental authority (or any person acting under color of governmental authority) and (iii) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Receivables" shall mean any "account" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York, and in any event shall include but shall not be limited to, all rights to payment of any monetary obligation, whether or not earned by performance, (i) for property that has been or is to be sold, leased, licensed, assigned or otherwise disposed of, (ii) for services rendered or to be rendered, (iii) for a policy of

---

insurance issued or to be issued, (iv) for a secondary obligation incurred or to be incurred, (v) for energy provided or to be provided, (vi) for the use or hire of a vessel under a charter or other contract, (vii) arising out of the use of a credit or charge card or information contained on or for use with the card, or (viii) as winnings in a lottery or other game of chance operated or sponsored by a State, governmental unit of a State, or person licensed or authorized to operate the game by a State or governmental unit of a State. Without limiting the foregoing, the term "account" shall include all Health-Care-Insurance Receivables.

"Registered Organization" shall have the meaning provided in the Uniform Commercial Code in effect in the State of New York.

"Second-Lien Collateral Agent" shall have the meaning provided in the preamble to this Agreement.

"Second-Lien Credit Agreement" shall have the meaning provided in the recitals to this Agreement.

"Secondary Obligations" shall have the meaning provided in Section 7.4(b) of this Agreement.

"Secured Creditors" shall have the meaning provided in the recitals to this Agreement.

"Software" shall mean "software" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Subject Deposit Account" shall mean each Deposit Account listed on Annex F hereto and designated as a "Subject Deposit Account" thereon.

"Supporting Obligations" shall mean any "supporting obligation" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York, now or hereafter owned by any Assignor, or in which any Assignor has any rights, and, in any event, shall include, but shall not be limited to all of such Assignor's rights in any Letter-of-Credit Right or secondary obligation that supports the payment or performance of, and all security for, any Receivables, Chattel Paper, Document, General Intangible, Instrument or Investment Property.

"Tangible Chattel Paper" shall mean "tangible chattel paper" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Termination Date" shall have the meaning provided in Section 10.8 of this Agreement.

"Timber-to-be-Cut" shall mean "timber-to-be-cut" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Trade Secret Rights" shall mean the rights of any Assignor in any Trade Secret it holds.

"Trade Secrets" means any secretly held existing engineering and other data, information, production procedures and other know-how relating to the design, manufacture, assembly, installation, use, operation, marketing, sale and servicing of any products or business of an Assignor in any location, whether written or not written.

"Transmitting Utility" shall have the meaning given such term in Section 9-102(a)(80) of the UCC.

"UCC" shall mean the Uniform Commercial Code as in effect from time to time in the relevant jurisdiction.

ARTICLE X

MISCELLANEOUS

10.1. Notices. Except as otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been duly given or made when delivered to the party to which such notice, request, demand or other communication is required or permitted to be given or made under this Agreement, addressed:

(a) if to any Assignor, at its address set forth opposite its signature below;

(b) if to the Second-Lien Collateral Agent:

Bank of America, N.A.,
Mailcode CA5-701-05-19
1455 Market Street, 5th Floor
San Francisco, CA 94103
Telephone: (415) 436-3495
Facsimile: (415) 503-5006
Attention: Charles Graber

with a copy to:

Bank of America, N.A., as Second-Lien Collateral Agent
Mailcode NC1-007-13-06
100 N. Tryon Street, 13th Floor
Charlotte, NC 28255
Telephone: (704) 388-6415
Facsimile: (704) 409-0564
Attention: Laura Clark

(c) if to any Lender Creditor (other than the Second-Lien Collateral Agent), at such address as such Lender Creditor shall have specified pursuant to the Credit Agreement;

or at such other address as shall have been furnished in writing by any Person described above to the party required to give notice hereunder.

10.2. Waiver; Amendment. Subject to the terms of the Intercreditor Agreement (including, without limitation, Section 5.3 thereof), none of the terms and conditions of this Agreement may be changed, waived, modified or varied in any manner whatsoever unless in writing duly signed by each Assignor directly and adversely affected thereby and the Second-Lien Collateral Agent (with the consent of the Required Lenders (or all the Lenders if required by Section 13.01 of the Second-Lien Credit Agreement).

10.3. Obligations Absolute. Subject to the terms of the Intercreditor Agreement, the obligations of each Assignor hereunder shall remain in full force and effect without regard to, and shall not be impaired by, (a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of such Assignor; (b) any exercise or non-exercise, or any waiver of, any right, remedy, power or privilege under or in respect of this Agreement or any other Credit Document; or (c) any renewal, extension, amendment or modification of or addition or supplement to or deletion from any Credit Document or any security for any of the Obligations; (d) any waiver, consent, extension, indulgence or other action or inaction under or in respect of any such agreement or instrument including, without limitation, this Agreement; (e) any furnishing of any additional security to the Second-Lien Collateral Agent or its assignee or any acceptance thereof or any release of any security by the Second-Lien Collateral Agent or its assignee; or (f) any limitation on any party's liability or obligations under any such instrument or agreement or any invalidity or unenforceability, in whole or in part, of any such instrument or agreement or any term thereof; whether or not any Assignor shall have notice or knowledge of any of the foregoing. The rights and remedies of the Second-Lien Collateral Agent herein provided are cumulative and not exclusive of any rights or remedies which the Second-Lien Collateral Agent would otherwise have.

10.4. Successors and Assigns. This Agreement shall be binding upon each Assignor and its successors and assigns and shall inure to the benefit of the Second-Lien Collateral Agent and its successors and assigns. All agreements, statements, representations and warranties made by each Assignor herein or in any certificate or other instrument delivered by such Assignor or on its behalf under this Agreement shall be considered to have been relied upon by the Secured Creditors and shall survive the execution and delivery of this Agreement and the other Credit Documents regardless of any investigation made by the Secured Creditors or on their behalf.

10.5. Headings Descriptive. The headings of the several sections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

10.6. Governing Law. (a) THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN

ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK, COUNTY OF NEW YORK, OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH ASSIGNOR HEREBY IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS. EACH ASSIGNOR HEREBY FURTHER IRREVOCABLY WAIVES ANY CLAIM THAT ANY SUCH COURTS LACK JURISDICTION OVER SUCH ASSIGNOR, AND AGREES NOT TO PLEAD OR CLAIM IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT BROUGHT IN ANY OF THE AFORESAID COURTS THAT ANY SUCH COURT LACKS JURISDICTION OVER SUCH ASSIGNOR. EACH ASSIGNOR FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO ANY SUCH ASSIGNOR AT ITS ADDRESS FOR NOTICES AS PROVIDED IN SECTION 10.1 ABOVE, SUCH SERVICE TO BECOME EFFECTIVE 30 DAYS AFTER SUCH MAILING. EACH ASSIGNOR HEREBY IRREVOCABLY WAIVES ANY OBJECTION TO SUCH SERVICE OF PROCESS AND FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY ACTION OR PROCEEDING COMMENCED HEREUNDER OR UNDER ANY OTHER CREDIT DOCUMENT THAT SUCH SERVICE OF PROCESS WAS IN ANY WAY INVALID OR INEFFECTIVE. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE COLLATERAL AGENT UNDER THIS AGREEMENT, OR ANY SECURED CREDITOR, TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANY ASSIGNOR IN ANY OTHER JURISDICTION.

(b) EACH ASSIGNOR HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID ACTIONS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT BROUGHT IN THE COURTS REFERRED TO IN CLAUSE (a) ABOVE AND HEREBY FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

10.7. Assignor's Duties. It is expressly agreed, anything herein contained to the contrary notwithstanding, that each Assignor shall remain liable to perform all of the obligations,

---

if any, assumed by it with respect to the Collateral and the Second-Lien Collateral Agent shall not have any obligations or liabilities with respect to any Collateral by reason of or arising out of this Agreement, nor shall the Second-Lien Collateral Agent be required or obligated in any manner to perform or fulfill any of the obligations of any Assignor under or with respect to any Collateral.

10.8. Termination; Release. (a) After the Termination Date (as defined below), this Agreement shall terminate (provided that all indemnities set forth herein including, without limitation, in Section 8.1 hereof shall survive such termination) and the Second-Lien Collateral Agent, at the request and expense of the respective Assignor, will promptly execute and deliver to such Assignor a proper instrument or instruments (including Uniform Commercial Code termination statements on form UCC-3) acknowledging the satisfaction and termination of this Agreement, and will duly assign, transfer

and deliver to such Assignor (without recourse and without any representation or warranty) such of the Collateral as may be in the possession of the Second-Lien Collateral Agent and as has not theretofore been sold or otherwise applied or released pursuant to this Agreement. As used in this Agreement, "Termination Date" shall mean the date upon which the Total Commitment has been terminated, no Second-Lien Loan Note is outstanding (and all Second-Lien Loans have been paid in full) and all other Obligations (other than those arising from indemnities for which no request has been made) then owing have been paid in full.

(b) In the event that any part of the Collateral is sold or otherwise disposed of (to a Person other than Holdings or a Subsidiary thereof) in connection with a sale or other disposition permitted by Section 9.02 of the Second-Lien Credit Agreement, is released by the Required Lenders (or all the Lenders if required by Section 13.01 of the Second-Lien Credit Agreement), or is otherwise required to be released pursuant to the terms of the Intercreditor Agreement and the proceeds of any such sale or disposition (or release) are applied in accordance with the terms of the Second-Lien Credit Agreement to the extent required to be so applied, the Second-Lien Collateral Agent, at the request and expense of such Assignor, will (i) duly assign, transfer and deliver to such Assignor (without recourse and without any representation or warranty) such of the Collateral as is then being (or has been) so sold, disposed of or released and as may be in the possession of the Second-Lien Collateral Agent and has not theretofore been released pursuant to this Agreement and/or (ii) execute such releases and discharges in respect of such Collateral as is then being (or has been) so sold, disposed of or released as such Assignor may reasonably request.

(c) In the event that any part of the Collateral is pledged (or is to be pledged concurrently with any release or subordination effected pursuant to this Section 10.8(c)) in support of permitted secured Indebtedness pursuant to the provisions of Section 9.03(xviii) and 9.04(xviii) of the Second-Lien Credit Agreement, the Second-Lien Collateral Agent, at the request and expense of the relevant Assignor, will (i) duly assign, transfer and deliver to such Assignor (without recourse and without any representation or warranty) such of the Collateral then being pledged in support of such other Indebtedness (to the extent such Collateral is of the type permitted to be pledged in support of such Indebtedness pursuant to the provisions of Section 9.03(xviii) of the Second-Lien Credit Agreement), as may be in the possession of the Second-Lien Collateral Agent and has not theretofore been released pursuant to this Agreement and/or (ii) execute such releases, discharges or lien subordination agreements in respect of such

---

Collateral as is then being pledged in support of such other Indebtedness as such Assignor may reasonably request.

(d) At any time that the respective Assignor desires that Collateral be released as provided in the foregoing Section 10.8(a), (b) or (c), it shall deliver to the Second-Lien Collateral Agent a certificate signed by an Authorized Officer stating that the release of the respective Collateral is permitted pursuant to Section 10.8(a), (b) or (c). If requested by the Second-Lien Collateral Agent (although the Second-Lien Collateral Agent shall have no obligation to make any such request), the relevant Assignor shall furnish appropriate legal opinions (from counsel, which may be in-house counsel, reasonably acceptable to the Second-Lien Collateral Agent) to the effect set forth in the immediately preceding sentence. The Second-Lien Collateral Agent shall have no liability whatsoever to any Secured Creditor as the result of any release of Collateral by it as permitted (or which the Second-Lien Collateral Agent in good faith believes to be permitted) by this Section 10.8.

(e) If at any time all of the equity interests of any Assignor owned by the Borrower or any of its Subsidiaries are sold (to a Person other than a Credit Party) in a transaction permitted pursuant to the Second-Lien Credit Agreement or the security interests in such equity interests are required to be released in accordance with the Intercreditor Agreement, then, such Assignor shall be released as an Assignor pursuant to this Agreement without any further action hereunder (it being understood that the sale of all of the equity interests in any Person that owns, directly or indirectly, all of the equity interests in any Assignor shall be deemed to be a sale of all of the equity interests in such Assignor for purposes of this Section), and the Second-Lien Collateral Agent is authorized and directed to execute and deliver such instruments of release as are reasonably satisfactory to it. At any time that the Borrower desires that an Assignor be released from this Agreement as provided in this Section 10.8(e), the Borrower shall deliver to the Second-Lien Collateral Agent a certificate signed by a principal executive officer of the Borrower stating that the release of such Assignor is permitted pursuant to this Section 10.8(e). If requested by Second-Lien Collateral Agent (although the Second-Lien Collateral Agent shall have no obligation to make any such request), the Borrower shall furnish legal opinions (from counsel acceptable to the Second-Lien Collateral Agent) to the effect set forth in the immediately preceding sentence. The Second-Lien Collateral Agent shall have no liability whatsoever to any other Secured Creditor as a result of the release of any Assignor by it in accordance with, or which it believes to be in accordance with, this Section 10.8(e).

10.9. Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with the Borrower and the Second-Lien Collateral Agent.

10.10. The Second-Lien Collateral Agent. Subject to the terms of the Intercreditor Agreement (including, without limitation, Section 5.5 of the Intercreditor Agreement), the Second-Lien Collateral Agent will hold in accordance with this Agreement all items of the Collateral at any time received under this Agreement. It is expressly understood and agreed that the obligations of the Second-Lien Collateral Agent as holder of the Collateral and interests therein and with respect to the disposition thereof, and otherwise under this Agreement,

---

to the extent not inconsistent with the terms of the Intercreditor Agreement, are only those expressly set forth in this Agreement and this Intercreditor Agreement, if applicable. The Second-Lien Collateral Agent shall act hereunder on the terms and conditions set forth in Section 12 of the Second-Lien Credit Agreement.

10.11. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.12. Fraudulent Conveyance; Etc. It is the desire and intent of each Assignor and the Secured Creditors that this Agreement shall be enforced against each Assignor to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Notwithstanding anything to the contrary contained herein, in furtherance of the foregoing, it is noted that the obligations of each Subsidiary Guarantor constituting an Assignor are limited as, and to the extent, provided in Section 24 of the Subsidiaries Guaranty.

10.13. Additional Assignors. It is understood and agreed that any Subsidiary of the Borrower that is required to become a party to this Agreement after the date hereof pursuant to the requirements of the Second-Lien Credit Agreement shall become an Assignor hereunder by (x) executing a counterpart hereof and delivering same to the Second-Lien Collateral Agent, or by executing and delivering to the Second-Lien Collateral Agent an assumption agreement in form and substance satisfactory to the Second-Lien Collateral Agent, (y) delivering supplements to Annexes A through M hereto as are necessary to cause such annexes to be complete and accurate with respect to such additional Assignor on such date and (z) taking all actions as specified in this Agreement as would have been taken by such Assignor had it been an original party to this Agreement, in each case with all documents required above to be delivered to the Second-Lien Collateral Agent and with all documents and actions required above to be taken to the reasonable satisfaction of the Second-Lien Collateral Agent.

* * *

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

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

ENERSYS,
as an Assignor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

ENERSYS CAPITAL INC.,
as an Assignor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

ENERSYS DELAWARE INC.,
as an Assignor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

ESFINCO, INC.,
as an Assignor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

ESRMCO, INC.,
as an Assignor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

HAWKER ENERGY PRODUCTS INC.,
as an Assignor

By: _____
Name:
Title:

2366 Bernville Road

HAWKER POWER SYSTEMS, INC.,

Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

as an Assignor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

POWERSAFE STANDBY BATTERIES INC.,
as an Assignor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

HAWKER POWERSOURCE, INC.,
as an Assignor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

NEW PACIFICO REALTY, INC.,
as an Assignor

By: _____
Name:
Title:

Accepted and Agreed to

BANK OF AMERICA, N.A.,
as Second Lien Collateral Agent, as Assignee

By _____
Title:

ANNEX A
TO
SECURITY AGREEMENT

SCHEDULE OF CHIEF EXECUTIVE OFFICES/RECORD LOCATIONS

ANNEX B
TO
SECURITY AGREEMENT

SCHEDULE OF INVENTORY AND EQUIPMENT LOCATIONS

ANNEX C
TO
SECURITY AGREEMENT

SCHEDULE OF LEGAL NAMES, TYPE OF ORGANIZATION
(AND WHETHER A REGISTERED ORGANIZATION AND/OR
A TRANSMITTING UTILITY), JURISDICTION OF ORGANIZATION,
LOCATION AND ORGANIZATIONAL IDENTIFICATION NUMBERS

Exact Legal Name of Each Assignor	Type of Organization (or, if the Assignor is an Individual, so indicate)	Registered Organization? (Yes/No)	Jurisdiction of Organization	Assignor's Location (for purposes of NY UCC § 9-307)	Assignor's Organization Identification Number (or, if it has none, so indicate)	Transmitting Utility? (Yes/No)

ANNEX D
TO
SECURITY AGREEMENT

SCHEDULE OF TRADE AND FICTITIOUS NAMES

ANNEX E
TO
SECURITY AGREEMENT

DESCRIPTION OF CERTAIN SIGNIFICANT
TRANSACTIONS OCCURRING WITHIN ONE YEAR
PRIOR TO THE DATE OF THE SECURITY AGREEMENT

Name of Assignor	Description of any Transactions as required by Section 2.8 of the Security Agreement

ANNEX F
TO
SECURITY AGREEMENT

SCHEDULE OF DEPOSIT ACCOUNTS

Name of Assignor	Description of Deposit Account	Account Number	Name of Bank, Address and Contact Information	Jurisdiction of Bank (determined in accordance with UCC § 9-304)

ANNEX G
TO
SECURITY AGREEMENT

Form of Control Agreement Regarding Deposit Accounts

AGREEMENT (as amended, modified, restated and/or supplemented from time to time, this "Agreement"), dated as of [,], among the undersigned assignor (the "Assignor"), Bank of America, N.A., not in its individual capacity but solely as Collateral Agent under the First-Lien Security Agreement referred to below (in such capacity, the "First-Lien Collateral Agent"), Bank of America, N.A., not in its individual capacity but solely as Collateral Agent under the Second-Lien Security Agreement referred to below (in such capacity, the "Second-Lien Collateral Agent"), and [ ] (the "Deposit Account Bank"), as the bank (as defined in Section 9-102 of the UCC as in effect on the date hereof in the State of [ ] (the "UCC")) with which one or more deposit accounts (as defined in Section 9-102 of the UCC) are maintained by the Assignor (with all such deposit accounts now or at any time in the future maintained by the Assignor with the Deposit Account Bank being herein called the "Deposit Accounts").

W I T N E S S E T H :

WHEREAS, the Assignor, various other Assignors and the First-Lien Collateral Agent have entered into a First-Lien Security Agreement, dated as of March 17, 2004 (as amended, restated, modified and/or supplemented from time to time, the "First-Lien Security Agreement"), under which, among other things, in order to secure the payment of the Obligations (as defined in the First-Lien Security Agreement), the Assignor has granted a security interest to the First-Lien Collateral Agent for the benefit of the Secured Creditors (as defined in the First-Lien Security Agreement) in all of the right, title and interest of the Assignor in and into any and all deposit accounts (as defined in Section 9-102 of the UCC) and in all monies, securities, instruments and other investments deposited therein from time to time (collectively, herein called the "First-Lien Collateral");

WHEREAS, the Assignor, various other Assignors and the Second-Lien Collateral Agent have entered into a Second-Lien Security Agreement, dated as of March 17, 2004 (as amended, restated, modified and/or supplemented from time to time, the "Second-Lien Security Agreement" and, together with the First-Lien Security Agreement, the "Security Agreements"), under which, among other things, in order to secure the payment of the Obligations (as defined in the Second-Lien Security Agreement), the Assignor has granted a security interest to the Second-Lien Collateral Agent for the benefit of the Secured Creditors (as defined in the Second-Lien Security Agreement) in all of the right, title and interest of the Assignor in and into any and all deposit accounts (as defined in Section 9-102 of the UCC) and in all monies, securities, instruments and other investments deposited therein from time to time (collectively, herein called the "Second-Lien Collateral", and together with the First-Lien Collateral, the "Collateral");

WHEREAS, EnerSys, [the Assignor] [EnerSys Capital Inc.], the First-Lien Collateral Agent and the Second-Lien Collateral Agent have entered into an Intercreditor Agreement, dated as of March 17, 2004 (as amended, restated, modified and/or supplemented from time to time, the "Intercreditor Agreement"), governing the relative rights and priorities of the Secured Creditors (as defined in each Security Agreement) in respect of the Collateral; and

WHEREAS, the Assignor desires that the Deposit Account Bank enter into this Agreement in order to establish "control" (as defined in Section 9-104 of the UCC) in each Deposit Account at any time or from time to time maintained with the Deposit Account Bank, and to provide for the rights of the parties under this Agreement with respect to such Deposit Accounts;

NOW THEREFORE, in consideration of the premises and the mutual promises and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Assignor's Dealings with Deposit Accounts; Notice of Exclusive Control. Until the Deposit Account Bank shall have received from the First-Lien Collateral Agent and/or the Second-Lien Collateral Agent a Notice of Exclusive Control (as defined below), the Assignor shall be entitled to present items drawn on and otherwise to withdraw or direct the disposition of funds from the Deposit Accounts and give instructions in respect of the Deposit Accounts; provided, however, that the Assignor may not, and the Deposit Account Bank agrees that it shall not permit the Assignor to, close any Deposit Account, in any case without the prior written consent of each of the First-Lien Collateral Agent and the Second-Lien Collateral Agent. If the First-Lien Collateral Agent or the Second-Lien Collateral Agent shall give to the Deposit Account Bank a notice of the First-Lien Collateral Agent's or the Second-Lien Collateral Agent's exclusive control of the Deposit Accounts, which notice states that it is a "Notice of Exclusive Control" (a "Notice of Exclusive Control"), only the First-Lien Collateral Agent or the Second-Lien Collateral Agent, as the case may be, shall be entitled to withdraw funds from the Deposit Accounts, to give any instructions in respect of the Deposit Accounts and any funds held therein or credited thereto or otherwise to deal with the Deposit Accounts.

