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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For Quarterly Period Ended September 30, 1996

OR

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

For Transition Period from ----- to -----

Commission File Number 1-12658

ALBEMARLE CORPORATION

-----  
(Exact name of registrant as specified in its charter)

VIRGINIA

54-1692118

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification No.)

330 SOUTH FOURTH STREET  
P. O. BOX 1335  
RICHMOND, VIRGINIA

23210

-----  
(Address of principal executive offices)

-----  
(Zip Code)

Registrant's telephone number, including area code - (804) 788-6000

Indicate by check mark whether the registrant (1) has filed all  
reports required to be filed by Section 13 or 15(d) of the  
Securities Exchange Act of 1934 during the preceding 12 months  
(or for such shorter period that the registrant was required to  
file such reports), and (2) has been subject to such filing  
requirements for the past 90 days.

Yes   
---

No   
---

Number of shares of common stock, \$.01 par value, outstanding as  
of October 31, 1996: 55,038,320

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ALBEMARLE CORPORATION

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

ALBEMARLE CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS

(Dollars In Thousands)

	September 30, 1996	December 31, 1995
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 39,326	\$ 33,130
Accounts receivable, less allowance for doubtful accounts (1996-\$1,191; 1995-\$1,615)	137,740	198,125
Inventories:		
Finished goods	45,585	132,334
Work-in-process	3,631	5,767
Raw materials	9,476	15,125
Stores, supplies and other	15,074	24,371
	-----	-----
	73,766	177,597
Deferred income taxes and prepaid expenses	18,864	19,935
	-----	-----
Total current assets	269,696	428,787
	-----	-----
Property, plant and equipment, at cost	1,126,647	1,493,846
Less accumulated depreciation and amortization	(638,680)	(807,951)
	-----	-----
Net property, plant and equipment	487,967	685,895
Other assets and deferred charges	64,274	60,814
Goodwill and other intangibles - net of		

amortization	24,315	28,995
	-----	-----
Total assets	\$ 846,252	\$ 1,204,491
	=====	=====

<FN>

See accompanying notes to the consolidated financial statements.

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ALBEMARLE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

(Dollars In Thousands)

September 30,                      December 31,  
1996                                      1995

31,

-----  
(Unaudited)

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 54,077	\$ 102,788
Long term debt, current portion	7,726	17,020
Accrued expenses	60,413	65,017
Dividends payable	3,853	3,634
Income taxes payable	31,191	5,760
	-----	-----
Total current liabilities	157,260	194,219

Long-term debt	29,643	200,092
----------------	--------	---------

Other noncurrent liabilities	64,038	54,512
------------------------------	--------	--------

Deferred income taxes	101,610	133,102
-----------------------	---------	---------

Shareholders' equity:

Common stock, \$.01 par value, Issued - 55,038,320 in 1996 and 66,076,853 in 1995, respectively	550	661
Additional paid-in capital	250,785	498,827
Foreign currency translation adjustments	19,345	27,604
Retained earnings	223,021	95,474
	-----	-----

Total shareholders' equity	493,701	622,566
	-----	-----

Total liabilities and shareholders' equity	\$846,252	\$1,204,491
	=====	=====

<FN>

See accompanying notes to the consolidated financial statements.

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ALBEMARLE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME

(In Thousands Except Per-Share Amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	

	1996	1995	1996	1995
	-----	-----	-----	-----

Net sales	\$183,776	\$315,211	\$649,986	\$948,173
-----------	-----------	-----------	-----------	-----------

Cost of goods sold	139,016	241,790	474,342	742,627
	-----	-----	-----	-----

Gross profit	44,760	73,421	175,644	205,546
--------------	--------	--------	---------	---------

Selling, general and administrative expenses	25,212	34,095	88,436	98,876
--	--------	--------	--------	--------

Research and development expenses	8,480	6,645	22,317	20,868
	-----	-----	-----	-----

Operating profit	11,068	32,681	64,891	85,802
------------------	--------	--------	--------	--------

Interest and financing expenses	323	3,117	2,367	10,211
---------------------------------	-----	-------	-------	--------