2. First-Lien Collateral Agent's and Second-Lien Collateral Agent's Rights to Give Instructions as to Deposit Accounts.
(a) Notwithstanding the foregoing or any separate agreement that the Assignor may have with the Deposit Account Bank, each of the First-Lien Collateral Agent and the Second-Lien Collateral Agent shall be entitled, for purposes of this Agreement, at any time to give the Deposit Account Bank instructions as to the withdrawal or disposition of any funds from time to time credited to any Deposit Account, or as to any other matters relating to any Deposit Account or any other Collateral, without further consent from the Assignor. The Assignor hereby irrevocably authorizes and instructs the Deposit Account Bank, and the Deposit Account Bank hereby agrees, to comply with any such instructions from the First-Lien Collateral Agent and/or the Second-Lien Collateral Agent without any further consent from the Assignor. Such instructions may include the giving of stop payment orders for any items being presented to any Deposit Account for payment. The Deposit Account Bank shall be fully entitled to rely on, and shall comply with, such instructions from the First-Lien Collateral Agent or the Second-Lien Collateral Agent even if such instructions are contrary to any

instructions or demands that the Assignor may give to the Deposit Account Bank. In case of any conflict between instructions received by the Deposit Account Bank from the First-Lien Collateral Agent or the Second-Lien Collateral Agent, on the one hand, and the Assignor, on the other hand, the instructions from the First-Lien Collateral Agent or the Second-lien Collateral Agent, as the case may be, shall prevail. In case of any conflict between instructions received by the Deposit Account Bank from the First-Lien Collateral Agent and the Second-Lien Collateral Agent, the instructions from the First-Lien Collateral Agent shall prevail.

(b) It is understood and agreed that the Deposit Account Bank's duty to comply with instructions from the First-Lien Collateral Agent and the Second-Lien Collateral Agent regarding the Deposit Accounts is absolute, and the Deposit Account Bank shall be under no duty or obligation, nor shall it have the authority, to inquire or determine whether or not such instructions are in accordance with the Security Agreements, the Intercreditor Agreement or any other Credit Document (as defined in each of the Security Agreements), nor seek confirmation thereof from the Assignor or any other Person.

3. Assignor's Exculpation and Indemnification of Depository Bank. The Assignor hereby irrevocably authorizes and instructs the Deposit Account Bank to follow instructions from each of the First-Lien Collateral Agent and the Second-Lien Collateral Agent regarding the Deposit Accounts even if the result of following such instructions from the First-Lien Collateral Agent or the Second-lien collateral Agent is that the Deposit Account Bank dishonors items presented for payment from any Deposit Account. The Assignor further confirms that the Deposit Account Bank shall have no liability to the Assignor for wrongful dishonor of such items in following such instructions from the First-Lien Collateral Agent or the Second-Lien Collateral Agent. The Deposit Account Bank shall have no duty to inquire or determine whether the Assignor's obligations to the First-Lien Collateral Agent or the Second-Lien Collateral Agent are in default or whether the First-Lien Collateral Agent or the Second-Lien Collateral Agent is entitled, under any separate agreement between the Assignor and the First-Lien Collateral Agent or the Second-Lien Collateral Agent, to give any such instructions. The Assignor further agrees to be responsible for the Deposit Account Bank's customary charges and to indemnify the Deposit Account Bank from and to hold the Deposit Account Bank harmless against any loss, cost or expense that the Deposit Account Bank may sustain or incur in acting upon instructions which the Deposit Account Bank believes in good faith to be instructions from the First-Lien Collateral Agent or the Second-Lien Collateral Agent.

4. Subordination of Security Interests; Deposit Account Bank's Recourse to Deposit Accounts. The Deposit Account Bank hereby subordinates any claims and security interests it may have against, or with respect to, any Deposit Account at any time established or maintained with it by the Assignor (including any amounts, investments, instruments or other Collateral from time to time on deposit therein) to the security interests of the First-Lien Collateral Agent (for the benefit of the Secured Creditors under, and as defined in, the First-Lien Security Agreement) and the Second-Lien Collateral Agent (for the benefit of the Secured Creditors under, and as defined in, the Second-Lien Security Agreement), and agrees that no amounts shall be charged by it to, or withheld or set-off or otherwise recouped by it from, any Deposit Account of the Assignor or any amounts, investments, instruments or other Collateral from time to time on deposit therein; provided that the Deposit Account Bank may, however,

from time to time debit the Deposit Accounts for any of its customary charges in maintaining the Deposit Accounts or for reimbursement for the reversal of any provisional credits granted by the Deposit Account Bank to any Deposit Account, to the extent, in each case, that the Assignor has not separately paid or reimbursed the Deposit Account Bank therefor.

5. Representations, Warranties and Covenants of Deposit Account Bank. The Deposit Account Bank represents and warrants to the First-Lien Collateral Agent and the Second-Lien Collateral Agent and hereby agrees that:

(a) The Deposit Account Bank constitutes a "bank" (as defined in Section 9-102 of the UCC), that the jurisdiction (determined in accordance with Section 9-304 of the UCC) of the Deposit Account Bank for purposes of each Deposit Account maintained by the Assignor with the Deposit Account Bank is .

(b) The Deposit Account Bank shall not permit any Assignor to establish any demand, time, savings, passbook or other account with it which does not constitute a "deposit account" (as defined in Section 9-102 of the UCC).

(c) The Deposit Account Bank will not, without the prior written consent of each of the First-Lien Collateral Agent and the Second-Lien Collateral Agent, amend any account agreement between it and the Assignor governing any Deposit Account so that the Deposit Account Bank's jurisdiction for purposes of Section 9-304 of the UCC is other than the jurisdiction specified in the preceding clause (a). All account agreements in respect of each Deposit Account in existence on the date hereof are listed on Annex F hereto and copies of all such account agreements have been furnished to the First-Lien Collateral Agent and the Second-Lien Collateral Agent. The Deposit Account Bank will promptly furnish to the First-Lien Collateral Agent and the Second-Lien Collateral Agent a copy of the account agreement for each Deposit Account hereafter established by the Deposit Account Bank for the Assignor.

(d) The Deposit Account Bank has not entered and will not enter, into any agreement with any other Person by which the Deposit Account Bank is obligated to comply with instructions from such other Person as to the disposition of funds from any Deposit Account or other dealings with any Deposit Account or other of the Collateral.

(e) On the date hereof, the Deposit Account Bank maintains no Deposit Accounts for the Assignor other than the Deposit Accounts specifically identified in Annex F hereto.

(f) Any items or funds received by the Deposit Account Bank for the Assignor's account will be credited to said Deposit Accounts specified in paragraph (e) above or to any other Deposit Accounts hereafter established by the Deposit Account Bank for the Assignor in accordance with this Agreement.

(g) The Deposit Account Bank will promptly notify the First-Lien Collateral Agent and the Second-Lien Collateral Agent of each Deposit Account hereafter established by the Deposit Account Bank for the Assignor (which notice shall specify the account number of

such Deposit Account and the location at which the Deposit Account is maintained), and each such new Deposit Account shall be subject to the terms of this Agreement in all respects.

6. Deposit Account Statements and Information. The Deposit Account Bank agrees, and is hereby authorized and instructed by the Assignor, to furnish to each of the First-Lien Collateral Agent and the Second-Lien Collateral Agent, at its address indicated below, copies of all account statements and other information relating to each Deposit Account that the Deposit Account Bank sends to the Assignor and to disclose to the First-Lien Collateral Agent and the Second-Lien Collateral Agent all information requested by the First-Lien Collateral Agent or the Second-Lien Collateral Agent, as the case may be, regarding any Deposit Account.

7. Conflicting Agreements. This Agreement shall have control over any conflicting agreement between the Deposit Account Bank and the Assignor.

8. Merger or Consolidation of Deposit Account Bank. Without the execution or filing of any paper or any further act on the part of any of the parties hereto, any bank into which the Deposit Account Bank may be merged or with which it may be consolidated, or any bank resulting from any merger to which the Deposit Account Bank shall be a party, shall be the successor of the Deposit Account Bank hereunder and shall be bound by all provisions hereof which are binding upon the Deposit Account Bank and shall be deemed to affirm as to itself all representations and warranties of the Deposit Account Bank contained herein.

9. Notices. (a) All notices and other communications provided for in this Agreement shall be in writing (including facsimile) and sent to the intended recipient at its address or telex or facsimile number set forth below:

If to the First-Lien Collateral Agent or the Second-Lien Collateral Agent, at:

Bank of America, N.A.,
Mailcode CA5-701-05-19
1455 Market Street, 5th Floor
San Francisco, CA 94103
Telephone: (415) 436-3495
Facsimile: (415) 503-5006
Attention: Charles Graber

with a copy to:

Bank of America, N.A.,
Mailcode NC1-007-13-06
100 N. Tryon Street, 13th Floor
Charlotte, NC 28255
Telephone: (704) 388-6415
Facsimile: (704) 409-0564
Attention: Laura Clark

If to the Assignor, at:

If to the Deposit Account Bank, at:

or, as to any party, to such other address or telex or facsimile number as such party may designate from time to time by notice to the other parties.

(b) Except as otherwise provided herein, all notices and other communications hereunder shall be delivered by hand or by commercial overnight courier (delivery charges prepaid), or mailed, postage prepaid, or telexed or faxed, addressed as aforesaid, and shall be effective (i) three business days after being deposited in the mail (if mailed), (ii) when delivered (if delivered by hand or courier) and (iii) or when transmitted with receipt confirmed (if telexed or faxed); provided that notices to the First-Lien Collateral Agent or the Second-Lien Collateral Agent shall not be effective until actually received by it.

10.. Amendment. This Agreement may not be amended, modified or supplemented except in writing executed and delivered by all the parties hereto.

11. Binding Agreement. This Agreement shall bind the parties hereto and their successors and assign and shall inure to the benefit of the parties hereto and their successors and assigns. Without limiting the provisions of the immediately preceding sentence, the First-Lien Collateral Agent or the Second-Lien Collateral Agent may at any time or from time to time designate in writing to the Deposit Account Bank a successor First-Lien Collateral Agent or Second-Lien Collateral Agent, as the case may be (at such time, if any, as such entity becomes the "First-Lien Collateral Agent" under the First-Lien Security Agreement or the "Second-Lien Collateral Agent" under the Second-Lien Security Agreement, or at any time thereafter), and such successor shall thereafter succeed to the rights of the existing First-Lien Collateral Agent or Second-Lien Collateral Agent, as the case may be, hereunder and shall be entitled to all of the rights and benefits provided hereunder.

12. Continuing Obligations. The rights and powers granted herein to each of the First-Lien Collateral Agent and the Second-Lien Collateral Agent have been granted in order to protect and further perfect its security interests in the Deposit Accounts and other relevant Collateral and are

powers coupled with an interest and will be affected neither by any purported revocation by the Assignor of this Agreement or the rights granted to the First-Lien Collateral Agent or the Second-Lien Collateral Agent hereunder or by the bankruptcy, insolvency, conservatorship or receivership of the Assignor, the Deposit Account Bank, the First-Lien Collateral Agent or the Second-Lien Collateral Agent or by the lapse of time. The rights of the

First-Lien Collateral Agent hereunder and in respect of the Deposit Accounts and the other First-Lien Collateral, and the obligations of the Assignor and Deposit Account Bank hereunder, shall continue in effect until the security interests of the First-Lien Collateral Agent in the Deposit Accounts and such other First-Lien Collateral have been terminated and the First-Lien Collateral Agent has notified the Deposit Account Bank of such termination in writing. The rights of the Second-Lien Collateral Agent hereunder and in respect of the Deposit Accounts and the other Second-Lien Collateral, and the obligations of the Assignor and Deposit Account Bank hereunder, shall continue in effect until the security interests of the Second-Lien Collateral Agent in the Deposit Accounts and such other Second-Lien Collateral have been terminated and the Second-Lien Collateral Agent has notified the Deposit Account Bank of such termination in writing.

13. Compliance with Intercreditor Agreement. The First-Lien Collateral Agent and the Second-Lien Collateral Agent hereby acknowledge and agree as between themselves that, notwithstanding anything herein to the contrary, the exercise of any right or remedy by the Second-Lien Collateral Agent hereunder (including, without limitation, its right to deliver a Notice of Exclusive Control or any other instruction to the Deposit Account Bank and to withdraw funds from a Deposit Account) is subject to the provisions of the Intercreditor Agreement.

14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

15. Counterparts. This Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing and delivering one or more counterparts.

[Remainder of this page intentionally left blank; signature page follows]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the date first written above.

Assignor:

[NAME OF ASSIGNOR]

By: _____
Name:
Title:

First-Lien Collateral Agent:

BANK OF AMERICA, N.A.

By: _____
Name:
Title:

Second-Lien Collateral Agent:

BANK OF AMERICA, N.A.

By: _____
Name:
Title:

Deposit Account Bank:

[NAME OF DEPOSIT ACCOUNT BANK]

By: _____
Name:
Title:

ANNEX H
TO
SECURITY AGREEMENT

DESCRIPTION OF COMMERCIAL TORT CLAIMS

Name of Assignor	Description of Commercial Tort Claims

ANNEX I
TO
SECURITY AGREEMENT

SCHEDULE OF MARKS AND APPLICATIONS;
INTERNET DOMAIN NAME REGISTRATIONS

[Company to Provide Schedule Updated from Existing Deal]

1. Marks and Applications:

Marks	Country	Registration No.

2. Internet Domain Name Registrations:

Marks	Country	Registration No. (or other applicable identifier)

ANNEX J
TO
SECURITY AGREEMENT

SCHEDULE OF PATENTS AND APPLICATIONS

ANNEX K
TO
SECURITY AGREEMENT

SCHEDULE OF COPYRIGHTS AND APPLICATIONS

ANNEX L
TO
SECURITY AGREEMENT

FORM OF GRANT OF SECURITY
INTEREST IN U.S. PATENTS AND TRADEMARKS

FOR GOOD AND VALUABLE CONSIDERATION, receipt and sufficiency of which are hereby acknowledged, , a corporation ("the Grantor") with principal offices at , hereby grants to Bank of America, N.A., as Second-Lien Collateral Agent (the "Grantee") with principal offices at Mailcode NC1-001-15-04, 101 North Tryon Street, Charlotte, NC 28255, a security interest in (i) all of the Grantor's right, title and interest in and to the trademarks, trademark registrations and trademark applications (the "Marks") set forth on Schedule A attached hereto; (ii) all of the Grantor's right, title and interest in and to the patents and patent applications (the "Patents") set forth on Schedule B attached, in each case together with (iii) all Proceeds (as such term is defined in the Security Agreement referred to below) of the Marks and Patents, (iv) the goodwill of the businesses with which the Marks are associated and, (v) all causes of action arising prior to or after the date hereof for infringement of any of the Marks and Patents or unfair competition regarding the same.

THIS ASSIGNMENT OF SECURITY INTEREST (this "Grant"), effective as of , is made to secure the satisfactory performance and payment of all the Obligations of the Grantor, as such term is defined in the Security Agreement, among Grantor, the other assignors from time to time party thereto and the Grantee, dated as of March 17, 2004 (as amended, restated, modified and/or supplemented from time to time, the "Security Agreement").

This Assignment has been granted in conjunction with the security interest granted to the Grantee under the Security Agreement. The rights and remedies of the Grantee with respect to the security interest granted herein are without prejudice to, and are in addition to those set forth in the Security Agreement, all terms and provisions of which are incorporated herein by reference. In the event that any provisions of this Grant are deemed to conflict with the Security Agreement, the provisions of the Security Agreement shall govern.

IN WITNESS WHEREOF, the undersigned have executed this Grant as of the day of , .

_____,
Grantor,

By: _____
Name:
Title:

BANK OF AMERICA, N.A.,
as Second-Lien Collateral Agent, as
Grantee

By: _____
Name:
Title:

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this day of , , before me personally came , who, being by me duly sworn, did state as follows: that [s]he is of [Name of Grantor], that [s]he is authorized to execute the foregoing Grant on behalf of said corporation and that [s]he did so by authority of the Board of Directors of said corporation.

_____
Notary Public

STATE OF NEW YORK)
) ss.:

COUNTY OF NEW YORK)

On this day of , , before me personally came , who, being by me duly sworn, did state as follows: that [s]he is of BANK OF AMERICA, N.A., that [s]he is authorized to execute the foregoing Grant on behalf of said company and that [s]he did so by authority of said company.

Notary Public

SCHEDULE A
to Annex L

U.S. TRADEMARKS OWNED BY [NAME OF GRANTOR]

Mark	Reg. No.	Reg. Date

[Each Grantor to provide]

SCHEDULE B
to Annex L

U.S. PATENTS AND PATENT
APPLICATIONS OWNED BY [NAME OF GRANTOR]

Patent	Patent No.	Issue Date

[Each Grantor to provide]

ANNEX M

FORM OF GRANT OF
SECURITY INTEREST IN U.S. COPYRIGHTS

WHEREAS, , a corporation (the "Grantor"), having its chief executive office at , is the owner of all right, title and interest in and to the copyrights and associated copyright registrations and applications for registration set forth in Schedule A attached hereto;

WHEREAS, BANK OF AMERICA, N.A., as Second-Lien Collateral Agent, having its principal offices at Mailcode NC1-001-15-04, 101 North Tryon Street, Charlotte, NC 28255 (the "Grantee"), desires to acquire a security interest in, and lien upon all of the Grantor's right, title and interest to, said copyrights and copyright registrations and applications therefor; and

WHEREAS, the Grantor is willing to assign and grant to the Grantee a security interest in and lien upon the copyrights and copyright registrations and applications therefor described above.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, and subject to the terms and conditions of the Security Agreement, dated as of March 17, 2004, made by the Grantor, the other assignors from time to time party thereto and the Grantee (as amended, restated, modified and/or supplemented from time to time, the "Security Agreement"), the Grantor hereby assigns to the Grantee, and grants to the Grantee a security interest in, and lien upon all of the Grantor's right, title and interest to, the copyrights and copyright registrations and applications therefor set forth in Schedule A attached hereto (the "Copyrights"), together with (i) all Proceeds (as such term is defined in the Security Agreement) of the Copyrights and (ii) all causes of action arising prior to or after the date hereof for infringement of any Copyright.

THIS ASSIGNMENT OF SECURITY INTEREST (this "Grant") has been granted in conjunction with the security interest granted to the Grantee under the Security Agreement. The rights and remedies of the Grantee with respect to the security interest granted herein are without prejudice to, and are in addition to those set forth in the Security Agreement, all terms and provisions of which are incorporated herein by reference. In the event that any provisions of this Grant are deemed to conflict with the Security Agreement, the provisions of the Security Agreement shall govern.

IN WITNESS WHEREOF, the undersigned have executed this Grant at New York, New York, as of the day of , .