Gain on sales of businesses	--	(4,925)	(158,157)	(4,925)
Other income, net	(271)	(1,111)	(3,823)	(1,933)
Income before income taxes	11,016	35,600	224,504	82,449
Income taxes	3,129	13,378	86,358	33,153
Net income	\$7,887	\$22,222	\$138,146	\$49,296
Earnings per share	\$.14	\$.33	\$2.30	\$.74
Shares used to compute earnings per share	56,017	66,450	59,988	66,270
Cash dividends declared per share of common stock	\$.07	\$.055	\$.18	\$.155

<FN>

See accompanying notes to the consolidated financial statements.

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ALBEMARLE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars In Thousands)

(Unaudited)

Nine Months Ended  
September 30,

	1996	1995
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	\$33,130	\$32,114
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	138,146	49,296
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	54,204	69,622
Gain on sales of businesses, net of income taxes of \$63,780 and \$1,868, respectively	(94,377)	(3,057)
Working capital increases excluding cash and cash equivalents, net of the effects of the sales of businesses:		
Income tax payments on gain on sale of business	(59,324)	--
Other working capital increases	(10,059)	(19,469)
Other, net	(9,829)	(10,652)
Net cash provided from operating activities	18,761	85,740
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(64,094)	(81,891)
Proceeds from sales of businesses, net of expenses and \$42,297 of trade accounts payable retained by the Company	487,345	4,195
Acquisition of business	--	(2,138)
Collections on notes received from sale of business	--	8,250
Other, net	1,982	352
Net cash provided from (used in) investing activities	425,233	(71,232)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	26,641	29,394
Repayments of long-term debt	(204,334)	(19,543)
Purchases of common stock	(250,270)	--

Dividends paid	(10,380)	(9,909)
Other, net	545	-
	-----	-----
Net cash (used in) financing activities	(437,798)	(58)
	-----	-----
Increase in cash and cash equivalents	6,196	14,450
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$39,326	\$46,564
	=====	=====

<FN>

See accompanying notes to the consolidated financial statements.

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ALBEMARLE CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(In Thousands Except Per-Share Amounts)  
(Unaudited)

1. In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary to present fairly, in all material respects, the Company's consolidated financial position as of September 30, 1996 and December 31, 1995, the consolidated results of operations for the three- and nine-month periods ended September 30, 1996 and 1995, and the condensed consolidated cash flows for the nine months ended September 30, 1996 and 1995. All adjustments are of a normal and recurring nature. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 1995 Annual Report which was incorporated by reference in the Company's Form 10-K filed on March 28, 1996. The December 31, 1995 consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. The results of operations for the three- and nine-month periods ended September 30, 1996, are not necessarily indicative of the results to be expected for the full year. Certain amounts in the accompanying consolidated financial statements have been reclassified to conform to the current presentation.
2. On March 1, 1996, the Company sold its alpha olefins, poly alpha olefins, and synthetic alcohol businesses ("Olefins Business") to Amoco Chemical Company ("Amoco") for \$487.3 million, including plant and equipment (primarily located in Pasadena, Texas, Deer Park, Texas and Feluy, Belgium), other assets, inventory and accounts receivable, net of expenses and trade accounts payable retained and paid by the Company, and certain business-related liabilities transferred at the date of sale. The sale involved the transfer of approximately 550 people who supported these businesses. The gain on the sale was \$158.2 million (\$94.4 million after income taxes or \$1.57 per share), net of \$44.3 million of costs incurred in connection with the sale for early retirements and work-force reductions, abandonment costs of certain facilities and certain other accruals (including environmental) related to the sale and/or the businesses sold. In connection with the sale of the Olefins Business, the Company utilized approximately \$20 million of its Belgian net operating loss carryforward to offset, in part, the Belgian portion of the taxable gain.

The transaction includes numerous operating and service agreements primarily focusing on the sharing of common facilities at the Pasadena plant site and the operation of the Feluy plant site.

The net sales and operating profit before allocation of corporate expenses for the Olefins Business for the three-months ended September 30, 1995 were \$129.3 and \$8.3 million, respectively.

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ALBEMARLE CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(In Thousands Except Per-Share Amounts)  
(Unaudited)

2. Continued.

In addition, the net sales and operating loss before allocation of corporate expenses for the Olefins Business for the nine-months ended September 30, 1995 were \$363.1 million and (\$9.0) million, respectively.

3. On July 31, 1995 the Company sold its electronic materials business to MEMC Pasadena, Inc. for approximately \$59.2 million, consisting of \$4.2 million in cash and two notes totaling \$55 million. The gain realized on the sale was deferred and was recognized as principal payments were collected on the notes received as consideration for the sale. For the three and nine-month periods ended September 30, 1995 the company recognized a gain of approximately \$4.9 million (\$3.1 million after taxes, or \$.04 cents per share). The non-cash effects of the remaining balances of the note receivable and related deferred gain at September 30, 1995 approximated \$46.8 million and \$18.5 million, respectively, and are not reflected in the accompanying September 30, 1995 condensed consolidated statement of cash flow. Additionally, the Company currently operates for MEMC the granular polysilicon plant located at Pasadena, Texas.

4. Debt consists of the following:

	September 30, 1996	December 31, 1995
	-----	-----
Variable-rate bank loans	\$20,600	\$130,000
Foreign bank borrowings	15,598	85,919
Miscellaneous	1,171	1,193
	-----	-----
Total	37,369	217,112
Less current maturities	7,726	17,020
	-----	-----
Long-term debt	\$29,643	\$200,092
	=====	=====

The reduction in long-term debt reflects payments resulting from use of the proceeds received from the sale of the Olefins Business.

On September 24, 1996, to replace its existing credit facility, the Company entered into a new five-year, \$500 million unsecured Competitive Advance and Revolving Credit Facility Agreement (the "Credit Agreement") with a consortium of banks at various interest rate options. No amounts were outstanding at September 30, 1996 under that agreement. The Credit Agreement contains certain covenants typical for a credit agreement of its size and nature, including financial covenants requiring the company to maintain consolidated

indebtedness (as defined) of not more than 60% of the sum of consolidated shareholders' equity and consolidated indebtedness.

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ALBEMARLE CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(In Thousands Except Per-Share Amounts)  
(Unaudited)

5. The third quarter 1996 effective income tax rate was lower than the effective tax rate for nine months 1996, excluding the effects of the sale of the Olefins Business, due to the cumulative effect of a lower effective income tax rate for the year than previously forecasted. Both periods effective income tax rates were lower than the normal combined federal and state income tax rates for the periods. The provisions for income taxes on the operating results of the Company in the accompanying consolidated statements of income for the three- and nine-month periods ended September 30, 1995 are higher than normal combined federal and state income tax rates primarily due to the absence of tax benefits on net operating losses of the Company's Belgian subsidiary as the Company provided valuation allowances against the deferred tax assets related to these net operating losses due to the uncertainty of the assets' realization.
6. On April 1, 1996, the Company purchased 9,484,465 shares of its common stock, at a price of \$23 per share for a total aggregate price (including expenses) of \$219.4 million, through a self tender offer, which began on March 4, 1996 and concluded on April 1, 1996, following the sale of its Olefins Business to Amoco. Additionally, the Company purchased 275,400 and 1,481,100 common shares in the second and third quarters of 1996, respectively. The Company still has authorization from its board of directors to purchase approximately 4.2 million additional shares.
7. The following unaudited supplemental pro forma condensed consolidated statement of income for the nine months ended September 30, 1996 is presented assuming that the disposition of the Olefins Business had occurred as of January 1, 1995. The related pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations of the Company or what the results of operations would have been had the Company operated without the Olefins Business during the nine months ended September 30, 1996. Additionally, the accompanying pro forma information, consistent with the data presented in the Company's Form 8-K filed on March 15, 1996, does not give any effect to the purchase of 9,484,465 shares of common stock acquired in the tender offer as if it had occurred on January 1, 1995.