,
Grantor

By
Name:
Title:

BANK OF AMERICA, N.A.,
as Second-Lien Collateral Agent, as Grantee

By
Name:
Title:

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this day of , , before me personally came , who being duly sworn, did depose and say that [s]he is of [Name of Grantor], that [s]he is authorized to execute the foregoing Grant on behalf of said corporation and that [s]he did so by authority of the Board of Directors of said corporation.

Notary Public

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this day of , , before me personally came , who being duly sworn, did depose and say that [s]he is of BANK OF AMERICA, N.A., that [s]he is authorized to execute the foregoing Grant on behalf of said corporation and that [s]he did so by authority of the Board of Directors of said corporation.

Notary Public

U.S. COPYRIGHTS OWNED BY [NAME OF GRANTOR]

Copyright Title	Copyright Reg. No.	Publication Date

[Each Grantor to provide]

Exhibit 10.16

SUBSIDIARIES GUARANTY

SUBSIDIARIES GUARANTY, (as amended, modified, restated and/or supplemented from time to time, this "Guaranty"), dated as of March 17, 2004, made by and among each of the undersigned guarantors (each a "Guarantor" and, together with any other entity that becomes a guarantor hereunder pursuant to Section 27 hereof, the "Guarantors") in favor of Bank of America, N.A., as Administrative Agent (together with any successor administrative agent, the "Administrative Agent"), for the benefit of the Secured Creditors (as defined below). Except as otherwise defined herein, all capitalized terms used herein and defined in the Second-Lien Credit Agreement (as defined below) shall be used herein as therein defined.

W I T N E S S E T H :

WHEREAS, EnerSys, a Delaware corporation ("Holdings"), EnerSys Capital Inc., a Delaware corporation (the "Borrower"), the lenders from time to time party thereto (the "Lenders"), the Administrative Agent, Morgan Stanley Senior Funding, Inc., as Syndication Agent, and Lehman Commercial Paper, Inc., as Documentation Agent, have entered into a Second-Lien Credit Agreement, dated as of March 17, 2004 (as amended, modified, restated and/or supplemented from time to time, the "Second-Lien Credit Agreement"), providing for the making of Second-Lien Loans to the Borrower, all as contemplated therein (the Lenders, the Administrative Agent, the Collateral Agent, each other Agent and the Pledgee are herein called the "Secured Creditors");

WHEREAS, each Guarantor is a direct or indirect Wholly-Owned Domestic Subsidiary of the Borrower;

WHEREAS, it is a condition precedent to the making of Second-Lien Loans to the Borrower under the Second-Lien Credit Agreement that each Guarantor shall have executed and delivered to the Administrative Agent this Guaranty; and

WHEREAS, each Guarantor will obtain benefits from the incurrence of Second-Lien Loans by the Borrower under the Second-Lien Credit Agreement and, accordingly, desires to execute this Guaranty in order to satisfy the condition described in the preceding paragraph and to induce the Lenders to make Second-Lien Loans to the Borrower;

NOW, THEREFORE, in consideration of the foregoing and other benefits accruing to each Guarantor, the receipt and sufficiency of which are hereby acknowledged, each Guarantor hereby makes the following representations and warranties to the Administrative Agent for the benefit of the Secured Creditors and hereby covenants and agrees with each other Guarantor and the Administrative Agent for the benefit of the Secured Creditors as follows:

1. Each Guarantor, jointly and severally, irrevocably, absolutely and unconditionally guarantees as a primary obligor and not merely as surety to the Secured Creditors the full and prompt payment when due (whether at the stated maturity, by required prepayment,

---

declaration, acceleration, demand or otherwise) of (x) the principal of, premium, if any, and interest on the Second Lien Loan Notes issued by, and the Second-Lien Loans made to, the Borrower under the Second-Lien Credit Agreement, (y) all other obligations (including, without limitation, obligations which, but for the automatic stay under Section 362(a) of the Bankruptcy Code, would become due), liabilities and indebtedness owing by the Borrower to the Secured Creditors under the Second-Lien Credit Agreement and each other Credit Document to which the Borrower is a party (including, without limitation, indemnities, Fees and interest thereon (including, without limitation, any interest accruing after the commencement of any bankruptcy, insolvency, receivership or similar proceeding at the rate provided for in the Second-Lien Credit Agreement, whether or not such interest is an allowed claim in any such proceeding)), whether now existing or hereafter incurred under, arising out of or in connection with the Second-Lien Credit Agreement and any such other Credit Document and the due performance and compliance by the Borrower with all of the terms, conditions and agreements contained in all such Credit Documents (all such principal, premium, interest, liabilities, indebtedness and obligations under this Section 1, being herein collectively called the "Guaranteed Obligations"). Each Guarantor understands, agrees and confirms that the Secured Creditors may enforce this Guaranty up to the full amount of the Guaranteed Obligations against such Guarantor without proceeding against any other Guarantor or the Borrower, or against any security for the Guaranteed Obligations, or under any other guaranty covering all or a portion of the Guaranteed Obligations.

2. Additionally, each Guarantor, jointly and severally, unconditionally, absolutely and irrevocably, guarantees the payment of any and all Guaranteed Obligations whether or not due or payable by the Borrower upon the occurrence in respect of the Borrower of any of the events specified in Section 10.05 of the Second-Lien Credit Agreement, and unconditionally, absolutely and irrevocably, jointly and severally, promises to pay such Guaranteed Obligations to the Secured Creditors, or order, on demand. This Guaranty is an absolute, present and continuing guaranty of prompt payment and performance and not of collection.

3. The liability of each Guarantor hereunder is primary, absolute, joint and several, and unconditional and is exclusive and independent of any security for or other guaranty of the indebtedness of the Borrower whether executed by such Guarantor, any other Guarantor, any other guarantor or by any other party, and the liability of each Guarantor hereunder shall not be affected or impaired by any circumstance or occurrence whatsoever, including, without limitation: (a) any direction as to application of payment by the Borrower or by any other party, (b) any other continuing or other guaranty, undertaking or maximum liability of a Guarantor or of any other party as to the Guaranteed Obligations, (c) any payment on or in reduction of any such other guaranty or undertaking, (d) any dissolution, termination or increase, decrease or change in personnel by the Borrower, (e) the failure of the Guarantor to receive any benefit from or as a result of its execution, delivery and performance of this Guaranty, (f) any payment made to any Secured Creditor on the indebtedness which any Secured Creditor repays the Borrower pursuant to court order in any bankruptcy, reorganization, arrangement, moratorium or other debtor relief proceeding, and each Guarantor waives any right to the deferral or modification of its obligations hereunder by reason of any such proceeding, (g) any action or inaction by the Secured Creditors as contemplated in Section 6 hereof or (h) any invalidity, rescission, irregularity or unenforceability of all or any part of the Guaranteed Obligations or of any security therefor.

---

4. The obligations of each Guarantor hereunder are independent of the obligations of any other Guarantor, any other guarantor or the Borrower, and a separate action or actions may be brought and prosecuted against each Guarantor whether or not action is brought against any other

Guarantor, any other guarantor or the Borrower and whether or not any other Guarantor, any other guarantor or the Borrower be joined in any such action or actions. Each Guarantor waives (to the fullest extent permitted by applicable law) the benefits of any statute of limitations affecting its liability hereunder or the enforcement thereof. Any payment by the Borrower or other circumstance which operates to toll any statute of limitations as to the Borrower shall operate to toll the statute of limitations as to each Guarantor.

5. Each Guarantor hereby waives (to the fullest extent permitted by applicable law) notice of acceptance of this Guaranty and notice of any liability to which it may apply, and waives promptness, diligence, presentment, demand of payment, protest, notice of dishonor or nonpayment of any such liabilities, suit or taking of other action by the Administrative Agent or any other Secured Creditor against, and any other notice to, any party liable thereon (including such Guarantor, any other Guarantor, any other guarantor or the Borrower) and the Guarantor further hereby waives any and all notice of the creation, renewal, extension or accrual of any of the Guaranteed Obligations and notice or proof of reliance by any Secured Creditor upon this Guaranty, and the Guaranteed Obligations shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended, modified, supplemented or waived, in reliance upon this Guaranty.

6. Any Secured Creditor may (except as shall be required by applicable statute and cannot be waived) at any time and from time to time without the consent of, or notice to, any Guarantor, without incurring responsibility to such Guarantor, without impairing or releasing the obligations or liabilities of such Guarantor hereunder, upon or without any terms or conditions and in whole or in part:

(a) change the manner, place or terms of payment of, and/or change, increase or extend the time of payment of, renew, increase, accelerate or alter, any of the Guaranteed Obligations (including, without limitation, any increase or decrease in the rate of interest thereon or the principal amount thereof), any security therefor, or any liability incurred directly or indirectly in respect thereof, and the guaranty herein made shall apply to the Guaranteed Obligations as so changed, extended, increased, accelerated, renewed or altered;

(b) take and hold security for the payment of the Guaranteed Obligations and sell, exchange, release, surrender, impair, realize upon or otherwise deal with in any manner and in any order any property or other collateral by whomsoever at any time pledged or mortgaged to secure, or howsoever securing, the Guaranteed Obligations or any liabilities (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and/or any offset thereagainst;

(c) exercise or refrain from exercising any rights against the Borrower, any other Credit Party, any Subsidiary thereof, any other guarantor of the Borrower or others or otherwise act or refrain from acting;

(d) release or substitute any one or more endorsers, Guarantors, other guarantors, the Borrower, or other obligors;

(e) settle or compromise any of the Guaranteed Obligations, any security therefor or any liability (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and may subordinate the payment of all or any part thereof to the payment of any liability (whether due or not) of the Borrower to creditors of the Borrower other than the Secured Creditors;

(f) apply any sums by whomsoever paid or howsoever realized to any liability or liabilities of the Borrower to the Secured Creditors regardless of what liabilities of the Borrower remain unpaid;

(g) consent to or waive any breach of, or any act, omission or default under, any of the Credit Documents or any of the instruments or agreements referred to therein, or otherwise amend, modify or supplement any of the Credit Documents or any of such other instruments or agreements;

(h) act or fail to act in any manner which may deprive such Guarantor of its right to subrogation against the Borrower to recover full indemnity for any payments made pursuant to this Guaranty; and/or

(i) take any other action or omit to take any other action which would, under otherwise applicable principles of common law, give rise to a legal or equitable discharge of such Guarantor from its liabilities under this Guaranty (including, without limitation, any action or omission whatsoever that might otherwise vary the risk of such Guarantor or constitute a legal or equitable defense to or discharge of the liabilities of a guarantor or surety or that might otherwise limit recourse against such Guarantor).

7. No invalidity, illegality, irregularity or unenforceability of all or any part of the Guaranteed Obligations, the Credit Documents or any other agreement or instrument relating to the Guaranteed Obligations or of any security or guarantee therefor shall affect, impair or be a defense to this Guaranty, and this Guaranty shall be primary, absolute and unconditional notwithstanding the occurrence of any event or the existence of any other circumstances which might constitute a legal or equitable discharge of a surety or guarantor except payment in full in cash of the Guaranteed Obligations.

8. This Guaranty is a continuing one and all liabilities to which it applies or may apply under the terms hereof shall be conclusively presumed to have been created in reliance hereon. No failure or delay on the part of any Secured Creditor in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly specified are cumulative and not exclusive of any rights or remedies which any Secured Creditor would otherwise have. No notice to or demand on any Guarantor in any case shall entitle such Guarantor to any other further notice or demand in similar or other circumstances or constitute a waiver of the rights of any Secured Creditor to any other or further action in any circumstances

---

without notice or demand. It is not necessary for any Secured Creditor to inquire into the capacity or powers of the Borrower or the officers, directors, partners or agents acting or purporting to act on its or their behalf, and any indebtedness made or created in reliance upon the professed exercise of such powers shall be guaranteed hereunder.

9. Any indebtedness of the Borrower now or hereafter held by any Guarantor is hereby subordinated to the indebtedness of the Borrower to the Secured Creditors; and such indebtedness of the Borrower to any Guarantor, if the Administrative Agent or the Collateral Agent, after an

Event of Default has occurred and is continuing, so requests, shall be collected, enforced and received by such Guarantor as trustee for the Secured Creditors and be paid over to the Secured Creditors on account of the indebtedness of the Borrower to the Secured Creditors, but without affecting or impairing in any manner the liability of such Guarantor under the other provisions of this Guaranty. Prior to the transfer by any Guarantor of any note or negotiable instrument evidencing any indebtedness of the Borrower to such Guarantor, such Guarantor shall mark such note or negotiable instrument with a legend that the same is subject to this subordination. Without limiting the generality of the foregoing, each Guarantor hereby agrees with the Secured Creditors that it will not exercise any right of subrogation which it may at any time otherwise have as a result of this Guaranty (whether contractual, under Section 509 of the Bankruptcy Code or otherwise) until all Guaranteed Obligations have been irrevocably paid in full in cash; provided, that if any amount shall be paid to the Guarantor on account of such subrogation rights at any time prior to the irrevocable payment in full in cash of all the Guaranteed Obligations, such amount shall be held in trust for the benefit of the Secured Creditors and shall forthwith be paid to the Secured Creditors to be credited and applied upon the Guaranteed Obligations, whether matured or unmatured, in accordance with the terms of the Credit Documents or, if the Credit Documents do not provide for the application of such amount, to be held by the Secured Creditors as collateral security for any Guaranteed Obligations thereafter existing.

10. (a) Each Guarantor waives any right to require the Secured Creditors to: (i) proceed against the Borrower, any other Guarantor, any other guarantor of the Guaranteed Obligations or any other party; (ii) proceed against or exhaust any security held from the Borrower, any other Guarantor, any other guarantor of the Guaranteed Obligations or any other party; or (iii) pursue any other remedy in the Secured Creditors' power whatsoever. Each Guarantor waives any defense based on or arising out of any defense of the Borrower, any other Guarantor, any other guarantor of the Guaranteed Obligations or any other party other than payment in full in cash of the Guaranteed Obligations, including, without limitation, any defense based on or arising out of the disability of the Borrower, any other Guarantor, any other guarantor of the Guaranteed Obligations or any other party, or the unenforceability of the Guaranteed Obligations or any part thereof from any cause, or the cessation from any cause of the liability of the Borrower other than payment in full in cash of the Guaranteed Obligations. Subject to the terms of the Intercreditor Agreement, the Secured Creditors may, at their election, foreclose on any collateral serving as security held by the Administrative Agent, the Collateral Agent or the other Secured Creditors by one or more judicial or nonjudicial sales, whether or not every aspect of any such sale is commercially reasonable (to the extent such sale is permitted by applicable law), or exercise any other right or remedy the Secured Creditors may have against the Borrower, or any other party, or any security, without affecting or impairing in any way the liability of any Guarantor hereunder except to the extent the Guaranteed Obligations have been

---

paid in full in cash. Each Guarantor waives any defense arising out of any such election by the Secured Creditors, even though such election operates to impair or extinguish any right of reimbursement, contribution, indemnification or subrogation or other right or remedy of such Guarantor against the Borrower, any other guarantor of the Guaranteed Obligations or any other party or any security.

(b) Each Guarantor waives all presentments, demands for performance, protests and notices, including, without limitation, notices of nonperformance, notices of protest, notices of dishonor, notices of acceptance of this Guaranty, and notices of the existence, creation or incurring of new or additional indebtedness. Each Guarantor has knowledge and assumes all responsibility for being and keeping itself informed of the Borrower's and each other Guarantor's financial condition, affairs and assets, and of all other circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations and the nature, scope and extent of the risks which such Guarantor assumes and incurs hereunder, and has adequate means to obtain from the Borrower and each other Guarantor on an ongoing basis information relating thereto and the Borrower's, and each other Guarantor's ability to pay and perform its respective Guaranteed Obligations, and agrees to assume the responsibility for keeping, and to keep, so informed for so long as this Guaranty is in effect. Each Guarantor acknowledges and agrees that (x) the Secured Creditors shall have no obligation to investigate the financial condition or affairs of the Borrower or any other Guarantor for the benefit of such Guarantor nor to advise such Guarantor of any fact respecting, or any change in, the financial condition, assets or affairs of the Borrower, or any other Guarantor that might become known to any Secured Creditor at any time, whether or not such Secured Creditor knows or believes or has reason to know or believe that any such fact or change is unknown to such Guarantor, or might (or does) increase the risk of such Guarantor as guarantor hereunder, or might (or would) affect the willingness of such Guarantor to continue as a guarantor of the Obligations hereunder and (y) the Secured Creditors shall have no duty to advise any Guarantor of information known to them regarding any of the afore-mentioned circumstances or risks.

(c) Each Guarantor hereby acknowledges and agrees that no Secured Creditor nor any other Person shall be under any obligation (a) to marshal any assets in favor of the Guarantor or in payment of any or all of the liabilities of any Guaranteed Party under the Documents or the obligation of the Guarantor hereunder or (b) to pursue any other remedy that the Guarantor may or may not be able to pursue itself any right to which the Guarantor hereby waives.

(d) Each Guarantor warrants and agrees that each of the waivers set forth in Sections 4, 5 and in this Section 10 is made with full knowledge of its significance and consequences and that if any of such waivers are determined to be contrary to any applicable law or public policy, such waivers shall be effective only to the maximum extent permitted by applicable law.

11. Notwithstanding anything to the contrary contained elsewhere in this Guaranty, the Secured Creditors agree (by their acceptance of the benefits of this Guaranty) that this Guaranty may be enforced only by the action of the Administrative Agent or the Collateral Agent, in each case acting upon the instructions of the Required Lenders and that no other Secured Creditor shall have any right individually to seek to enforce or to enforce this Guaranty

---

or to realize upon the security to be granted by the Security Documents, it being understood and agreed that such rights and remedies may (subject to the Intercreditor Agreement) be exercised by the Administrative Agent or the Collateral Agent for the benefit of the Secured Creditors upon the terms of this Guaranty and the Security Documents. The Secured Creditors further agree that this Guaranty may not be enforced against any director, officer, employee, partner, member or stockholder of any Guarantor (except to the extent such partner, member or stockholder is also a Guarantor hereunder). It is understood and agreed that the agreement in this Section 11 is among and solely for the benefit of the Secured Creditors and that, if the Required Lenders so agree (without requiring the consent of any Guarantor), this Guaranty may (subject to the Intercreditor Agreement) be directly enforced by any Secured Creditor.

12. In order to induce the Lenders to make Second-Lien Loans to the Borrower pursuant to the Second-Lien Credit Agreement, each Guarantor represents, warrants and covenants that:

(a) such Guarantor (i) is a duly organized and validly existing corporation, partnership or limited liability company, as the case may be, in good standing under the laws of the jurisdiction of its organization, (ii) has the corporate, partnership or limited liability company power and

authority, as the case may be, to own its property and assets and to transact the business in which it is engaged and presently proposes to engage and (iii) is duly qualified and is authorized to do business and is in good standing in each jurisdiction where the conduct of its business requires such qualification except for failures to be so qualified which, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect;

(b) such Guarantor has the corporate, partnership or limited liability company power and authority, as the case may be, to execute, deliver and perform the terms and provisions of this Guaranty and each other Credit Document to which it is a party and has taken all necessary corporate, partnership or limited liability company action, as the case may be, to authorize the execution, delivery and performance by it of this Guaranty and each such other Credit Document.

(c) such Guarantor has duly executed and delivered this Guaranty and each other Credit Document to which it is a party, and this Guaranty and each such other Credit Document constitutes the legal, valid and binding obligation of such Guarantor enforceable in accordance with its terms, except to the extent that the enforceability hereof or thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws generally affecting creditors' rights and by equitable principles (regardless of whether enforcement is sought in equity or at law);

(d) neither the execution, delivery or performance by such Guarantor of this Guaranty or any other Credit Document to which it is a party, nor compliance by it with the terms and provisions hereof and thereof, will (i) contravene any provision of any applicable law, statute, rule or regulation or any applicable order, writ, injunction or decree of any court or governmental instrumentality, (ii) conflict with or result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any

---

Lien (except pursuant to the Security Documents) upon any of the property or assets of such Guarantor or any of its Subsidiaries pursuant to the terms of any indenture, mortgage, deed of trust, loan agreement, credit agreement, or any other material agreement, contract or instrument to which such Guarantor or any of its Subsidiaries is a party or by which it or any of its property or assets is bound or to which it may be subject or (iii) violate any provision of the certificate or articles of incorporation, by-laws, partnership agreement or limited liability company agreement (or equivalent organizational documents), as the case may be, of such Guarantor or any of its Subsidiaries;

(e) no order, consent, approval, license, authorization or validation of, or filing, recording or registration with (except as have been obtained or made prior to the date when required and which remain in full force and effect), or exemption by, any governmental or public body or authority, or any subdivision thereof, is required to authorize, or is required in connection with, (i) the execution, delivery and performance of this Guaranty by such Guarantor or any other Credit Document to which such Guarantor is a party or (ii) the legality, validity, binding effect or enforceability of this Guaranty or any other Credit Document to which such Guarantor is a party; and

(f) there are no actions, suits or proceedings pending or, to such Guarantor's knowledge, threatened (i) with respect to this Guaranty or any other Credit Document to which such Guarantor is a party, (ii) with respect to such Guarantor or any of its Subsidiaries that, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect or (iii) that could reasonably be expected to have a material adverse effect on the rights or remedies of the Secured Creditors or on the ability of such Guarantor to perform its obligations to the Secured Creditors hereunder and under the other Credit Documents to which it is a party.

13. Each Guarantor covenants and agrees that on and after the Effective Date and until the termination of the Total Commitment and all Guaranteed Obligations have been paid in full (other than indemnities described in Sections 12.07 and 13.05 of the Second-Lien Credit Agreement and analogous provisions in the Security Documents which are not then due and payable), such Guarantor will comply, and will cause each of its Subsidiaries to comply, with all of the applicable provisions, covenants and agreements contained in Sections 8 and 9 of the Second-Lien Credit Agreement, and will take, or will refrain from taking, as the case may be, all actions that are necessary to be taken or not taken so that no violation of any provision, covenant or agreement contained in Sections 8 and 9 of the Second-Lien Credit Agreement, and so that no Default or Event of Default, is caused by the actions of such Guarantor or any of its Subsidiaries.

14. The Guarantors hereby jointly and severally agree to pay all reasonable out-of-pocket costs and expenses of the Collateral Agent, the Administrative Agent and each Secured Creditor in connection with the enforcement of this Guaranty and the protection of the Secured Creditors' rights hereunder and any amendment, waiver or consent relating hereto (including, in each case, without limitation, the reasonable fees and disbursements of counsel (including in-house counsel) employed by the Collateral Agent, the Administrative Agent and each Secured Creditor).

---

15. This Guaranty shall be binding upon each Guarantor and its successors and assigns and shall inure to the benefit of the Secured Creditors and their successors and assigns.

16. Subject to Section 22 hereof, neither this Guaranty nor any provision hereof may be changed, waived, discharged or terminated except with the written consent of each Guarantor directly affected thereby (it being understood that the addition or release of any Guarantor hereunder shall not constitute a change, waiver, discharge or termination affecting any Guarantor other than the Guarantor so added or released) and with the written consent of the Required Lenders (or, to the extent required by Section 13.01 of the Second-Lien Credit Agreement, with the written consent of each Lender).

17. Each Guarantor acknowledges that an executed (or conformed) copy of each of the Credit Documents has been made available to a senior officer of such Guarantor and such officer is familiar with the contents thereof.

18. In addition to any rights now or hereafter granted under applicable law (including, without limitation, Section 151 of the New York Debtor and Creditor Law) and not by way of limitation of any such rights (but subject to the Intercreditor Agreement), upon the occurrence and during the continuance of an Event of Default, each Secured Creditor is hereby authorized, at any time or from time to time, without notice to any Guarantor or to any other Person, any such notice being expressly waived, to set off and to appropriate and apply any and all deposits (general or special) and any other indebtedness at any time held or owing by such Secured Creditor to or for the credit or the account of such Guarantor, against and on account of the

obligations and liabilities of such Guarantor to such Secured Creditor under this Guaranty, irrespective of whether or not such Secured Creditor shall have made any demand hereunder and although said obligations, liabilities, deposits or claims, or any of them, shall be contingent or unmatured.

19. Except as otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto shall be sent or delivered by mail, telegraph, telex, telecopy, cable or courier service and all such notices and communications shall, when mailed, telegraphed, telexed, telecopied, or cabled or sent by courier, be effective when deposited in the mails, delivered to the telegraph company, cable company or overnight courier, as the case may be, or sent by telex or telecopier, except that notices and communications to the Administrative Agent or any Guarantor shall not be effective until received by the Administrative Agent or such Guarantor, as the case may be. All notices and other communications shall be in writing and addressed to such party at (i) in the case of any Lender Creditor, as provided in the Second-Lien Credit Agreement, and (ii) in the case of any Guarantor, at its address set forth opposite its signature page below; or in any case at such other address as any of the Persons listed above may hereafter notify the others in writing.

20. If any claim is ever made upon any Secured Creditor for repayment or recovery of any amount or amounts received in payment or on account of any of the Guaranteed Obligations and any of the aforesaid payees repays all or part of said amount by reason of (i) any judgment, decree or order of any court or administrative body having jurisdiction over such payee or any of its property or (ii) any settlement or compromise of any such claim effected by

---

such payee with any such claimant (including, without limitation, the Borrower), then and in such event each Guarantor agrees that any such judgment, decree, order, settlement or compromise shall be binding upon such Guarantor, notwithstanding any revocation hereof or the cancellation of any Second-Lien Loan Note or any other instrument evidencing any liability of the Borrower, and such Guarantor shall be and remain liable to the aforesaid payees hereunder for the amount so repaid or recovered to the same extent as if such amount had never originally been received by any such payee.

21. (a) THIS GUARANTY AND THE RIGHTS AND OBLIGATIONS OF THE SECURED CREDITORS AND OF THE UNDERSIGNED HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK. Any legal action or proceeding with respect to this Guaranty or any other Credit Document to which any Guarantor is a party may be brought in the courts of the State of New York or of the United States of America for the Southern District of New York, in each case located within the County of New York, and, by execution and delivery of this Guaranty, each Guarantor hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. Each Guarantor hereby further irrevocably waives any claim that any such courts lack jurisdiction over such Guarantor, and agrees not to plead or claim, in any legal action or proceeding with respect to this Guaranty or any other Credit Document to which such Guarantor is a party brought in any of the aforesaid courts, that any such court lacks jurisdiction over such Guarantor. Each Guarantor further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to each Guarantor at its address set forth opposite its signature below, such service to become effective 30 days after such mailing. Each Guarantor hereby irrevocably waives any objection to such service of process and further irrevocably waives and agrees not to plead or claim in any action or proceeding commenced hereunder or under any other Credit Document to which such Guarantor is a party that such service of process was in any way invalid or ineffective. Nothing herein shall affect the right of any of the Secured Creditors to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against each Guarantor in any other jurisdiction.

(b) Each Guarantor hereby irrevocably waives (to the fullest extent permitted by applicable law) any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Guaranty or any other Credit Document to which such Guarantor is a party brought in the courts referred to in clause (a) above and hereby further irrevocably waives and agrees not to plead or claim in any such court that such action or proceeding brought in any such court has been brought in an inconvenient forum.

(c) EACH GUARANTOR AND EACH SECURED CREDITOR (BY ITS ACCEPTANCE OF THE BENEFITS OF THIS GUARANTY) HEREBY IRREVOCABLY WAIVES ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS GUARANTY, THE OTHER CREDIT DOCUMENTS TO WHICH SUCH GUARANTOR IS A PARTY OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

---

22. In the event that all of the capital stock or other equity interests of one or more Guarantors is sold or otherwise disposed of or liquidated in compliance with the requirements of Section 9.02 of the Second-Lien Credit Agreement (or such sale, other disposition or liquidation has been approved in writing by the Required Lenders) or the Guaranty of such Guarantor is required to be released pursuant to the Intercreditor Agreement and the proceeds of such sale, disposition, liquidation or release are applied in accordance with the provisions of the Second-Lien Credit Agreement, to the extent applicable, such Guarantor shall, upon consummation of such sale, other disposition or other release, be released from this Guaranty automatically and without further action and this Guaranty shall, as to each such Guarantor or Guarantors, terminate, and have no further force or effect (it being understood and agreed that the sale of one or more Persons that own, directly or indirectly, all of the capital stock or other Equity Interests of any Guarantor shall be deemed to be a sale of such Guarantor for the purposes of this Section 22).

23. At any time a payment in respect of the Guaranteed Obligations is made under this Guaranty, the right of contribution of each Guarantor against each other Guarantor shall be determined as provided in the immediately following sentence, with the right of contribution of each Guarantor to be revised and restated as of each date on which a payment (a "Relevant Payment") is made on the Guaranteed Obligations under this Guaranty. At any time that a Relevant Payment is made by a Guarantor that results in the aggregate payments made by such Guarantor in respect of the Guaranteed Obligations to and including the date of the Relevant Payment exceeding such Guarantor's Contribution Percentage (as defined below) of the aggregate payments made by all Guarantors in respect of the Guaranteed Obligations to and including the date of the Relevant Payment (such excess, the "Aggregate Excess Amount"), each such Guarantor shall have a right of contribution against each other Guarantor who has made payments in respect of the Guaranteed Obligations to and including the date of the Relevant Payment in an aggregate amount less than such other Guarantor's Contribution Percentage of the aggregate payments made to and including the date of the Relevant Payment by all Guarantors in respect of the Guaranteed Obligations (the aggregate amount of such deficit, the "Aggregate Deficit Amount") in an amount equal to (x) a fraction the numerator of which is the Aggregate Excess Amount of such Guarantor and the denominator of which is the Aggregate Excess Amount of all Guarantors multiplied by (y) the Aggregate Deficit Amount of such other Guarantor. A Guarantor's right of contribution pursuant to the preceding sentences shall arise at the time of each computation, subject to adjustment to the time of each computation; provided that no Guarantor may take any action to enforce such right until the Guaranteed Obligations have been irrevocably paid in full in cash, it being expressly recognized and agreed by all parties hereto that any Guarantor's right of contribution arising pursuant to this Section 23

against any other Guarantor shall be expressly junior and subordinate to such other Guarantor's obligations and liabilities in respect of the Guaranteed Obligations and any other obligations owing under this Guaranty. As used in this Section 23: (i) each Guarantor's "Contribution Percentage" shall mean the percentage obtained by dividing (x) the Adjusted Net Worth (as defined below) of such Guarantor by (y) the aggregate Adjusted Net Worth of all Guarantors; (ii) the "Adjusted Net Worth" of each Guarantor shall mean the greater of (x) the Net Worth (as defined below) of such Guarantor and (y) zero; and (iii) the "Net Worth" of each Guarantor shall mean the amount by which the fair saleable value of such Guarantor's assets on the date of any Relevant Payment exceeds its existing debts and other liabilities (including contingent liabilities, but without giving effect to any Guaranteed Obligations arising under this Guaranty or any guaranteed obligations arising

---

under any guaranty of Refinancing Senior Subordinated Notes, if any) on such date. Notwithstanding anything to the contrary contained above, any Guarantor that is released from this Guaranty pursuant to Section 22 hereof shall thereafter have no contribution obligations, or rights, pursuant to this Section 23, and at the time of any such release, if the released Guarantor had an Aggregate Excess Amount or an Aggregate Deficit Amount, same shall be deemed reduced to $0, and the contribution rights and obligations of the remaining Guarantors shall be recalculated on the respective date of release (as otherwise provided above) based on the payments made hereunder by the remaining Guarantors. All parties hereto recognize and agree that, except for any right of contribution arising pursuant to this Section 23, each Guarantor who makes any payment in respect of the Guaranteed Obligations shall have no right of contribution or subrogation against any other Guarantor in respect of such payment until all of the Guaranteed Obligations have been irrevocably paid in full in cash. Each of the Guarantors recognizes and acknowledges that the rights to contribution arising hereunder shall constitute an asset in favor of the party entitled to such contribution. In this connection, each Guarantor has the right to waive its contribution right against any Guarantor to the extent that after giving effect to such waiver such Guarantor would remain solvent, in the determination of the Required Lenders.

24. (a) Each Guarantor and each Secured Creditor (by its acceptance of the benefits of this Guaranty) hereby confirms that it is its intention that this Guaranty not constitute a fraudulent transfer or conveyance for purposes of the Bankruptcy Code, the Uniform Fraudulent Conveyance Act of any similar Federal or state law. To effectuate the foregoing intention, each Guarantor and each Secured Creditor (by its acceptance of the benefits of this Guaranty) hereby irrevocably agrees that the Guaranteed Obligations guaranteed by such Guarantor shall be limited to such amount as will, after giving effect to such maximum amount and all other (contingent or otherwise) liabilities of such Guarantor that are relevant under such laws (it being understood that it is the intention of the parties to this Guaranty and the parties to any guaranty of the Refinancing Senior Subordinated Notes that, to the maximum extent permitted under applicable laws, the liabilities in respect of the guarantees of the Refinancing Senior Subordinated Notes shall not be included for the foregoing purposes and that, if any reduction is required to the amount guaranteed by any Guarantor hereunder and with respect to the Refinancing Senior Subordinated Notes, its guarantee of amounts owing in respect of the Refinancing Senior Subordinated Notes shall first be reduced) and after giving effect to any rights to contribution pursuant to any agreement providing for an equitable contribution among such Guarantor and the other Guarantors, result in the Guaranteed Obligations of such Guarantor in respect of such maximum amount not constituting a fraudulent transfer or conveyance. Notwithstanding the provisions of the two preceding sentences, as between the Secured Creditors and the holders of any Refinancing Senior Subordinated Notes, it is agreed (and the provisions of the relevant indentures or other agreements governing the Refinancing Senior Subordinated Notes shall so provide) that any diminution (whether pursuant to court decree or otherwise) of any Guarantor's obligation to make any distribution or payment pursuant to this Guaranty shall have no force or effect for purposes of the subordination provisions contained in the respective indenture or other agreements governing any such Refinancing Senior Subordinated Notes, and that any payments received in respect of a Guarantor's obligations with respect to any Refinancing Senior Subordinated Notes shall be turned over to the holders of the "Guarantor Senior Debt" or similar term (as defined in each indenture or other agreements governing any Refinancing Senior Subordinated Notes) (or obligations which would have constituted "Guarantor Senior Debt" if same had not been reduced or disallowed) of such Guarantor (which

---

"Guarantor Senior Debt" shall be calculated as if there were no diminution thereto pursuant to this Section 24 or for any other reason other than the irrevocable payment in full in cash of the respective obligations which would otherwise have constituted "Guarantor Senior Debt") until all such Guarantor Senior Debt (or obligations which would have constituted "Guarantor Senior Debt" if same had not been reduced or disallowed) has been irrevocably paid in full in cash.

(b) This Guaranty shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Guaranteed Obligations is rescinded or must otherwise be restored or returned by the Borrower upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower, or otherwise, all as though such payment had not been made. The Guarantor further agrees that, without limiting the generality of this Guaranty, if an Event of Default shall have occurred and be continuing and any Secured Creditor is prevented by applicable law, including, without limitation, the imposition of an injunction under Section 105 of the Bankruptcy Code or similar provisions of any United States or foreign law for the relief of debtors, from exercising its remedies under the Credit Documents, such Secured Creditor shall be entitled to receive hereunder from each Guarantor, upon demand therefor, the sums which would have otherwise been due from the Borrower had such remedies been exercised.

25. This Guaranty may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with the Borrower and the Administrative Agent.

26. All payments made by any Guarantor hereunder will be made without setoff, counterclaim or other defense and on the same basis as payments are made by the Borrower under Sections 4.03 and 4.04 of the Second-Lien Credit Agreement.

27. It is understood and agreed that any Subsidiary of Holdings that is required to execute a counterpart of this Guaranty after the date hereof pursuant to the Second-Lien Credit Agreement shall become a Guarantor hereunder by (x) executing and delivering a counterpart hereof or appropriate assumption agreement to the Administrative Agent, in each case as may be requested by (and in form and substance satisfactory to) the Administrative Agent and (y) taking all actions as specified in this Guaranty as would have been taken by such Guarantor had it been an original party to this Guaranty, in each case with all documents and actions required to be taken to be taken above to the reasonable satisfaction of the Administrative Agent.

* * *

IN WITNESS WHEREOF, each Guarantor has caused this Guaranty to be executed and delivered as of the date first above written.

Address:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

ENERSYS DELAWARE INC.,
as a Guarantor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

ESFINCO, INC.,
as a Guarantor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

ESRMCO, INC.,
as a Guarantor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

HAWKER ENERGY PRODUCTS INC.,
as a Guarantor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

HAWKER POWER SYSTEMS, INC.,
as a Guarantor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

POWERSAFE STANDBY BATTERIES INC.,
as a Guarantor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

HAWKER POWERSOURCE, INC.,
as a Guarantor

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA, 19605
Telephone: (610) 208-1991
Facsimile: (610) 208-1671
Attention: Michael T. Philion

NEW PACIFICO REALTY, INC.,
as a Guarantor

By: _____
Name:
Title:

Accepted and Agreed to:

BANK OF AMERICA, N.A.,
as Administrative Agent

By: _____,
Name:
Title:

Exhibit 10.17

INTERCREDITOR AGREEMENT

This INTERCREDITOR AGREEMENT, dated as of March 17, 2004, and entered into by and among ENERSYS, a Delaware corporation ("Holdings"), ENERSYS CAPITAL INC., a Delaware corporation (the "Borrower"), BANK OF AMERICA, N.A. ("Bank of America"), in its capacity as collateral agent for the First-Lien Obligations (as defined below) (together with its successors and assigns from time to time, the "First-Lien Collateral Agent") and in its capacity as collateral agent for the Second-Lien Obligations (as defined below (together with its successors and assigns from time to time, the "Second-Lien Collateral Agent"). Capitalized terms used herein but not otherwise defined herein have the meanings set forth in Section 1 below.

RECITALS

WHEREAS, Holdings, the Borrower, the lenders party thereto, Bank of America, as administrative agent (in such capacity, together with any successor or assigns, the "First-Lien Administrative Agent"), Morgan Stanley Senior Funding, Inc., as syndication agent, and Lehman Commercial Paper Inc., as documentation agent, have entered into that certain Credit Agreement, dated as of the date hereof (as amended, restated, supplemented, modified and/or Refinanced from time to time, the "First-Lien Credit Agreement");

WHEREAS, Holdings, the Borrower, the lenders party thereto, Bank of America, as administrative agent (in such capacity, together with any successor or assigns, the "Second-Lien Administrative Agent"), Morgan Stanley Senior Funding, Inc., as syndication agent, and Lehman Commercial Paper Inc., as documentation agent, have entered into that certain Second-Lien Credit Agreement, dated as of the date hereof (as amended, restated, supplemented, modified and/or Refinanced from time to time, the "Second-Lien Credit Agreement");

WHEREAS, the obligations of Holdings, the Borrower and the other Grantors under the First-Lien Credit Documents and all Secured Hedging Agreements will be secured by substantially all the assets of Holdings, the Borrower and the other Grantors, respectively, pursuant to the terms of the First-Lien Security Documents;

WHEREAS, the obligations of Holdings, the Borrower and the other Grantors under the Second-Lien Credit Documents will be secured by substantially all the assets of Holdings, the Borrower and the other Grantors, respectively, pursuant to the terms of the Second-Lien Security Documents;

WHEREAS, the First-Lien Credit Documents and the Second-Lien Credit Documents provide, among other things, that the parties thereto shall set forth in this Agreement their respective rights and remedies with respect to the Collateral;

WHEREAS, in order to induce the First-Lien Collateral Agent and the First-Lien Creditors to consent to the Grantors incurring the Second-Lien Obligations and to induce the First-Lien Creditors to extend credit and other financial accommodations and lend monies to or for the benefit of the Borrower or any other Grantor, the Second-Lien Collateral Agent on behalf of the Second-Lien Creditors (and each Second-Lien Creditor by its acceptance of the benefits of

---

the Second-Lien Security Documents) has agreed to the subordination, intercreditor and other provisions set forth in this Agreement; and

WHEREAS, Holdings, the Borrower and the Subsidiary Guarantors may, from time to time, incur additional secured debt which Holdings, the Borrower and the First-Lien Collateral Agent may agree may share a first-priority security interest in the Collateral in accordance with the First-Lien Credit Documents in existence at the time of such incurrence;

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and obligations herein set forth and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

SECTION 1. Definitions.

1.1 Defined Terms. As used in the Agreement, the following terms shall have the following meanings:

"Agreement" means this Agreement, as amended, renewed, extended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy," as now and hereafter in effect, or any successor statute.