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ALBEMARLE CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(In Thousands Except Per-Share Amounts)  
(Unaudited)

7. Continued.

Pro Forma Condensed Consolidated  
Statement of Income  
Nine Months Ended September 30, 1996

	Historical -----	Adjustments -----		Pro Forma -----
Net sales	\$649,986	\$ (79,763)	(a)	
		799	(b)	\$571,022
Cost of goods sold	474,342	(71,200)	(a)	
		420	(b)	403,562
	-----	-----		-----
Gross profit	175,644	(8,184)		167,460
Selling, R&D and general expenses	110,753	(5,221)	(a)	105,532
	-----	-----		-----
Operating profit	64,891	(2,963)		61,928
Interest and financing expenses	2,367	(1,563)	(c)	804
Gain on sale of business	(158,157)	158,157	(d)	--
Other income, net	(3,823)	16	(a)	
		(60)	(e)	(3,867)
	-----	-----		-----
Income before income taxes	224,504	(159,513)		64,991
Income taxes	86,358	(63,780)	(d)	
		(519)	(f)	22,059
	-----	-----		-----
Net income	\$138,146	\$ (95,214)		\$42,932
	=====	=====		=====
Earnings per share	\$2.30			\$.72
	=====			=====
Shares used to compute earnings per share	59,988			59,988 (g)
	=====			=====

<FN>

See accompanying notes to the pro forma condensed consolidated statement of income.

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ALBEMARLE CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(In Thousands Except Per-Share Amounts)  
(Unaudited)

7. Continued.

Notes to the pro forma condensed consolidated statement of income are described below:

- (a) To eliminate the results of operations of the Olefins Business for the period January 1, 1996 thru February 29, 1996 as though the sale to Amoco occurred on January 1, 1995 and to reflect reductions in administrative and other costs which occurred because of personnel, employee benefits (including compensation) and other cost reductions assumed implemented following the sale of the Olefins Business to Amoco.
- (b) To record service fee income and incremental sales revenue generated from providing various services and products under contracts to Amoco and to record costs and expenses for



services and products provided by Amoco. The service and supply arrangements were entered into in connection with the sale of the Olefins Business to Amoco.

- (c) To reflect the pro forma interest cost savings resulting from the repayment of certain domestic and Belgian debt using the proceeds received from the sale of the Olefins Business.
- (d) To eliminate the gain and the related income taxes on the March 1, 1996, sale of the Olefins Business.
- (e) To record the related amortization of certain advance rents received from Amoco upon closing of the sale of the Olefins Business associated with an arrangement in the nature of an operating lease in Belgium.
- (f) To record the income tax effects of the adjustments set forth in Notes (a) through (c) and (e) above, calculated at an assumed state and federal combined income tax rate of 37.92% for domestic items and an assumed combined rate of 35% for items related to the Company's Belgian subsidiary which includes the utilization of a portion of its net operating loss carryforwards and the estimated additional income taxes which would have resulted if undistributed Belgian foreign earnings had been remitted to the Company.
- (g) The average number of shares used to compute earnings per share does not include the effects of the Company's April 1, 1996 self tender offer as if it had occurred on January 1, 1995. The average number of shares would have been 57,231,000 had the offer been assumed to have been completed on January 1, 1995.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS  
-----  
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION  
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The following is management's discussion and analysis of certain significant factors affecting the results of operations during the periods included in the accompanying consolidated statements of income and changes in financial condition since December 31, 1995 of Albemarle Corporation ("Albemarle" or "the Company")

On March 1, 1996, the Company sold its alpha olefins, poly alpha olefins and synthetic alcohol businesses ("Olefins Business") to Amoco Chemical Company ("Amoco"). After the sale, Albemarle is engaged in the bromine chemicals, specialty chemicals and detergents and surfactants businesses.

Results of Operations  
-----

Third Quarter 1996 Compared with Third Quarter 1995  
-----

NET SALES

Net sales for the third quarter of 1996 amounted to \$183.8 million, down from \$315.2 million in 1995. Excluding the third quarter 1995 net sales of the Olefins Business sold March 1, 1996 and the electronic materials business sold July 31, 1995, Albemarle's net sales for the third quarter of 1996 would have increased two percent (\$4.3 million) from the 1995 primarily due to higher shipments of organometallics, partly offset by decreases in shipments of flame retardants, agricultural intermediates and bromine fine chemicals.