"Bankruptcy Law" means the Bankruptcy Code and any similar federal, state or foreign law for the relief of debtors.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"Collateral" means all of the assets and property of any Grantor, whether real, personal or mixed, constituting both First-Lien Collateral and Second-Lien Collateral.

"Collateral Agent" means, as the context requires, collectively, the First-Lien Collateral Agent and the Second-Lien Collateral Agent.

"Commodity Agreements" shall mean commodity agreements, hedging agreements and other similar agreements or arrangements designed to protect against price fluctuations of commodities (e.g., lead) used in the business of the Borrower and its Subsidiaries.

"Comparable Second-Lien Security Document" means, in relation to any Collateral subject to any Lien created under any First-Lien Security Document, that Second-Lien Security Document which creates a Lien on the same Collateral, granted by the same Grantor.

"Creditors" means, collectively, the First-Lien Creditors and the Second-Lien Creditors.

"Discharge of First-Lien Credit Agreement Obligations" means, except to the extent otherwise provided in Section 5.6 (and subject to Section 6.5), (a) payment in full in cash of the principal of and interest (including interest accruing on or after the commencement of any Insolvency or Liquidation Proceeding, whether or not such interest would be allowed in such Insolvency or Liquidation Proceeding) and premium, if any, on all Indebtedness outstanding under the First-Lien Credit Documents, (b) payment in full of all other First-Lien Obligations (other than Hedging Obligations) that are due and payable or otherwise accrued and owing at or prior to the time such principal and interest are paid, (c) termination (without any prior demand for payment thereunder having been made or, if made, with such demand having been fully reimbursed in cash) or cash collateralization (in an amount and manner, and on terms, satisfactory to the First-Lien Collateral Agent) of all letters of credit issued by any First-Lien Creditor and (d) termination of all other commitments of the First-Lien Creditors under the First-Lien Credit Documents.

"Discharge of First-Lien Obligations" means, except to the extent otherwise provided in Section 5.6, (a) payment in full in cash of the principal of and interest (including interest accruing on or after the commencement of any Insolvency or Liquidation Proceeding, whether or not such interest would be allowed in such Insolvency or Liquidation Proceeding) and premium, if any, on all Indebtedness outstanding under the First-Lien Documents, (b) payment in full of all other First-Lien Obligations that are due and payable or otherwise accrued and owing at or prior to the time such principal and interest are paid, (c) termination (without any prior demand for payment thereunder having been made or, if made, with such demand having been fully reimbursed in cash) or cash collateralization (in an amount and manner, and on terms, satisfactory to the First-Lien Collateral Agent) of all letters of credit and Secured Hedging Agreements issued or entered into, as the case may be, by any First-Lien Creditor and (d) termination of all other commitments of the First-Lien Creditors under the First-Lien Credit Documents.

"First-Lien Collateral" means all of the assets and property of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any First-Lien Obligations.

"First-Lien Collateral Agent" has the meaning provided in the first paragraph of this Agreement.

"First-Lien Credit Agreement" has the meaning set forth in the recitals hereto.

"First-Lien Credit Documents" means the First-Lien Credit Agreement and the Credit Documents (as defined in the First-Lien Credit Agreement) and each of the other agreements, documents and instruments providing for or evidencing any other First-Lien Obligation and any other document or instrument executed or delivered at any time in connection with any First-Lien Obligation (including any intercreditor or joinder agreement among holders of First-Lien Obligations but excluding Secured Hedging Agreements), to the extent such are effective at the relevant time, as each may be amended, modified, restated, supplemented, replaced and/or Refinanced from time to time; provided that no such modification of the First-Lien Credit Agreement shall increase the maximum aggregate principal amount of Loans and stated amount of Letters of Credit thereunder to amount in excess of $580,000,000.

"First-Lien Creditors" means, at any relevant time, the holders of First-Lien Obligations at such time, including, without limitation, the First-Lien Lenders, the Hedging Creditors, the First-Lien Collateral Agent, the First-Lien Administrative Agent and the other agents under the First-Lien Credit Agreement.

"First-Lien Documents" shall mean and include the First-Lien Credit Documents and the Secured Hedging Agreements.

"First-Lien Lenders" means the "Lenders" under, and as defined in, the First-Lien Credit Agreement; provided that the term "First-Lien Lender" shall in any event include each letter of credit issuer and each swingline lender under the First-Lien Credit Agreement.

"First-Lien Obligations" means (i) all Obligations outstanding under the First-Lien Credit Agreement and the other First-Lien Credit Documents, and (ii) all Hedging Obligations. "First-Lien Obligations" shall in any event include: (a) all interest accrued or accruing (or which would, absent commencement of an Insolvency or Liquidation Proceeding (and the effect of provisions such as Section 502(b)(2) of the Bankruptcy Code), accrue) after commencement of an Insolvency or Liquidation Proceeding in accordance with the rate specified in the relevant First-Lien Document, whether or not the claim for such interest is allowed as a claim in such Insolvency or Liquidation Proceeding, (b) any and all fees and expenses (including attorneys' and/or financial consultants' fees and expenses) incurred by the First-Lien Collateral Agent, the First-Lien Administrative Agent and the First-Lien Creditors after the commencement of an Insolvency or Liquidation Proceeding, whether or not the claim for fees and expenses is allowed under Section 506(b) of the Bankruptcy Code or any other provision of the Bankruptcy Code or Bankruptcy Law as a claim in such Insolvency or Liquidation Proceeding and (c) all obligations and liabilities of each Grantor under each First-Lien Document to which it is a party which, but for the automatic stay under Section 362(a) of the Bankruptcy Code, would become due.

"First-Lien Pledge Agreement" means the Pledge Agreement, dated as of the date hereof, among Holdings, the Borrower, the other Grantors and the First-Lien Collateral Agent, as the same may be amended, supplemented, restated, modified and/or Refinanced from time to time.

"First-Lien Required Lenders" shall mean the "Required Lenders" under, and as defined in, the First-Lien Credit Agreement.

"First-Lien Security Agreement" means the Security Agreement, dated as of the date hereof, among Holdings, the Borrower, the other Grantors and the First-Lien Collateral Agent, as the same may be amended, supplemented, restated, modified and/or Refinanced from time to time.

"First-Lien Security Documents" means the Security Documents (as defined in the First-Lien Credit Agreement) and any other agreement, document or instrument pursuant to which a Lien is granted securing any First-Lien Obligations or under which rights or remedies with respect to such Liens are governed, as the same may be amended, supplemented, restated, modified and/or Refinanced from time to time.

"Governmental Authority" means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"Grantors" means Holdings, the Borrower and each of the Subsidiary Guarantors that have executed and delivered, or may from time to time hereafter execute and deliver, a First-Lien Security Document or a Second-Lien Security Document.

"Hedging Creditor" means (i) each First-Lien Lender or any affiliate thereof (even if the respective First-Lien Lender subsequently ceases to be a First-Lien Lender under the Credit Agreement for any reason) party to an Interest Rate Protection Agreement, Commodities Agreement or Other Hedging Agreement with any Grantor, (ii) each financial institution party to an Existing Interest Rate Protection Agreement (as defined in the First-Lien Credit Agreement) and (iii) the respective successors and assigns of each such First-Lien Lender, affiliate or other financial institution referred to in clause (i) or (ii) above, as applicable.

"Hedging Obligations" means (i) the full and prompt payment when due (whether at the stated maturity, by acceleration or otherwise) of all obligations (including obligations which, but for the automatic stay under Section 362(a) of the Bankruptcy Code, would become due) and liabilities (including, without limitation, indemnities, fees and interest thereon and all interest that accrues after the commencement of any Insolvency or Liquidation Proceeding at the rate provided for in the respective documentation, whether or not a claim for post-petition interest is allowed in any such Insolvency or Liquidation Proceeding) of each Grantor owing to the Hedging Creditors, now existing or hereafter incurred under, arising out of or in connection with each Secured Hedging Agreement (including all such obligations and indebtedness under any guarantee to which each Grantor is a party) and (ii) the due performance and compliance by each Grantor with the terms, conditions and agreements of each Secured Hedging Agreement.

"Indebtedness" means and includes all Obligations that constitute "Indebtedness" within the meaning of the First-Lien Credit Agreement or the Second-Lien Credit Agreement.

"Insolvency or Liquidation Proceeding" means (a) any voluntary or involuntary case or proceeding under the Bankruptcy Code with respect to any Grantor, (b) any other voluntary or involuntary insolvency, reorganization or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding with respect to any Grantor or with respect to a material portion of their respective assets, (c) any liquidation, dissolution, reorganization or winding up of any Grantor whether voluntary or involuntary and whether or not involving insolvency or bankruptcy or (d) any assignment for the benefit of creditors or any other marshalling of assets and liabilities of any Grantor.

"Interest Rate Protection Agreement" shall mean any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedging agreement or other similar agreement or arrangement.

"Letters of Credit" shall mean "Letters of Credit" under, and as defined in, the First-Lien Credit Agreement.

"Lien" shall mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any financing or similar statement or notice filed under the UCC or any similar recording or notice statute, and any lease having substantially the same effect as the foregoing).

"Loans" shall mean "Loans" under, and as defined in, the First-Lien Credit Agreement.

"Obligations" means any and all obligations (including guaranty obligations) with respect to the payment and performance of (a) any principal of or interest or premium on any indebtedness, including any reimbursement obligation in respect of any letter of credit, or any other liability, including interest that accrues after the commencement of any Insolvency or Liquidation Proceeding of any Grantor at the rate provided for in the respective documentation, whether or not a claim for post-petition interest is allowed in any such Insolvency or Liquidation Proceeding, (b) any fees, indemnification obligations, expense reimbursement obligations or other liabilities payable under the documentation governing any indebtedness (including, without limitation, the retaking, holding, selling or otherwise disposing of or realizing on the Collateral), (c) any obligation to post cash collateral in respect of letters of credit or any other obligations, and (d) all performance obligations under the documentation governing any indebtedness.

"Other Hedging Agreements" shall mean any foreign exchange contracts, currency swap agreements or other similar agreements or arrangements designed to protect against fluctuations in currency values.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Pledge Agreements" means, collectively, (i) the First-Lien Pledge Agreement and (ii) the Second-Lien Pledge Agreement.

"Pledged Collateral" means (a) the "Collateral" under, and as defined in, the First-Lien Pledge Agreement and in the Second-Lien Pledge Agreement, respectively, and (b) any other Collateral in the possession of the First-Lien Collateral Agent (or its agents or bailees), to the extent that possession thereof is taken to perfect a Lien thereon under the Uniform Commercial Code.

"Recovery" has the meaning set forth in Section 6.5 hereof.

"Refinance" means, in respect of any indebtedness, to refinance, extend, renew, defease, amend, modify, supplement, restructure, replace, refund or repay, or to issue other indebtedness, in exchange or replacement for, such indebtedness. "Refinanced" and "Refinancing" shall have correlative meanings.

"Required First-Lien Creditors" shall mean (i) at all times prior to the occurrence of the Discharge of First-Lien Credit Agreement Obligations, the First-Lien Required Lenders (or, to the extent required by the First-Lien Credit Agreement, each of the First-Lien Lenders), and (ii) at all

times after the occurrence of the Discharge of First-Lien Credit Agreement Obligations, the holders of at least the majority of the then outstanding Hedging Obligations (determined by the First-Lien Collateral Agent in such reasonable manner as is acceptable to it).

"Second-Lien Collateral" means all of the assets of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any Second-Lien Obligations.

"Second-Lien Collateral Agent" has the meaning set forth in the preamble hereof.

"Second-Lien Credit Agreement" has the meaning set forth in the recitals hereto.

"Second-Lien Credit Documents" means the Second-Lien Credit Agreement and the Credit Documents (as defined in the Second-Lien Credit Agreement) and each of the other agreements, documents and instruments providing for or evidencing any other Second-Lien Obligation, and any other document or instrument executed or delivered at any time in connection with any Second-Lien Obligation, as the same may be amended, modified or otherwise supplemented from time to time in accordance with the terms hereof, thereof and the First-Lien Credit Agreement; provided that any such modification does not increase the aggregate principal amount thereof beyond the limit set forth in the First-Lien Credit Agreement and is otherwise in accordance with the provisions of this First-Lien Credit Agreement.

"Second-Lien Creditors" means, at any relevant time, the holders of Second-Lien Obligations at such time, including without limitation the Second-Lien Lenders, the Second-Lien Collateral Agent, the Second-Lien Administrative Agent and the other agents under the Second-Lien Credit Agreement.

"Second-Lien Obligations" means all Obligations outstanding under the Second-Lien Credit Agreement and the other Second-Lien Credit Documents. "Second-Lien Obligations" shall in any event include: (a) all interest accrued or accruing (or which would, absent commencement of an Insolvency or Liquidation Proceeding (and the effect of provisions such as Section 502(b)(2) of the Bankruptcy Code), accrue) after commencement of an Insolvency or Liquidation Proceeding in accordance with the rate specified in the relevant Second-Lien Credit Document whether or not the claim for such interest is allowed as a claim in such Insolvency or Liquidation Proceeding and (b) any and all fees and expenses (including attorneys' and/or financial consultants' fees and expenses) incurred by the Second-Lien Collateral Agent, the Second-Lien Administrative Agent and the Second-Lien Creditors after the commencement of an Insolvency or Liquidation Proceeding, whether or not the claim for fees and expenses is allowed under Section 506(b) of the Bankruptcy Code or any other provision of the Bankruptcy Code or Bankruptcy Law as a claim in such Insolvency or Liquidation Proceeding.

"Second-Lien Lenders" means the "Lenders" under and as defined in the Second-Lien Credit Agreement.

"Second-Lien Mortgages" means a collective reference to each mortgage, deed of trust and any other document or instrument under which any Lien on real property owned by any Grantor is granted to secure any Second-Lien Obligations or under which rights or remedies with respect to any such Liens are governed.

"Second-Lien Security Agreement" means the Security Agreement, dated as of the date hereof, among Holdings, the Borrower, the other Grantors and the Second-Lien Collateral Agent, as the same may be amended, supplemented, restated or otherwise modified from time to time in accordance with the terms hereof and thereof.

"Second-Lien Pledge Agreement" means the Pledge Agreement, dated as of the date hereof, among Holdings, the Borrower, the other Grantors and the Second-Lien Collateral Agent, as the same may be amended, supplemented, restated or otherwise modified from time to time in accordance with the terms hereof and thereof.

"Second-Lien Security Documents" means the Security Documents (as defined in the Second-Lien Credit Agreement) and any other agreement, document, mortgage or instrument pursuant to which a Lien is granted securing any Second-Lien Obligations or under which rights or remedies with respect to such Liens are governed, as the same may be amended, supplemented, restated or otherwise modified from time to time in accordance with the terms hereof and thereof.

"Secured Hedging Agreements" shall mean each Interest Rate Protection Agreement, each Commodities Agreement and each Other Hedging Agreement, in each case entered into by a Grantor and any Hedging Creditor.

"Security Documents" means, collectively, the First-Lien Security Documents and the Second-Lien Security Documents.

"Subsidiary" of any Person shall mean and include (i) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person directly or indirectly through Subsidiaries and (ii) any partnership, limited liability Borrower, association, joint venture or other entity (other than a corporation) in which such Person directly or indirectly through Subsidiaries, has more than a 50% equity interest at the time.

"Subsidiary Guarantors" means each Subsidiary of the Borrower which enters into a guaranty of any First-Lien Obligations or Second-Lien Obligations.

"Uniform Commercial Code" or "UCC" means the Uniform Commercial Code as from time to time in effect in the State of New York.

1.2 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without

---

limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified, (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Exhibits or Sections shall be construed to refer to Exhibits or Sections of this Agreement, (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights, (f) terms defined in the UCC but not otherwise defined herein shall have the same meanings herein as are assigned thereto in the UCC, (g) reference to any law means such law as amended, modified, codified, replaced or re-enacted, in whole or in part, and in effect on the date hereof, including rules, regulations, enforcement procedures and any interpretations promulgated thereunder and (h) underscored references to Sections or clauses shall refer to those portions of this Agreement, and any underscored references to a clause shall, unless otherwise identified, refer to the appropriate clause within the same Section in which such reference occurs.

SECTION 2. Priority of Liens.

2.1 Subordination. Notwithstanding the date, manner or order of grant, attachment or perfection of any Liens securing the Second-Lien Obligations granted on the Collateral or of any Liens securing the First-Lien Obligations granted on the Collateral and notwithstanding any provision of the UCC, or any applicable law or the Second-Lien Credit Documents or any other circumstance whatsoever (including any non-perfection of any Lien purporting to secure the First-Lien Obligations and Second-Lien Obligations), the Second-Lien Collateral Agent, on behalf of itself and the other Second-Lien Creditors, and each other Second-Lien Creditor (by its acceptance of the benefits of the Second-Lien Credit Documents) hereby agrees that: (a) any Lien on the Collateral securing any First-Lien Obligations now or hereafter held by or on behalf of the First-Lien Collateral Agent or any First-Lien Creditors or any agent or trustee therefor, regardless of how acquired, whether by grant, possession, statute, operation of law, subrogation or otherwise, shall be senior in all respects and prior to any Lien on the Collateral securing any of the Second-Lien Obligations; and (b) any Lien on the Collateral now or hereafter held by or on behalf of the Second-Lien Collateral Agent, any Second-Lien Creditors or any agent or trustee therefor regardless of how acquired, whether by grant, possession, statute, operation of law, subrogation or otherwise, shall be junior and subordinate in all respects to all Liens on the Collateral securing any First-Lien Obligations. All Liens on the Collateral securing any First-Lien Obligations shall be and remain senior in all respects and prior to all Liens on the Collateral securing any Second-Lien Obligations for all purposes, whether or not such Liens securing any First-Lien Obligations are subordinated to any Lien securing any other obligation of Holdings, the Borrower, any other Grantor or any other Person.

2.2 Prohibition on Contesting Liens. Each of the Second-Lien Collateral Agent, for itself and on behalf of each Second-Lien Creditor, and the First-Lien Collateral Agent, for itself and on behalf of each First-Lien Creditor, agrees that it shall not (and hereby waives any right to) contest or support any other Person in contesting, in any proceeding (including any

---

Insolvency or Liquidation Proceeding), (i) the validity or enforceability of any Security Document or any Obligation thereunder, (ii) the validity, perfection, priority or enforceability of the Liens, mortgages, assignments and security interests granted pursuant to the Security Documents with respect to the First-Lien Obligations or (iii) the relative rights and duties of the holders of the First-Lien Obligations and the Second-Lien Obligations granted and/or established in this Agreement or any other Security Document with respect to such Liens, mortgages, assignments, and security interests; provided that nothing in this Agreement shall be construed to prevent or impair the rights of the First-Lien Collateral Agent or any First-Lien Creditor to enforce this Agreement, including the priority of the Liens securing the First-Lien Obligations as provided in Section 3.1.

2.3 No New Liens. So long as the Discharge of First-Lien Obligations has not occurred, the parties hereto agree that neither Holdings nor the Borrower shall, and shall not permit any Subsidiary Guarantor to, grant or permit any additional Liens, or take any action to perfect any additional Liens, on any asset or property to secure any Second-Lien Obligation unless it has also granted a Lien on such asset or property to secure the First-Lien Obligations. To the extent that the foregoing provisions are not complied with for any reason, without limiting any other rights and remedies available to the First-Lien Collateral Agent and/or the other First-Lien Creditors, the Second-Lien Collateral Agent, on behalf of itself and the other Second-Lien Creditors, and each other Second-Lien Creditor (by its acceptance of the benefits of the Second-Lien Credit Documents), agrees that any amounts received by or distributed to any of them pursuant to or as a result of Liens granted in contravention of this Section 2.3 shall be subject to Section 4.2.

2.4 Similar Liens and Agreements. The parties hereto agree that it is their intention that the Second-Lien Collateral not be more expansive than the First-Lien Collateral. In furtherance of the foregoing and of Section 8.9, the Second-Lien Collateral Agent and the other Second-Lien Creditors agree, subject to the other provisions of this Agreement:

(i) upon request by the First-Lien Collateral Agent, to cooperate in good faith (and to direct their counsel to cooperate in good faith) from time to time in order to determine the specific items included in the Second-Lien Collateral and the steps taken to perfect the Liens thereon and the identity of the respective parties obligated under the Second-Lien Credit Documents; and

(ii) that the guarantees for the First-Lien Obligations and the Second-Lien Obligations shall be substantially the same forms of documents.

SECTION 3. Enforcement.

3.1 Exercise of Remedies. (a) So long as the Discharge of First-Lien Obligations has not occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against Holdings, the Borrower or any other Grantor: (i) the Second-Lien Collateral Agent and the other Second-Lien Creditors will not exercise or seek to exercise any rights or remedies (including setoff) with respect to any Collateral (including, without limitation, the exercise of any right under any lockbox agreement, control account agreement, landlord waiver or bailee's letter or similar agreement or arrangement to which the Second-Lien

---

Collateral Agent or any Second-Lien Creditor is a party) or institute or commence, or join with any Person in commencing, any action or proceeding with respect to such rights or remedies (including any action of foreclosure, enforcement, collection or execution and any Insolvency or Liquidation Proceeding), and will not contest, protest or object to any foreclosure proceeding or action brought by the First-Lien Collateral Agent or any First-Lien Creditor or any other exercise by the First-Lien Collateral Agent or any First-Lien Creditor, of any rights and remedies relating to the Collateral under the First-Lien Credit

Documents or otherwise, or object to the forbearance by the First-Lien Collateral Agent or the First-Lien Creditors from bringing or pursuing any foreclosure proceeding or action or any other exercise of any rights or remedies relating to the Collateral; and (ii) the First-Lien Collateral Agent shall have the exclusive right, and the Required First-Lien Creditors shall have the exclusive right to instruct the First-Lien Collateral Agent, to enforce rights, exercise remedies (including set-off and the right to credit bid their debt) and make determinations regarding the release, disposition, or restrictions with respect to the Collateral without any consultation with or the consent of the Second-Lien Collateral Agent or any Second-Lien Creditor, all as though the Second-Lien Obligations did not exist; provided, that (A) in any Insolvency or Liquidation Proceeding commenced by or against the Borrower or any other Grantor, the Second-Lien Collateral Agent may file a claim or statement of interest with respect to the Second-Lien Obligations, (B) the Second-Lien Collateral Agent may take any action (not adverse to the prior Liens on the Collateral securing the First-Lien Obligations, or the rights of the First-Lien Collateral Agent or the First-Lien Creditors to exercise remedies in respect thereof) in order to preserve or protect its Lien on the Collateral in accordance with the terms of this Agreement and (C) the Second-Lien Creditors shall be entitled to file any necessary responsive or defensive pleading in opposition to any motion, claim, adversary proceeding or other pleading made by any person objecting to or otherwise seeking the disallowance of the claims of the Second-Lien Creditors, including any claim secured by the Collateral, if any, in each case in accordance with the terms of this Agreement. In exercising rights and remedies with respect to the Collateral, the First-Lien Collateral Agent and the First-Lien Creditors may enforce the provisions of the First-Lien Credit Documents and exercise remedies thereunder, all in such order and in such manner as they may determine in the exercise of their sole discretion. Such exercise and enforcement shall include the rights of an agent appointed by them to sell or otherwise dispose of Collateral upon foreclosure, to incur expenses in connection with such sale or disposition, and to exercise all the rights and remedies of a secured creditor under the Uniform Commercial Code of any applicable jurisdiction and of a secured creditor under Bankruptcy Laws of any applicable jurisdiction.

(b) The Second-Lien Collateral Agent, on behalf of itself and the Second-Lien Creditors, agrees that, it will not take or receive any Collateral or any proceeds of Collateral in connection with the exercise of any right or remedy (including setoff) with respect to any Collateral, unless and until the Discharge of First-Lien Obligations has occurred. Without limiting the generality of the foregoing, unless and until the Discharge of First-Lien Obligations has occurred, the sole right of the Second-Lien Collateral Agent and the Second-Lien Creditors with respect to the Collateral is to hold a Lien on the Collateral pursuant to the Second-Lien Security Documents for the period and to the extent granted therein and to receive a share of the proceeds thereof, if any, after the Discharge of the First-Lien Obligations has occurred in accordance with the terms of the Second-Lien Credit Documents and applicable law.

(c) The Second-Lien Collateral Agent, for itself and on behalf of the Second-Lien Creditors, and each other Second-Lien Creditor (by its acceptance of the benefits of the Second-Lien Credit Documents), (i) agrees that the Second-Lien Collateral Agent and the other Second-Lien Creditors will not take any action that would hinder, delay, limit or prohibit any exercise of remedies under the First-Lien Credit Documents, including any collection, sale, lease, exchange, transfer or other disposition of the Collateral, whether by foreclosure or otherwise, or that would limit, invalidate, avoid or set aside any Lien or Security Document or subordinate the priority of the First-Lien Obligations to the Second-Lien Obligations or grant the Liens securing the Second-Lien Obligations equal ranking to the Liens securing the First-Lien Obligations and (ii) hereby waives any and all rights it or the Second-Lien Creditors may have as a junior lien creditor or otherwise (whether arising under the UCC or under any other law) to object to the manner in which the First-Lien Collateral Agent or the First-Lien Creditors seek to enforce or collect the First-Lien Obligations or the Liens granted in any of the First-Lien Collateral, regardless of whether any action or failure to act by or on behalf of the First-Lien Collateral Agent or First-Lien Creditors is adverse to the interest of the Second-Lien Creditors.

(d) The Second-Lien Collateral Agent hereby acknowledges and agrees that no covenant, agreement or restriction contained in the Second-Lien Security Documents or any other Second-Lien Credit Document shall be deemed to restrict in any way the rights and remedies of the First-Lien Collateral Agent or the First-Lien Creditors with respect to the Collateral as set forth in this Agreement and the First-Lien Credit Documents.

SECTION 4. Payments.

4.1 Application of Proceeds. So long as the Discharge of First-Lien Obligations has not occurred, any proceeds of any Collateral pursuant to the enforcement of any Security Document or the exercise of any remedial provision thereunder, together with all other proceeds received by any Creditor (including all funds received in respect of post-petition interest or fees and expenses) as a result of any such enforcement or the exercise of any such remedial provision or as a result of any distribution of or in respect of any Collateral (whether or not expressly characterized as such) upon or in any Insolvency or Liquidation Proceeding with respect to any Grantor, or the application of any Collateral (or proceeds thereof) to the payment thereof or any distribution of Collateral (or proceeds thereof) upon the liquidation or dissolution of any Grantor, shall be applied by the First-Lien Collateral Agent to the First-Lien Obligations in such order as specified in the relevant First-Lien Security Document. Upon the Discharge of the First-Lien Obligations, the First-Lien Collateral Agent shall deliver to the Second-Lien Collateral Agent any proceeds of Collateral held by it in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct, to be applied by the Second-Lien Collateral Agent to the Second-Lien Obligations in such order as specified in the Second-Lien Security Documents.

4.2 Payments Over. Until such time as the Discharge of First-Lien Obligations has occurred, any Collateral or proceeds thereof (together with assets or proceeds subject to Liens referred to in the final sentence of Section 2.3) (or any distribution in respect of the Collateral, whether or not expressly characterized as such) received by the Second-Lien Collateral Agent or any Second-Lien Creditors in connection with the exercise of any right or remedy (including set-off) relating to the Collateral or otherwise that is inconsistent with this

---

Agreement shall be segregated and held in trust and forthwith paid over to the First-Lien Collateral Agent for the benefit of the First-Lien Creditors in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct. The First-Lien Collateral Agent is hereby authorized to make any such endorsements as agent for the Second-Lien Collateral Agent or any such Second-Lien Creditors. This authorization is coupled with an interest and is irrevocable until such time as this Agreement is terminated in accordance with its terms.

SECTION 5. Other Agreements.

5.1 Releases.

(a) If, in connection with:

(i) the exercise of the First-Lien Collateral Agent's remedies in respect of the Collateral provided for in Section 3.1, including any sale, lease, exchange, transfer or other disposition of any such Collateral (any of the foregoing, a "Remedial Action");

(ii) any sale, lease, exchange, transfer or other disposition (any of the foregoing, a "Disposition") of any Collateral permitted under the terms of the First-Lien Credit Documents (whether or not an "event of default" thereunder or under any Second-Lien Credit Document has occurred and is continuing);

(iii) any agreement (not contravening the First-Lien Credit Documents) between the First-Lien Collateral Agent and the Borrower or any other Grantor to release the First-Lien Collateral Agent's Lien on any portion of the Collateral or to release any Grantor from its obligations under its guaranty of the First-Lien Obligations; or

(iv) the release by the First-Lien Collateral Agent, for itself or at the direction of the Required First-Lien Creditors, of any of its Liens on any part of the Collateral, or of any Grantor from its obligations under its guaranty of the First-Lien Obligations;

then, the Liens, if any, of the Second-Lien Collateral Agent, for itself and for the benefit of the Second-Lien Creditors, on such Collateral, and the obligations of such Grantor under its guaranty of the Second-Lien Obligations, shall be automatically, unconditionally and simultaneously released, and the Second-Lien Collateral Agent, for itself or on behalf of any such Second-Lien Creditors, promptly shall execute and deliver to the First-Lien Collateral Agent or such Grantor such termination statements, releases and other documents as the First-Lien Collateral Agent or such Grantor may request to effectively confirm such release; provided however that if an "event of default" then exists under the Second-Lien Credit Agreement and the Discharge of First-Lien Obligations occurs concurrently with any such Remedial Action, Disposition or release, the Second-Lien Collateral Agent (on behalf of the Second-Lien Creditors) shall be entitled to receive the residual cash or cash equivalents (if any) remaining after giving effect to such Remedial Action, Disposition or release and the Discharge of the First-Lien Obligations.

(b) Until the Discharge of First-Lien Obligations occurs, the Second-Lien Collateral Agent, for itself and on behalf of the Second-Lien Creditors, hereby irrevocably constitutes and appoints the First-Lien Collateral Agent and any officer or agent of the First-Lien Collateral Agent, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Second-Lien Collateral Agent or such holder or in the First-Lien Collateral Agent's own name, from time to time in the First-Lien Collateral Agent's discretion, for the purpose of carrying out the terms of this Section 5.1, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Section 5.1, including any endorsements or other instruments of transfer or release.

(c) If, prior to the Discharge of First Lien Obligations, a subordination of the First-Lien Collateral Agent's Lien on any Collateral is permitted (or in good faith believed by the First-Lien Collateral Agent to be permitted) under Section 12.11 of the First-Lien Credit Agreement to another Lien permitted under Section 9.03 of the First-Lien Credit Agreement (a "Priority Lien"), then the First-Lien Collateral Agent is authorized to execute and deliver a subordination agreement with respect thereto in form and substance satisfactory to it, and the Second-Lien Collateral Agent, for itself and on behalf of the Second-Lien Creditors, shall promptly execute and deliver to the First-Lien Collateral Agent or the relevant Grantor an identical subordination agreement subordinating the Liens of the Second-Lien Collateral Agent for the benefit of the Second-Lien Creditors to such Priority Lien.

5.2 Insurance. Unless and until the Discharge of First-Lien Obligations has occurred, the First-Lien Collateral Agent (acting at the direction of the Required First-Lien Creditors) shall have the sole and exclusive right, subject to the rights of the Grantors under the First-Lien Credit Documents, to adjust settlement for any insurance policy covering the Collateral in the event of any loss thereunder and to approve any award granted in any condemnation or similar proceeding (or any deed in lieu of condemnation) affecting the Collateral. Unless and until the Discharge of First-Lien Obligations has occurred, and subject to the rights of the Grantors under the First-Lien Security Documents, all proceeds of any such policy and any such award (or any payments with respect to a deed in lieu of condemnation) in respect to the Collateral shall be paid to the First-Lien Collateral Agent for the benefit of the First-Lien Creditors pursuant to the terms of the First-Lien Credit Documents (including, without limitation, for purposes of cash collateralization of commitments, letters of credit and Second Hedging Agreements) and, after the Discharge of First-Lien Obligations has occurred, to the Second-Lien Collateral Agent for the benefit of the Second-Lien Creditors to the extent required under the Second-Lien Security Documents and then, to the extent no Second-Lien Obligations are outstanding, to the owner of the subject property, such other Person as may be entitled thereto or as a court of competent jurisdiction may otherwise direct. If the Second-Lien Collateral Agent or any Second-Lien Creditors shall, at any time, receive any proceeds of any such insurance policy or any such award or payment in contravention of this Agreement, it shall pay such proceeds over to the First-Lien Collateral Agent in accordance with the terms of Section 4.2 of this Agreement.

5.3 Amendments to Second-Lien Security Documents.

(a) Without the prior written consent of the First-Lien Collateral Agent (acting at the direction of the Required First-Lien Creditors), no Second-Lien Security Document may be amended, supplemented or otherwise modified or entered into to the extent such amendment, supplement or modification, or the terms of any new Second-Lien Security Document, would contravene the provisions of this Agreement or any First-Lien Credit Document. Each of Holdings and the Borrower agrees that each Second-Lien Security Document shall include the following language (or language to similar effect approved by the First-Lien Collateral Agent):

> "Notwithstanding anything herein to the contrary, the lien and security interest granted to the Second-Lien Collateral Agent pursuant to this Agreement and the exercise of any right or remedy by the Second-Lien Collateral Agent hereunder are subject to the provisions of the Intercreditor Agreement, dated as of March 17, 2004 (as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof, the "Intercreditor Agreement"), among EnerSys, EnerSys Capital Inc., Bank of America, N.A., as First-Lien Collateral Agent, Bank of America, N.A., as Second-Lien Collateral Agent and certain other persons party or that may become party thereto from time to time. In the event of any conflict between the terms of the Intercreditor Agreement and this Agreement, the terms of the Intercreditor Agreement shall govern and control."

In addition, each of Holdings and the Borrower agrees that each Second-Lien Mortgage covering any Collateral shall contain such other language as the First-Lien Collateral Agent may reasonably request to reflect the subordination of such Second-Lien Mortgage to the First-Lien Security Document covering such Collateral.

(b) In the event the First-Lien Collateral Agent or the First-Lien Creditors and the relevant Grantor(s) enter into any amendment, waiver or consent in respect of any of the First-Lien Security Documents for the purpose of adding to, or deleting from, or waiving or consenting to any departures from any provisions of, any First-Lien Security Document or changing in any manner the rights of the First-Lien Collateral Agent, the First-Lien Creditors, the Borrower or any other Grantor thereunder, then such amendment, waiver or consent shall apply automatically to any comparable provision of the Second-Lien Credit Agreement and the Comparable Second-Lien Security Document without the consent of the Second-Lien Collateral Agent or the Second-Lien Creditors and without any action by the Second-Lien Collateral Agent, the Borrower or any other Grantor, provided, that (A) no such amendment, waiver or consent shall have the effect of (i) removing assets subject to the Lien of the Second-Lien Security Documents, except to the extent that a release of such Lien is permitted by Section 5.1 of this Agreement, (ii) imposing additional duties on the Second-Lien Collateral Agent without its consent, or (iii) permitting other liens on the Collateral not permitted under the terms of the Second-Lien Credit Documents or Section 6 hereof and (B) notice of such amendment, waiver or consent shall have been given to the Second-Lien Collateral Agent (although the failure to give any such notice shall in no way affect the effectiveness of any such amendment, waiver or consent).

5.4 Rights As Unsecured Creditors. Except as otherwise set forth in this Agreement, the Second-Lien Collateral Agent and the Second-Lien Creditors may exercise rights

---

and remedies as unsecured creditors against Holdings, the Borrower or any Subsidiary Guarantor that has guaranteed the Second-Lien Obligations in accordance with the terms of the Second-Lien Credit Documents and applicable law. Except as otherwise set forth in this Agreement, nothing in this Agreement shall prohibit the receipt by the Second-Lien Collateral Agent or any Second-Lien Creditors of the required payments of interest and principal on the Second-Lien Obligations so long as such receipt is not the direct or indirect result of the exercise by the Second-Lien Collateral Agent or any Second-Lien Creditor of rights or remedies as a secured creditor (including set-off) or enforcement in contravention of this Agreement of any Lien held by any of them. In the event the Second-Lien Collateral Agent or any Second-Lien Creditor becomes a judgment lien creditor in respect of Collateral as a result of its enforcement of its rights as an unsecured creditor, such judgment lien shall be subordinated to the Liens securing First-Lien Obligations on the same basis as the other Liens securing the Second-Lien Obligations are so subordinated to such First-Lien Obligations under this Agreement. Nothing in this Agreement impairs or otherwise adversely affects any rights or remedies the First-Lien Collateral Agent or the First-Lien Creditors may have with respect to the First-Lien Collateral.

5.5 Bailee for Perfection.

(a) The First-Lien Collateral Agent agrees to hold the Pledged Collateral that is part of the Collateral in its possession or control (or in the possession or control of its agents or bailees) as bailee for each First-Lien Creditor and the Second-Lien Collateral Agent and any assignee solely for the purpose of perfecting the security interest granted under the First-Lien Credit Documents and the Second-Lien Credit Documents, subject to the terms and conditions of this Section 5.5.

(b) Until the Discharge of First-Lien Obligations has occurred, the First-Lien Collateral Agent shall be entitled to deal with the Pledged Collateral in accordance with the terms of the First-Lien Credit Documents as if the Liens of the Second-Lien Collateral Agent under the Second-Lien Security Documents did not exist. The rights of the Second-Lien Collateral Agent shall at all times be subject to the terms of this Agreement and to the First-Lien Collateral Agent's rights under the First-Lien Credit Documents.

(c) The First-Lien Collateral Agent shall have no obligation whatsoever to the First-Lien Creditors and the Second-Lien Collateral Agent or any Second-Lien Creditor to assure that the Pledged Collateral is genuine or owned by any of the Grantors or to preserve rights or benefits of any Person except as expressly set forth in this Section 5.5. The duties or responsibilities of the First-Lien Collateral Agent under this Section 5.5 shall be limited solely to holding the Pledged Collateral as bailee in accordance with this Section 5.5.

(d) The First-Lien Collateral Agent acting pursuant to this Section 5.5 shall not have by reason of the First-Lien Security Documents, the Second-Lien Security Documents, this Agreement or any other document a fiduciary relationship in respect of the First-Lien Creditors, the Second-Lien Collateral Agent or any Second-Lien Creditor.

(e) Upon the Discharge of the First-Lien Obligations, the First-Lien Collateral Agent shall deliver the remaining Pledged Collateral (if any) (or proceeds thereof) together with any necessary endorsements, first, to the Second-Lien Collateral Agent, to the

---

extent Second-Lien Obligations remain outstanding, and second, to the Borrower or the relevant Grantor to the extent no First-Lien Obligations or Second-Lien Obligations remain outstanding (in each case, so as to allow such Person to obtain control of such Pledged Collateral). The First-Lien Collateral Agent further agrees to take all other action reasonably requested by such Person in connection with such Person's obtaining a first-priority interest in the Collateral or as a court of competent jurisdiction may otherwise direct.

5.6 When Discharge of First-Lien Obligations Deemed to Not Have Occurred. If at any time after the Discharge of First-Lien Obligations has occurred, the Borrower immediately thereafter enters into any Refinancing of any First-Lien Credit Document evidencing a First-Lien Obligation which Refinancing is permitted hereby, then such Discharge of First-Lien Obligations shall automatically be deemed not to have occurred for all purposes of this Agreement, and the obligations under such Refinancing First-Lien Credit Document shall automatically be treated as First-Lien Obligations for all purposes of this Agreement, including for purposes of the Lien priorities and rights in respect of Collateral set forth herein, and the first-lien collateral agent under such First-Lien Credit Documents shall be the First-Lien Collateral Agent for all purposes of this Agreement. Upon receipt of a notice stating that the Borrower has entered into a new First-Lien Credit Document (which notice shall include the identity of the new agent, such agent, the "New Agent"), the Second-Lien Collateral Agent shall promptly enter into such documents and agreements (including amendments or supplements to this Agreement) as the Borrower or such New Agent may reasonably request in order to provide to the New Agent the rights contemplated hereby, in each case consistent in all material respects with the terms of this Agreement.