OPERATING COST AND EXPENSES

Cost of goods sold decreased primarily due to the impact of

shipments of the Olefins Business and the electronic materials business in the third quarter of 1996 versus third quarter 1995 and higher foreign exchange gains offset in part by higher costs in pharmaceutical intermediates related primarily to naproxen start-up costs as well as higher operating costs and lower operating rates in flame retardants and bromine fine chemicals in the 1996 third quarter. Overall gross profit margins increased to 24.4% in the 1996 third quarter from 23.3% in the corresponding period in 1995.

Selling, general and administrative expenses, combined with research and development expenses, decreased 17% (\$7.0 million) in 1996 from the 1995 quarter, primarily due to lower employee related expenses as a result of the sale of the Olefins Business and the electronic materials business as well as reductions in employee benefit costs and in the allowance for doubtful accounts. These reductions were offset in part by higher research and development expenses related to flame retardants and pharmaceuticals. As a percentage of net sales, selling, general and administrative expenses, including research and development expenses, increased to 18.3% in 1996 from 12.9% in the 1995 quarter.

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#### OPERATING PROFIT

Excluding the results of businesses sold in both periods operating profit was significantly lower for the third quarter 1996 than the corresponding period of 1995 due to lower shipments and higher costs in flame retardants and bromine fine chemicals and higher costs in pharmaceutical intermediates.

#### INTEREST AND FINANCING EXPENSES AND OTHER INCOME

Interest and financing expenses in the third quarter of 1996 decreased to \$.3 million from \$3.1 million in 1995 due primarily to lower average outstanding debt. Other income decreased \$.8 million due primarily to the absence of interest income from the notes receivable from MEMC Pasadena, Inc. received in connection with the July 31, 1995 sale of the electronic materials business.

#### GAIN ON SALE OF BUSINESS

The Company's third quarter 1995 earnings included a gain of \$4.9 million (approximately \$3.1 million after income taxes) representing the partial recognition of a gain realized on the July 31, 1995 sale of the Company's electronic materials business.

#### INCOME TAXES

The effective income tax rate for the third quarter of 1996 was 28.4% versus a 37.6% rate for the corresponding period of 1995. Income taxes decreased \$8.4 million in the 1996 quarter compared to the 1995 quarter, on a \$19.7 million decrease in pretax income from operations, excluding the effect of the gain on the sale of the electronics materials business in 1995. The lower than normal effective income tax rate and related income tax expense for the third quarter of 1996 was due to an adjustment to reflect the effect of lower than expected pretax income from operations and the planned utilization of foreign tax credits in 1996. The rate in the corresponding period in 1995 was higher than normal primarily because the Company provided valuation allowances against net operating losses of its Belgian subsidiary.

#### Results of Operations

- - - - -

Nine Months 1996 Compared with Nine Months 1995

- - - - -

#### NET SALES

Net sales for the first nine months of 1996 amounted to \$650.0 million, down from \$948.2 million in 1995. Excluding the net sales in both periods of the Olefins Business sold March 1, 1996 and the electronic materials business sold July 31, 1995, Albemarle's net sales for the first nine months of 1996 would have increased three

percent (\$15.3 million) over the 1995 period. The sales increase in the remaining businesses was primarily due to higher shipments of organometallics, bromine and derivatives and bromine fine chemicals, partly offset by decreases in shipments of pharmaceutical intermediates, flame retardants and zeolites.

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#### OPERATING COSTS AND EXPENSES

Cost of goods sold decreased primarily due to decreases in shipments, mainly due to the impact of the effects of the businesses sold as well as higher foreign exchange gains offset in part by higher costs in pharmaceutical intermediates related to naproxen start-up as well as higher operating costs and lower operating rates in flame retardants and bromine fine chemicals in the 1996 period. Gross profit margins for nine months 1996 increased overall to 27.0% from 21.7% in the corresponding period in 1995.