5.7 Option to Purchase First-Lien Debt. (a) Without prejudice to the enforcement of remedies by the First-Lien Creditors, any Person or Persons at any time or from time to time designated by the holders of more than 50% in outstanding principal amount of the Second-Lien Obligations as entitled to exercise all default purchase options as to the Second-Lien Obligations then outstanding (an "Eligible Purchaser") shall have the

right to purchase, at any time during the exercise period described in clause (c) below, all, but not less than all, of the First-Lien Obligations, including all principal of and interest and fees on and all prepayment or acceleration penalties and premiums in respect of all First-Lien Obligations, outstanding at the time of purchase:

(1) for a purchase price equal to the greater of (x) the market price for the First-Lien Obligations or (y) the sum of (A) in the case of First-Lien Obligations then outstanding (other than Letters of Credit), 100% of the principal amount and accrued interest outstanding on the First-Lien Obligations on the date of purchase, and (B) in the case of each Letter of Credit then outstanding, 100% of the reimbursement obligation in respect of such Letter of Credit as and when such Letter of Credit is drawn upon, plus accrued interest thereon, and all other First-Lien Obligations relating to such Letter of Credit that are outstanding as and when such Letter of Credit is drawn upon (the amounts payable under clause (y)(B), collectively, the "Acquired L/C Obligations");

(2) with such purchase price payable in cash on the date of purchase against transfer to an Eligible Purchaser or its nominee or transferee (without recourse and without any representation or warranty whatsoever, whether as to the enforceability of

---

any First-Lien Obligation or the validity, enforceability, perfection, priority or sufficiency of any Lien securing or guarantee or other supporting obligation for any First-Lien Obligation or as to any other matter whatsoever, except only the representation and warranty that the transferor owns free and clear of all Liens and encumbrances (other than participation interests not prohibited by the First-Lien Credit Agreement), and has the right to convey, whatever claims and interests it may have in respect of the First-Lien Obligations); provided that the purchase price in respect of any outstanding Letter of Credit that remains undrawn on the date of purchase shall be payable as and when such Letter of Credit is drawn upon (i) first, from the cash collateral account described in clause (a)(3) below, until the amounts contained therein have been exhausted, and (ii) thereafter, directly by the purchaser;

(3) with such purchase accompanied by a deposit of cash collateral under the dominion and control of the First-Lien Collateral Agent or its designee in an amount equal to 110% of the aggregate undrawn amount, as security for the purchaser's purchase of the Acquired L/C Obligations, subject to the agreement that if any Letter of Credit (A) is cancelled and returned to the issuer thereof, (B) expires in accordance with its terms or (C) is drawn in its full face amount, the First-Lien Collateral Agent or its designee holding such cash collateral shall promptly return to the Eligible Purchaser an amount equal to the excess, if any, of (i) the amount deposited as cash collateral in respect of such Letter of Credit, over (ii) the amount equal to 100% of the reimbursement obligation in respect of such Letter of Credit as and when such Letter of Credit is cancelled, expires or is fully drawn, as the case may be, plus accrued interest thereon and all First-Lien Obligations relating to such Letter of Credit that are outstanding as and when such Letter of Credit is cancelled, expires or is fully drawn, as the case may be;

(4) with such purchase price accompanied by (i) a release in favor of the First-Lien Collateral Agent and the First-Lien Creditors from all the Grantors, in form and substance reasonably satisfactory to the First-Lien Collateral Agent and the Eligible Purchaser, of all obligations and liabilities of the First-Lien Collateral Agent, the First-Lien Creditors and their respective Affiliates, officers, directors, employees and agents and (ii) a waiver by the Second-Lien Collateral Agent and the other Second-Lien Creditors of all claims arising out of this Agreement and the transactions contemplated hereby as a result of exercising the purchase option contemplated by this Section 6.5; and

(5) with such purchase pursuant to purchase documentation in form and substance satisfactory to the First-Lien Collateral Agent.

(b) The right to exercise the purchase option described in Section 6.5(a) shall be exercisable and legally enforceable upon at least ten Business Days' prior written notice of exercise given to the First-Lien Collateral Agent by an Eligible Purchaser. Neither the First-Lien Collateral Agent or any other First-Lien Creditor shall have any disclosure obligation to any Eligible Purchaser, the Second-Lien Collateral Agent or any other Second-Lien Creditor in connection with any exercise of such purchase option.

(c) The right to purchase the First-Lien Obligations as described in this Section 6.5 may be exercised during the period that begins on the date of the acceleration of

---

the Loans under the First-Lien Credit Agreement and ends on the 20th Business Day after receipt by the Second-Lien Collateral Agent of written notice of such acceleration from the Borrower, any Grantor or the First-Lien Collateral Agent.

(d) The obligations of the First-Lien Creditors to sell their respective First-Lien Obligations under this Section 6.5 are several and not joint and several. To the extent any First-Lien Creditor (a "Defaulting Creditor") breaches its obligation to sell its First-Lien Obligations under this Section 6.5, nothing in this Section 6.5 shall be deemed to require the First-Lien Collateral Agent or any other First-Lien Creditor to purchase such Defaulting Creditor's First-Lien Obligations for resale to the holders of Second-Lien Obligations and in all cases, the First-Lien Collateral Agent and each First-Lien Creditor complying with the terms of this Section 6.5 shall not be deemed to be in default of this Agreement or otherwise be deemed liable for any action or inaction of any Defaulting Creditor; provided that nothing in this clause (d) shall require any Eligible Purchaser to purchase less than all of the First-Lien Obligations.

SECTION 6. Insolvency or Liquidation Proceedings.

6.1 Finance and Sale Issues. (a) If the Borrower or any other Grantor shall be subject to any Insolvency or Liquidation Proceeding and the First-Lien Collateral Agent (acting at the direction of the Required First-Lien Creditors) shall desire to permit the use of cash collateral on which the First-Lien Collateral Agent or any other creditor has a Lien or to permit the Borrower or any other Grantor to obtain financing (including on a priming basis), whether from the First-Lien Creditors or any other third party under Section 362, 363 or 364 of Title 11 of the United States Code or any similar Bankruptcy Law (each, a "Post-Petition Financing"), then the Second-Lien Collateral Agent, on behalf of itself and the Second-Lien Creditors, and each other Second-Lien Creditor (by its acceptance of the benefits of the Second-Lien Credit Documents), agrees that it will not oppose or raise any objection to such use of cash collateral or Post-Petition Financing and will not request adequate protection or any other relief in connection therewith (except, as expressly agreed in writing by the First-Lien Collateral Agent or to the extent permitted by Section 6.3) and, to the extent the Liens securing the First-Lien Obligations are subordinated or pari passu with such Post-Petition Financing, will subordinate its Liens in the Collateral to the Liens securing such Post-Petition Financing (and all Obligations relating thereto).

(b) The Second-Lien Collateral Agent, on behalf of itself and the other Second-Lien Creditors, and each other Second-Lien Creditor (by its acceptance of the benefits of the Second-Lien Credit Documents), agrees that it will raise no objection to or oppose a sale or other disposition of any Collateral free and clear of its Liens or other claims under Section 363 of the Bankruptcy Code if the First-Lien Creditors have consented to such sale or disposition of such assets.

6.2 Relief from the Automatic Stay. Until the Discharge of First-Lien Obligations has occurred, the Second-Lien Collateral Agent, on behalf of itself and the Second-Lien Creditors, and each other Second-Lien Creditor (by its acceptance of the benefits of the Second-Lien Credit Documents), agrees that none of them shall seek relief from or modification of the automatic stay or any other stay in any Insolvency or Liquidation Proceeding in respect of the Collateral, without the prior written consent of the First-Lien Collateral Agent.

6.3 Adequate Protection. The Second-Lien Collateral Agent, on behalf of itself and the Second-Lien Creditors, and each other Second-Lien Creditor (by its acceptance of the benefits of the Second-Lien Credit Documents), agrees that none of them shall (i) oppose, object to or contest (or support any other person opposing, objecting to or contesting) (a) any request by the First-Lien Collateral Agent or the First-Lien Creditors for adequate protection in any Insolvency or Liquidation Proceeding (or any granting of such request) or (b) any objection by the First-Lien Collateral Agent or the First-Lien Creditors to any motion, relief, action or proceeding based on the First-Lien Collateral Agent or the First-Lien Creditors claiming a lack of adequate protection or (ii) seek or accept any form of adequate protection under either or both Sections 362 and 363 of the Bankruptcy Code with respect to the Second-Lien Obligations, except to the extent that the receipt by the Second-Lien Creditors of any such adequate protection would not reduce (or would not have the effect of reducing) or adversely affect the adequate protection that the First-Lien Creditors otherwise would be entitled to receive (it being understood that, in any event, (A) any such adequate protection shall only be afforded to the Second-Lien Creditors if the First-Lien Creditors are satisfied with the adequate protection afforded to the First-Lien Creditors, and (B) any such adequate protection is in the form a replacement Lien on the Grantors' assets, which Lien will be subordinated to the Liens securing the First-Lien Obligations and any Post-Petition Financing (and all Obligations relating thereto) on the same basis as the other Liens securing the Second-Lien Obligations are so subordinated to the First-Lien Obligations under this Agreement,

6.4 No Waiver; Voting Rights. Nothing contained herein shall prohibit or in any way limit the First-Lien Collateral Agent or any First-Lien Creditor from objecting in any Insolvency or Liquidation Proceeding or otherwise to any action taken by the Second-Lien Collateral Agent or any of the Second-Lien Creditors, including the seeking by the Second-Lien Collateral Agent or any Second-Lien Creditors of adequate protection or the asserting by the Second-Lien Collateral Agent or any Second-Lien Creditors of any of its rights and remedies under the Second-Lien Credit Documents or otherwise. In any Insolvency or Liquidation Proceeding, neither the Second-Lien Collateral Agent nor any other Second-Lien Creditor shall (i) oppose, object to, or vote against any plan of reorganization or disclosure statement to the extent the terms of such plan or disclosure statement are consistent with the rights of the First-Lien Creditors under this Agreement or (ii) vote any claim in respect of Second-Lien Obligations for any plan of reorganization of any Grantor unless (x) such plan provides for the payment in full in cash of all First-Lien Obligations on the effective date of such plan of reorganization or (y) such plan provides for treatment of the First-Lien Obligations in a manner that would result in such First-Lien Obligations having relative lien (or, if the obligations, property or assets to be distributed in respect of the First-Lien Obligations under such plan are unsecured, other) priority over the Second-Lien Obligations to at least the same extent as if such obligations, property or assets were secured by Liens and subject to Section 6.6, whether or not such obligations, property or assets are, in fact, secured by any such Liens, and further requires (or does not purport to otherwise alter the provisions of this Agreement requiring) that all distributions on account of the Second-Lien Obligations under such plan be delivered to the First-Lien Collateral Agent and distributed in accordance with the priorities provided in Section 4.1(a), it being understood that, in the event that any plan is proposed by any debtor, creditor, or other party in interest in any such Insolvency or Liquidation Proceeding that purports to alter the provisions of this Agreement (including the provisions of Section 4.1(a) and the priority of application of the proceeds of Collateral set forth therein), the First-Lien Collateral Agent shall been deemed to

---

have been granted, as of the date hereof, an irrevocable power of attorney to vote the claim of the Second-Lien Creditors against any such plan, with such appointment being coupled with an interest, and the First-Lien Collateral Agent shall be deemed the "holder" of such claims within the meaning of Section 1126(a) of the Bankruptcy Code. Except as provided in this Section 6, the Second-Lien Creditors shall remain entitled to vote their claims in any such Insolvency or Liquidation Proceeding.

6.5 Preference Issues. If any First-Lien Creditor is required in any Insolvency or Liquidation Proceeding or otherwise to turn over or otherwise pay to the estate of the Borrower or any other Grantor any amount (a "Recovery"), then the First-Lien Obligations shall be reinstated to the extent of such Recovery and the First-Lien Creditors shall be entitled to a reinstatement of First-Lien Obligations with respect to all such recovered amounts. If this Agreement shall have been terminated prior to such Recovery, this Agreement shall be reinstated in full force and effect, and such prior termination shall not diminish, release, discharge, impair or otherwise affect the obligations of the parties hereto from such date of reinstatement.

6.6 Reorganization Securities. If, in any Insolvency or Liquidation Proceeding, debt obligations or debt or equity securities of the reorganized debtor secured by Liens upon any property of the reorganized debtor are distributed, pursuant to a plan of reorganization or similar dispositive restructuring plan, both on account of First-Lien Obligations and on account of Second-Lien Obligations, then the Second-Lien Creditors may retain such debt or equity obligations or securities, but only to the extent that such Liens are subordinated to the Liens securing the First-Lien Obligations to the same extent and in all instances pursuant to the provisions of this Agreement.

6.7 Post-Petition Interest.

(a) Neither the Second-Lien Collateral Agent nor any Second-Lien Creditor shall oppose or seek to challenge any claim by the First-Lien Collateral Agent or any First-Lien Creditor for allowance in any Insolvency or Liquidation Proceeding of First-Lien Obligations consisting of post-petition interest, fees or expenses. Regardless of whether any such claim is allowed, and without limiting the generality of the other provisions of this Agreement, this Agreement expressly is intended to include and does include the "rule of explicitness" in that this Agreement expressly entitles the First-Lien Creditors to receive payment from the Collateral of any post-petition interest, fees or expenses through distributions made pursuant to the provisions of this Agreement even though such interest, fees, expenses are not allowed or allowable against the bankruptcy estate of the Borrower or any other Grantor under Section 502(b)(2) or Section 506(b) of the Bankruptcy Code or under any other provision of the Bankruptcy Code or any other Bankruptcy Law.

(b) Neither the First-Lien Collateral Agent nor any other First-Lien Creditor shall oppose or seek to challenge any claim by the Second-Lien Collateral Agent or any Second-Lien Creditor for allowance in any Insolvency or Liquidation Proceeding of Second-Lien Obligations

consisting of post-petition interest, fees or expenses to the extent of the value of the Lien of the Second-Lien Collateral Agent on behalf of the Second-Lien Creditors on the Collateral (after taking into account the First-Lien Collateral).

6.8 Waiver. The Second-Lien Agent, for itself and on behalf of the other Second-Lien Creditors, waives any claim it may hereafter have against any First-Lien Creditor arising out of the election by any First-Lien Creditor of the application of Section 1111(b)(2) of the Bankruptcy Code, and/or out of any cash collateral or financing arrangement or out of any grant of a security interest in connection with the Collateral in any Insolvency or Liquidation Proceeding.

6.9 Limitations. So long as the Discharge of First-Lien Obligations has not occurred, without the express written consent of the First-Lien Agent, none of the Second-Lien Creditors shall, in any Insolvency or Liquidation Proceeding involving any Grantor, (i) make an election pursuant to Section 1111(b) of the Bankruptcy Code, (ii) oppose or object to the determination of the extent of any Liens held by any of the First-Lien Creditors or the value of any claims of First-Lien Creditors under Section 506(a) of the Bankruptcy Code or (iii) oppose or object to the payment of interest and expenses under Sections 506(b) and (c) of the Bankruptcy Code.

SECTION 7. Reliance; Waivers; Etc.

7.1 Reliance. Other than any reliance on the terms of this Agreement, the First-Lien Collateral Agent, on behalf of itself and the First-Lien Creditors under its First-Lien Credit Documents, acknowledges that it and such First-Lien Creditors have, independently and without reliance on the Second-Lien Collateral Agent or any Second-Lien Creditors, and based on documents and information deemed by them appropriate, made their own credit analysis and decision to enter into such First-Lien Credit Documents and be bound by the terms of this Agreement and they will continue to make their own credit decision in taking or not taking any action under the First-Lien Credit Agreement or this Agreement. The Second-Lien Collateral Agent, on behalf of itself and the Second-Lien Creditors, acknowledges that it and the Second-Lien Creditors have, independently and without reliance on the First-Lien Collateral Agent or any First-Lien Creditor, and based on documents and information deemed by them appropriate, made their own credit analysis and decision to enter into each of the Second-Lien Credit Documents and be bound by the terms of this Agreement and they will continue to make their own credit decision in taking or not taking any action under the Second-Lien Credit Documents or this Agreement.

7.2 No Warranties or Liability. The First-Lien Collateral Agent, on behalf of itself and the First-Lien Creditors under its First-Lien Credit Documents, acknowledges and agrees that each of the Second-Lien Collateral Agent and the Second-Lien Creditors have made no express or implied representation or warranty, including with respect to the execution, validity, legality, completeness, collectibility or enforceability of any of the Second-Lien Credit Documents, the ownership of any Collateral or the perfection or priority of any Liens thereon. The Second-Lien Creditors will be entitled to manage and supervise their respective loans and extensions of credit under the Second-Lien Credit Documents in accordance, with law and as they may otherwise, in their sole discretion, deem appropriate. The Second-Lien Collateral Agent, on behalf of itself and the Second-Lien Creditors, acknowledges and agrees that each of the First-Lien Collateral Agent and the First-Lien Creditors have made no express or implied representation or warranty, including with respect to the execution, validity, legality, completeness, collectibility or enforceability of any of the First-Lien Documents, the ownership

---

of any Collateral or the perfection or priority of any Liens thereon. The First-Lien Creditors will be entitled to manage and supervise their respective loans and extensions of credit under their respective First-Lien Documents in accordance, with law and as they may otherwise, in their sole discretion, deem appropriate. The Second-Lien Collateral Agent and the Second-Lien Creditors shall have no duty to the First-Lien Collateral Agent or any of the First-Lien Creditors, and the First-Lien Collateral Agent and the First-Lien Creditors shall have no duty to the Second-Lien Collateral Agent or any of the Second-Lien Creditors, to act or refrain from acting in a manner which allows, or results in, the occurrence or continuance of an event of default or default under any agreements with Holdings, the Borrower or any Subsidiary Guarantor (including the First-Lien Credit Documents and the Second-Lien Credit Documents), regardless of any knowledge thereof which they may have or be charged with.

7.3 No Waiver of Lien Priorities.

(a) No right of the First-Lien Creditors, the First-Lien Collateral Agent or any of them to enforce any provision of this Agreement or any First-Lien Credit Document shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of Holdings, the Borrower or any other Grantor or by any act or failure to act by any First-Lien Creditor or the First-Lien Collateral Agent, or by any noncompliance by any Person with the terms, provisions and covenants of this Agreement, any of the First-Lien Credit Documents or any of the Second-Lien Credit Documents, regardless of any knowledge thereof which the First-Lien Collateral Agent or the First-Lien Creditors, or any of them, may have or be otherwise charged with.

(b) Without in any way limiting the generality of the foregoing paragraph (but subject to the rights of the Borrower and the other Grantors under the First-Lien Credit Documents), the First-Lien Creditors, the First-Lien Collateral Agent and any of them may, at any time and from time to time in accordance with the First-Lien Credit Documents and/or applicable law, without the consent of, or notice to, the Second-Lien Collateral Agent or any other Second-Lien Creditor, without incurring any liabilities to the Second-Lien Collateral Agent or any other Second-Lien Creditor and without impairing or releasing the Lien priorities and other benefits provided in this Agreement (even if any right of subrogation or other right or remedy of the Second-Lien Collateral Agent or any Second-Lien Creditors is affected, impaired or extinguished thereby) do any one or more of the following:

(i) make loans and advances to any Grantor or issue, guaranty or obtain letters of credit for account of any Grantor or otherwise extend credit to any Grantor, in any amount and on any terms, whether pursuant to a commitment or as a discretionary advance and whether or not any default or event of default or failure of condition is then continuing;

(ii) change the manner, place or terms of payment or change or extend the time of payment of, or amend, renew, exchange, increase or alter, the terms of any of the First-Lien Obligations or any Lien on any First-Lien Collateral or guaranty thereof or any liability of the Borrower or any other Grantor, or any liability incurred directly or indirectly in respect thereof (including any increase in or extension of the First-Lien Obligations, without any restriction as to the

---

amount, tenor or terms of any such increase or extension) or otherwise amend, renew, exchange, extend, modify or supplement in any manner any Liens held by the First-Lien Collateral Agent or any of the First-Lien Creditors, the First-Lien Obligations or any of the First-Lien Credit Documents;

(iii) sell, exchange, release, surrender, realize upon, enforce or otherwise deal with in any manner and in any order any part of the First-Lien Collateral or any liability of the Borrower or any other Grantor to the First-Lien Creditors or the First-Lien Collateral Agent, or any liability incurred directly or indirectly in respect thereof;

(iv) settle or compromise any First-Lien Obligation or any other liability of the Borrower or any other Grantor or any security therefor or any liability incurred directly or indirectly in respect thereof and apply any sums by whomsoever paid and however realized to any liability (including the First-Lien Obligations) in any manner or order;

(v) exercise or delay in or refrain from exercising any right or remedy against the Borrower or any security or any other Grantor or any other Person, elect any remedy and otherwise deal freely with the Borrower, any other Grantor or any First-Lien Collateral and any security and any guarantor or any liability of the Borrower or any other Grantor to the First-Lien Creditors or any liability incurred directly or indirectly in respect thereof; and

(vi) release or discharge any First-Lien Obligation or any guaranty thereof or any agreement or obligation of any Grantor or any other person or entity with respect thereto.