Selling, general and administrative expenses, combined with research and development expenses, decreased 8% (\$9.0 million) in the first nine months of 1996 from the corresponding period in 1995, primarily due to lower employee related expenses as a result of the sale of the Olefins Business and the electronic materials business, as well as reductions in employee benefit costs and lower costs of outside services, offset in part by the expense associated with the exercise of certain stock appreciation rights and higher data processing expenses. As a percentage of net sales, selling, general and administrative expenses, including research and development expenses, increased to 17.0% in the first nine months of 1996 from 12.6% in 1995.

#### OPERATING PROFIT

Operating profit in the first nine months of 1996 decreased 24% (\$20.9 million) from the corresponding period in 1995. Excluding the results of businesses sold in both periods, operating profit was significantly lower for the first nine months of 1996 than for the corresponding period of 1995 due to lower shipments and higher costs in pharmaceutical intermediates and flame retardants.

#### INTEREST AND FINANCING EXPENSES AND OTHER INCOME

Interest and financing expenses in the first nine months of 1996 decreased to \$2.4 million from \$10.2 million in the corresponding period of 1995 primarily due to lower average outstanding debt. Other income was up \$1.9 million over the 1995 period primarily due to interest income from the temporary investment of a portion of the proceeds from the sale of the Olefins Business.

#### GAIN ON SALE OF BUSINESSES

The Company's earnings for the first nine months of 1996 included a gain resulting from the March 1, 1996 sale of the Olefins Business to Amoco for \$487.3 million, including plant and equipment (primarily located in Pasadena, Texas, Deer Park, Texas and Feluy, Belgium), other assets, inventory and accounts receivable, net of expenses and trade accounts payable retained and paid by the Company and certain business-related liabilities transferred at the date of sale. The sale involved the transfer of approximately 550 people who supported these businesses. The gain on the sale was \$158.2 million (\$94.4 million after income taxes or \$1.57 per share), net of costs incurred or accrued in connection with the sale. (See Note 2 of the Notes to the Consolidated Financial Statements on page 7.) The Company's third quarter 1995 earnings included a gain of \$4.9 million (approximately \$3.1 million after income taxes) representing the partial recognition of the gain realized on the sale of the electronic materials business.

## INCOME TAXES

Income taxes in the first nine months of 1996 increased \$53.2 million from the 1995 period on a \$142.0 million increase in pretax income while the effective income tax rate was 38.5% in the 1996 period versus a 40.2% rate for the corresponding period in 1995. Excluding the effect of the gains on the sales of the businesses, income taxes in the first nine months of 1996 decreased \$8.7 million compared to the 1995 period, reflecting an effective income tax rate of 34.0%, down from the 40.4% rate for the first nine months of 1995, on an \$11.2 million decrease in pretax income from operations. The rate for the first nine months of 1996 was favorably impacted by improved operating results from the Company's former Belgium subsidiary, lower than expected pretax income from operations and the planned benefits in 1996 of foreign tax credits. The rate in 1995 was higher than normal primarily because the Company provided valuation allowances against net operating losses of its Belgian subsidiary.

## Financial Condition and Liquidity

Cash and cash equivalents at September 30, 1996, were \$39.3 million which represents an increase of \$6.2 million from \$33.1 million at year-end 1995.

Approximately 18.8 million of cash was generated by operations in the first nine months of 1996, which included installment income tax payments of \$59.3 million on the gain on the sale of the Olefins Business. Excluding the impact of the income tax payments, cash flows from operations would have been \$78.1 million which together with \$26.6 million of proceeds from borrowings were sufficient to cover operating activities, capital expenditures, payment of dividends, purchases of common stock and increase cash and cash equivalents.

Proceeds from the sale of the Olefins Business of \$487.3 million, net of expenses and trade payables retained and paid by the Company, were used to purchase 9,759,865 shares of common stock, repay long-term debt, and pay installments of income taxes related to the sale.

On September 24, 1996, to replace its existing credit facility, the Company entered into a new five-year, \$500 million unsecured Competitive Advance and Revolving Credit Facility Agreement with a consortium of banks at various interest rate options. No amounts were outstanding at September 30, 1996 under that agreement. The Credit Agreement contains certain covenants typical for a credit agreement of its size and nature, including financial covenants requiring the Company to maintain consolidated indebtedness (as defined) of not more than 60% of the sum of consolidated shareholders' equity and consolidated indebtedness.

The Company anticipates that cash provided from operations in the future will be sufficient to pay its operating expenses, satisfy debt-service obligations and make dividend payments to common shareholders at current rates.

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The Company's foreign currency translation adjustments, net of related deferred taxes, at September 30, 1996, decreased 30% from December 31, 1995, primarily due to the strengthening of the U.S. dollar.

The non-current portion of the Company's long-term debt amounted to \$29.6 million at September 30, 1996, compared to \$200.1 million at the end of 1995. The reduction in long-term debt reflects payments resulting from the use of proceeds received from the sale of the Olefins Business. The Company's long-term debt, including the current portion, as a percentage of total capitalization at September 30, 1996, amounted to approximately 7.0% compared to

25.9% at December 31, 1995.

The Company's capital expenditures in the third quarter of 1996 were lower than in the third quarter of 1995. For the year, capital expenditures should be significantly below the 1995 level. Capital spending will be financed primarily with cash flow from operations with any needed additional cash to be provided from debt. The amount and timing of any borrowing will depend on the Company's specific cash requirements.

The Company is subject to federal, state, local and foreign requirements regulating the handling, manufacture and use of materials (some of which may be classified as hazardous or toxic by one or more regulatory agencies), the discharge of materials into the environment and the protection of the environment. To the best of the Company's knowledge, it currently is complying with and expects to continue to comply in all material respects with existing environmental laws, regulations, statutes and ordinances. Such compliance with federal, state, local and foreign environmental protection laws has not in the past had, and is not expected to have in the future, a material effect on earnings or the competitive position of Albemarle.

Among other environmental requirements, the Company is subject to the federal Superfund law, and similar state laws, under which the Company may be designated as a potentially responsible party and may be liable for a share of the costs associated with cleaning up various hazardous waste sites.

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Part II - OTHER INFORMATION

-----  
ITEM 1. Legal Proceedings  
-----

An administrative proceeding, involving a potential penalty in excess of \$100,000, was previously reported in the Company's 1996 first quarter report on Form 10-Q. The Company completed a settlement on August 30, 1996 for a cash penalty of less than \$100,000, plus a supplemental environmental project to be agreed upon, expected to cost approximately \$150,000.

An administrative proceeding with the federal Occupational Safety and Health Administration, involving a proposed penalty of \$119,000, was previously reported in the Company's 1996 second quarter report on Form 10-Q. The Company has filed a notice of contest and is contesting vigorously.

ITEM 6. Exhibits and Reports on Form 8-K  
-----

(a) Exhibits - The following document is filed as an exhibit to this Form 10-Q pursuant to Item 601 of Regulation S-K:

- 10.1 Credit Agreement, dated as of September 24, 1996, between the Company, NationsBank, N.A. as administrative agent and Bank of America Illinois, The Bank of New York and The Chase Manhattan Bank, as co-agents and certain commercial banks, which supersedes the Credit Agreement of February 16, 1994, previously filed with the Securities and Exchange Commission in its entirety.

27 Financial Data Schedule

(b) No reports on Form 8-K have been filed during the quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALBEMARLE CORPORATION  
-----  
(Registrant)

Date: November 5, 1996

By: s/Thomas G. Avant  
-----  
Senior Vice President  
(Principal Accounting Officer)

Date: November 5, 1996

By: s/Robert G. Kirchhoefer  
-----  
Treasurer

EXHIBIT INDEX  
-----

EXHIBIT 10.1  
-----

Credit Agreement, dated as of September 24, 1996, between the Company, NationsBank, N.A. as administrative agent and Bank of America Illinois, The Bank of New York and The Chase Manhattan Bank, as co-agents and certain commercial banks, which supersedes the Credit Agreement of February 16, 1994, previously filed with the Securities and Exchange Commission in its entirety.