(c) The Second-Lien Collateral Agent, on behalf of itself and the Second-Lien Creditors, and each other Second-Lien Creditor (by its acceptance of the benefits of the Second-Lien Credit Documents), agrees not to assert and hereby waives, to the fullest extent permitted by law, any right to demand, request, plead or otherwise assert or otherwise claim the benefit of, any marshalling, appraisal, valuation or other similar right that may otherwise be available under applicable law with respect to the Collateral or any other similar rights a junior secured creditor may have under applicable law.

7.4 Waiver of Liability; Indemnity.

(a) The Second-Lien Collateral Agent, on behalf of itself and the Second-Lien Creditors, also agrees that the First-Lien Creditors and the First-Lien Collateral Agent shall have no liability to the Second-Lien Collateral Agent or any Second-Lien Creditors, and the Second-Lien Collateral Agent, on behalf of itself and the Second-Lien Creditors, hereby waives any claim against any First-Lien Creditor or the First-Lien Collateral Agent, arising out of any and all actions which the First-Lien Creditors or the First-Lien Collateral Agent may take or permit or omit to take with respect to: (i) the First-Lien Credit Documents, (ii) the collection of the First-Lien Obligations or (iii) the foreclosure upon, or sale, liquidation or other disposition of, any First-Lien Collateral. The Second-Lien Collateral Agent, on behalf of itself and the

---

Second-Lien Creditors, agrees that the First-Lien Creditors and the First-Lien Collateral Agent have no duty, express or implied, fiduciary or otherwise, to them in respect of the maintenance or preservation of the First-Lien Collateral, the First-Lien Obligations or otherwise. Neither the First-Lien Collateral Agent nor any other First-Lien Creditor nor any of their respective directors, officers, employees or agents will be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so, or will be under any obligation to sell or otherwise dispose of any Collateral upon the request of the or any other Grantor or upon the request of the Second-Lien Collateral Agent, any other holder of Second-Lien Obligations or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. Without limiting the foregoing, each Second-Lien Creditor by accepting the benefits of the Second-Lien Security Documents agrees that neither the First-Lien Collateral Agent nor any other First-Lien Creditor (in directing the Collateral Agent to take any action with respect to the Collateral) shall have any duty or obligation to realize first upon any type of Collateral or to sell, dispose of or otherwise liquidate all or any portion of the Collateral in any manner, including as a result of the application of the principles of marshaling or otherwise, that would maximize the return to any class of Creditors holding Obligations of any type (whether First-Lien Obligations or Second-Lien Obligations), notwithstanding that the order and timing of any such realization, sale, disposition or liquidation may affect the amount of proceeds actually received by such class of Creditors from such realization, sale, disposition or liquidation.

(b) With respect to its share of the Obligations, Bank of America shall have and may exercise the same rights and powers hereunder as, and shall be subject to the same obligations and liabilities as and to the extent set forth herein for, any other Creditor, all as if Bank of America were not the First-Lien Collateral Agent or the Second-Lien Collateral Agent. The term "Creditors" or any similar term shall, unless the context clearly otherwise indicates, include Bank of America in its individual capacity as a Creditor. Bank of America and its affiliates may lend money to, and generally engage in any kind of business with, the Grantors or any of their Affiliates as if Bank of America were not acting as the First-Lien Collateral Agent or Second-Lien Collateral Agent and without any duty to account therefor to any other Creditor.

7.5 Obligations Unconditional. All rights, interests, agreements and obligations of the First-Lien Collateral Agent and the First-Lien Creditors and the Second-Lien Collateral Agent and the Second-Lien Creditors, respectively, hereunder (including the Lien priorities established hereby) shall remain in full force and effect irrespective of:

(a) any lack of validity or enforceability of any First-Lien Credit Document or any Second-Lien Credit Document;

(b) any change in the time, manner or place of payment of, or in any other terms of, all or any of the First-Lien Obligations or Second-Lien Obligations, or any amendment or waiver or other modification, including any increase in the amount thereof, whether by course of conduct or otherwise, of the terms of any First-Lien Credit Document or any Second-Lien Credit Document;

(c) any exchange of any security interest in any Collateral or any other collateral, or any amendment, waiver or other modification, whether in

---

writing or by course of conduct or otherwise, of all or any of the First-Lien Obligations or Second-Lien Obligations or any guarantee thereof;

(d) the commencement of any Insolvency or Liquidation Proceeding in respect of the Borrower or any other Grantor; or

(e) any other circumstances which otherwise might constitute a defense available to, or a discharge of, the Borrower or any other Grantor in respect of the First-Lien Obligations, or of the Second-Lien Collateral Agent or any Second-Lien Creditor in respect of this Agreement.

SECTION 8. Miscellaneous.

8.1 Conflicts. In the event of any conflict between the provisions of this Agreement and the provisions of the First-Lien Credit Documents or the Second-Lien Credit Documents, the provisions of this Agreement shall govern and control.

8.2 Effectiveness; Continuing Nature of this Agreement; Severability. This Agreement shall become effective when executed and delivered by the parties hereto. This is a continuing agreement of lien subordination and the First-Lien Creditors may continue, at any time and without notice to the Second-Lien Collateral Agent or any Second-Lien Creditor, to extend credit and other financial accommodations and lend monies to or for the benefit of the Borrower or any Grantor constituting First-Lien Obligations in reliance hereof. The Second-Lien Collateral Agent, on behalf of itself and the Second-Lien Creditors, hereby waives any right it may have under applicable law to revoke this Agreement or any of the provisions of this Agreement. The terms of this Agreement shall survive, and shall continue in full force and effect, in any Insolvency or Liquidation Proceeding. Without limiting the generality of the foregoing, this Agreement is intended to constitute and shall be deemed to constitute a "subordination agreement" within the meaning of Section 510(a) of the Bankruptcy Code and is intended to be and shall be interpreted to be enforceable to the maximum extent permitted pursuant to applicable nonbankruptcy law. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. All references to the Borrower or any other Grantor shall include the Borrower or such Grantor as debtor and debtor-in-possession and any receiver or trustee for the Borrower or any other Grantor (as the case may be) in any Insolvency or Liquidation Proceeding. This Agreement shall terminate and be of no further force and effect, (i) with respect to the Second-Lien Collateral Agent, the Second-Lien Creditors and the Second-Lien Obligations, upon the later of (1) the date upon which the obligations under the Second-Lien Credit Agreement terminate if there are no other Second-Lien Obligations outstanding on such date and (2) if there are other Second-Lien Obligations outstanding on such date, the date upon which such Second-Lien Obligations terminate and (ii) with respect to the First-Lien Collateral Agent, the First-Lien Creditors and the First-Lien Obligations, the date of the Discharge of First-Lien Obligations, subject to the rights of the First-Lien Creditors under Section 6.5.

8.3 Amendments; Waivers. No amendment, modification or waiver of any of the provisions of this Agreement by the Second-Lien Collateral Agent or the First-Lien Collateral Agent shall be made unless the same shall be in writing signed on behalf of each party hereto; provided that the First-Lien Collateral Agent (at the direction of the Required First-Lien Creditors) may, without the written consent of any other Creditor, agree to modifications of this Agreement for the purpose of securing additional extensions of credit (including pursuant to the First-Lien Credit Agreement or any Refinancing or extension thereof) and adding new creditors as "First-Lien Creditors" and "Creditors" hereunder, so long as such extensions (and resulting additions) do not otherwise give rise to a violation of the express terms of the First-Lien Credit Agreement or the Second-Lien Credit Agreement. Each waiver of the terms of this Agreement, if any, shall be a waiver only with respect to the specific instance involved and shall not impair the rights of the parties making such waiver or the obligations of the other parties to such party in any other respect or at any other time. Notwithstanding the foregoing, neither Holdings nor the Borrower shall have any right to consent to or approve any amendment, modification or waiver of any provision of this Agreement except to the extent its rights, interests, liabilities or privileges are directly affected.

8.4 Information Concerning Financial Condition of Holdings and its Subsidiaries. The First-Lien Collateral Agent and the First-Lien Creditors, on the one hand, and the Second-Lien Creditors, on the other hand, shall each be responsible for keeping themselves informed of (a) the financial condition of Holdings and its Subsidiaries and all endorsers and/or guarantors of the First-Lien Obligations or the Second-Lien Obligations and (b) all other circumstances bearing upon the risk of nonpayment of the First-Lien Obligations or the Second-Lien Obligations. The First-Lien Collateral Agent and the First-Lien Creditors shall have no duty to advise the Second-Lien Collateral Agent or any Second-Lien Creditor of information known to it or them regarding such condition or any such circumstances or otherwise. In the event the First-Lien Collateral Agent or any of the First-Lien Creditors, in its or their sole discretion, undertakes at any time or from time to time to provide any such information to the Second-Lien Collateral Agent or any Second-Lien Creditor, it or they shall be under no obligation (w) to make, and the First-Lien Collateral Agent and the First-Lien Creditors shall not make, any express or implied representation or warranty, including with respect to the accuracy, completeness, truthfulness or validity of any such information so provided, (x) to provide any additional information or to provide any such information on any subsequent occasion, (y) to undertake any investigation or (z) to disclose any information which, pursuant to accepted or reasonable commercial finance practices, such party wishes to maintain confidential or is otherwise required to maintain confidential.

8.5 Subrogation. Subject to the Discharge of First-Lien Obligations, with respect to the value of any payments or distributions in cash, property or other assets that the Second-Lien Creditors or Second-Lien Collateral Agent pay over to the First-Lien Collateral Agent or First-Lien Creditors under the terms of this Agreement, the Second-Lien Creditors and the Second-Lien Collateral Agent shall be subrogated to the rights of the First-Lien Collateral Agent and First-Lien Creditors; provided that, the Second-Lien Collateral Agent, on behalf of itself and the Second-Lien Creditors, hereby agrees not to assert or enforce all such rights of subrogation it may acquire as a result of any payment hereunder until the Discharge of First-Lien Obligations has occurred. Each of Holdings and the Borrower acknowledges and agrees that, the value of any payments or distributions in cash, property or other assets received by the Second-

---

Lien Collateral Agent or the Second-Lien Creditors and paid over to the First-Lien Collateral Agent or the First-Lien Creditors pursuant to, and applied in accordance with this Agreement, shall not relieve or reduce any of the Obligations owed by the Borrower under the Second-Lien Credit Documents.

8.6 Application of Payments. All payments received by the First-Lien Collateral Agent or the First-Lien Creditors may be applied, reversed and reapplied, in whole or in part, to such part of the First-Lien Obligations as the First-Lien Creditors, in their sole discretion, deem appropriate. The Second-Lien Collateral Agent, on behalf of itself and the Second-Lien Creditors, assents to any extension or postponement of the time of payment of the

First-Lien Obligations or any part thereof and to any other indulgence with respect thereto, to any substitution, exchange or release of any security which may at any time secure any part of the First-Lien Obligations and to the addition or release of any other Person primarily or secondarily liable therefor.

8.7 SUBMISSION TO JURISDICTION; WAIVERS. (a) THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMIT TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN THE BOROUGH OF MANHATTAN, CITY OF NEW YORK AND OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.

(b) THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION WHICH EACH MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT IN ANY COURT REFERRED TO IN SECTION 8.7(a). EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(c) EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT,

---

TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

8.8 Notices. All notices to the Second-Lien Creditors and the First-Lien Creditors permitted or required under this Agreement may be sent to the Second-Lien Collateral Agent and the First-Lien Collateral Agent, respectively. Unless otherwise specifically provided herein, any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, electronically mailed or sent by courier service or U.S. mail and shall be deemed to have been given when delivered in person or by courier service, upon receipt of electronic mail or four Business Days after deposit in the U.S. mail (registered or certified, with postage prepaid and properly addressed). For the purposes hereof, the addresses of the parties hereto shall be as set forth below each party's name on the signature pages hereto, or, as to each party, at such other address as may be designated by such party in a written notice to all of the other parties.

8.9 Further Assurances. Each of the First-Lien Collateral Agent, on behalf of itself and the First-Lien Creditors under its First-Lien Credit Documents, the Second-Lien Collateral Agent, on behalf of itself and the Second-Lien Creditors, Holdings and the Borrower, agrees that each of them shall take such further action and shall execute and deliver such additional documents and instruments (in recordable form, if requested) as the First-Lien Collateral Agent or the Second-Lien Collateral Agent may reasonably request to effectuate the terms of and the lien priorities contemplated by this Agreement. Each Second-Lien Creditor, by its acceptance of the benefits of the Second-Lien Credit Documents, agrees to be bound by the agreements herein made by it and the Second-Lien Collateral Agent, on its behalf.

8.10 APPLICABLE LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

8.11 Binding on Successors and Assigns. This Agreement shall be binding upon First-Lien Collateral Agent, the First-Lien Creditors, the Second-Lien Collateral Agent, the Second-Lien Creditors and their respective successors and assigns.

8.12 Specific Performance. Each of the First-Lien Collateral Agent and the Second-Lien Collateral Agent may demand specific performance of this Agreement. Each of the First-Lien Collateral Agent, on behalf of itself and the First-Lien Creditors under its First-Lien Credit Documents, and the Second-Lien Collateral Agent, on behalf of itself and the Second-Lien Creditors, hereby irrevocably waives any defense based on the adequacy of a remedy at law and any other defense which might be asserted to bar the remedy of specific performance in any action which may be brought by the First-Lien Collateral Agent or the Second-Lien Collateral Agent, as the case may be.

8.13 Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

8.14 Counterparts. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement or any document or instrument delivered in connection herewith by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement or such other document or instrument, as applicable.

8.15 Authorization. By its signature, each Person executing this Agreement on behalf of a party hereto represents and warrants to the other parties hereto that it is duly authorized to execute this Agreement. Each Second-Lien Creditor, by its acceptance of the benefits of the Second-Lien Credit Documents, agrees to be bound by the agreements made herein.

8.16 No Third Party Beneficiaries; Effect of Agreement. This Agreement and the rights and benefits hereof shall inure to the benefit of each of the parties hereto and its respective successors and assigns and shall inure to the benefit of each of the First-Lien Creditors and the Second-Lien Creditors. No other Person shall have or be entitled to assert rights or benefits hereunder. Nothing in this Agreement shall impair, as between Holdings, the Borrower and the First-Lien Collateral Agent and the First-Lien Creditors, on the one hand, and the Borrower and the Second-Lien Collateral and the Second-Lien Creditors, on the other hand, the obligations of the Borrower to pay principal, interest, fees and other amounts as provided in the First-Lien Credit Documents and the Second-Lien Credit Documents, respectively.

8.17 Provisions Solely to Define Relative Rights. The provisions of this Agreement are and are intended solely for the purpose of defining the relative rights of the First-Lien Creditors on the one hand and the Second-Lien Creditors on the other hand. None of the Borrower, any other Grantor or any other creditor thereof shall have any rights hereunder. Nothing in this Agreement is intended to or shall impair the obligations of the Borrower or any other Grantor, which are absolute and unconditional, to pay the First-Lien Obligations and the Second-Lien Obligations as and when the same shall become due and payable in accordance with their terms.

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

Mailcode CA5-701-05-19
1455 Market Street, 5th Floor
San Francisco, CA 94103
Telephone: (415) 436-3495
Facsimile: (415) 503-5006
Electronic Mail:
charles.graber@bankofamerica.com
Attention: Charles Graber

With a copy to:

Mailcode NC1-007-13-01
100 North Tryon Street, 13th Floor
Charlotte, North Carolina 28255
Attention: Laura Clark
Telephone No.: 704-388-6415
Facsimile No.: 704-409-0564
Electronic Mail:
laura.l.clark@bankofamerica.com

First-Lien Collateral Agent

BANK OF AMERICA, N.A.
in its capacity as First-Lien Collateral Agent

By: _____
Name:
Title:

Mailcode CA5-701-05-19
1455 Market Street, 5th Floor
San Francisco, CA 94103
Telephone: (415) 436-3495
Facsimile: (415) 503-5006
Electronic Mail:
charles.graber@bankofamerica.com
Attention: Charles Graber

With a copy to:

Mailcode NC1-007-13-01
100 North Tryon Street, 13th Floor
Charlotte, North Carolina 28255
Attention: Laura Clark
Telephone No.: 704-388-6415
Facsimile No.: 704-409-0564
Electronic Mail:
laura.l.clark@bankofamerica.com

Second-Lien Collateral Agent

BANK OF AMERICA, N.A.
in its capacity as Second-Lien Collateral Agent

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA 19605
Telephone No: 610-208-1991
Facsimile No: 610-298-1671
Attention: Michael T. Philion

ENERSYS

By: _____
Name:
Title:

2366 Bernville Road
Reading, PA 19605
Telephone No: 610-208-1991
Facsimile No: 610-298-1671
Attention: Michael T. Philion

ENERSYS CAPITAL INC.

By: _____
Name:
Title:

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 21.1

ENERSYS

Subsidiaries of the Registrant

Subsidiary	Jurisdiction of Incorporation or Organization
EnerSys Australia Pty Ltd.	Australia
EnerSys GmbH	Austria
EnerSys S.A.	Belgium
EnerSys Canada Inc.	Canada
Oldham Batteries Canada, Inc. (25%)	Canada
EnerSys Cayman L.P.	Cayman Islands
EnerSys (China) Huada Batteries Company Limited	China
EnerSys (Jiangsu) Huada Batteries Company Limited (84%)	China
Shenzhen Huada Power Supply Mechanical & Electrical Co. Ltd. (80%)	China
EnerSys, s.r.o.	Czech Republic
EnerSys A/S	Denmark
EnerSys Europe Oy	Finland
Chloride Batteries Industrielles S.A.	France
EH France Finance SARL	France
EH France SARL	France
Hawker S.A.	France
Hawker Batterien GmbH	Germany
Hawker GmbH	Germany
Hawker Verteib GmbH	Germany
EnerSys Energy Limited	Hong Kong
EnerSys Hungária KFT	Hungary
EnerSys SpA	Italy
Oldham Italia S.R.L.	Italy
EnerSys Holdings (Luxembourg) Sarl	Luxembourg
EnerSys Luxembourg Finance Sarl	Luxembourg
ESB de Mexico, S.A. de CV	Mexico
Powersonic, S.A. de CV	Mexico
Yeco Ltd., S. de R.L. de CV	Mexico
Hawker AS	Norway
Agro-Gaz Sp. z.o.o.	Poland
EnerSys SA	Poland
Voltis Acumuladores Industrialis, Lda	Portugal
EnerSys Reserve Power Pte. Ltd.	Singapore
Accumuladores Industriales EnerSys SA	Spain
EnerSys Sweden AB	Sweden
Hawker BV	The Netherlands
EnerSys Europe Ltd.	United Kingdom
EnerSys Holdings UK Ltd.	United Kingdom
EnerSys Ltd.	United Kingdom
EnerSys Capital Inc.	Delaware
EnerSys Del. LLC I	Delaware
EnerSys Del. LLC II	Delaware
EnerSys European Holding Co.	Delaware
EnerSys Delaware Inc.	Delaware
ESECCO, Inc.	Delaware

Esfinco, Inc.	Delaware
Esrmco, Inc.	Delaware
EnerSys Energy Products Inc.	Delaware
Hawker Powersource, Inc.	Delaware
Hawker Power Systems, Inc.	Delaware
New Pacifico Realty, Inc.	Nevada

QuickLinks

Exhibit 23.1

Consent of Independent Auditors

We consent to the reference to our firm under the captions “Experts”, “Summary Consolidated Financial, Operating and Pro Forma Data”, and “Selected Consolidated Financial and Operating Data” and to the use of our report dated May 14, 2004, in the Registration Statement (Form S-1 No. 333-XXXXX) and related Prospectus of Enersys dated May 14, 2004.

/s/ Ernst & Young LLP

Philadelphia, PA
May 14, 2004

Exhibit 23.2

Consent of Independent Accountants

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated May 10, 2004, with respect to the combined financial statements of Energy Storage Group included in the Registration Statement (Form S-1) and related Prospectus of EnerSys for the registration of EnerSys shares of its common stock.

/s/ Ernst & Young

Bristol, England
May 10, 2004