EXHIBIT 27  
-----

Financial Data Schedule

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AND THE CONSOLIDATED STATEMENT OF INCOME FILED AS PART OF THE ANNUAL REPORT ON FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH ANNUAL REPORT ON FORM 10-Q

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\$500,000,000

COMPETITIVE ADVANCE AND REVOLVING CREDIT FACILITY AGREEMENT

Dated as of September 24, 1996

among

ALBEMARLE CORPORATION,  
THE BANKS NAMED HEREIN,  
NATIONSBANK, N.A.,  
AS ADMINISTRATIVE AGENT

AND

BANK OF AMERICA ILLINOIS,  
THE BANK OF NEW YORK  
and  
THE CHASE MANHATTAN BANK,  
AS CO-AGENTS

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COMPETITIVE ADVANCE AND REVOLVING CREDIT FACILITY AGREEMENT dated as of September 24, 1996, among ALBEMARLE CORPORATION, a Virginia corporation (hereinafter called the "COMPANY"), the banks listed in Schedule 2.1 (the "Banks"), NATIONSBANK, N.A., a national banking association, as administrative agent for the Banks under this Agreement (in such capacity, the "ADMINISTRATIVE AGENT") and BANK OF AMERICA ILLINOIS, THE BANK OF NEW YORK and THE CHASE MANHATTAN BANK, as co-agents (in such capacity, the "Co-Agents").

The Company has requested the Banks to extend credit to the Company in order to enable it to borrow on a committed revolving credit basis on and after the Effective Date and at any time and from time to time prior to the Maturity Date (such terms and each other capitalized term used but not defined in this introductory

statement having the meanings given to such terms in Section 1.1), a principal amount not in excess of \$500,000,000 at any time outstanding. The Company has also requested the Banks to provide a procedure pursuant to which the Company may invite the Banks to bid on an uncommitted basis on short-term borrowings by the Company. The proceeds of borrowings hereunder are to be used for general corporate purposes, including to refinance existing debt and to finance acquisitions, common stock repurchases, working capital and capital expenditures. The Banks are severally, and not jointly, willing to extend such credit to the Company on the terms and conditions hereinafter set forth. Accordingly, the Company, the Administrative Agent, the Co-Agents and the Banks agree as follows (it being understood that this Agreement and the obligations of the parties hereto will become effective only as provided in Section 9.16):

## ARTICLE I

### Definitions

SECTION 1.1. DEFINED TERMS. As used in this Agreement, the following words and terms shall have the meanings specified below:

"ABR BORROWING" shall mean a Borrowing comprised of ABR Loans.

"ABR LOAN" shall mean any Committed Loan bearing interest at a rate determined by reference to the Alternate Base Rate in accordance with the provisions of Article II.

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"ADMINISTRATIVE FEES" shall have the meaning assigned to such term in Section 2.6(b).

"ADMINISTRATIVE QUESTIONNAIRE" shall mean an Administrative Questionnaire in the form of Exhibit D.

"AFFILIATE" shall mean, when used with respect to a specified person, another person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the person specified.

"ALTERNATE BASE RATE" shall mean, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. For purposes hereof, "Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by the Administrative Agent as its prime rate in effect at its principal office in Charlotte, North Carolina; each change in the Prime Rate shall be effective on the date such change is publicly announced as effective. "Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it. If for any reason the Administrative Agent shall have determined (which

determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in accordance with the terms thereof, the Alternate Base Rate shall be determined without regard to clause (b) of the first sentence of this definition until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective on the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"APPLICABLE FACILITY FEE PERCENTAGE" shall mean on any date the applicable percentage set forth below opposite the applicable

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Ratings or, under the circumstances specified below, opposite the Leverage Ratio:

S&P/Moody's/Duff & Phelps Rating; Leverage Ratio -----	Facility Fee -----
Category 1 -----	
AA/Aa2/AA or higher; N/A	.0625%
Category 2 -----	
A-/A3/A-; less than 30%	.080%
Category 3 -----	
BBB+/Baa1/BBB+; greater than or equal to 30% but less than 45%	.100%
Category 4 -----	
BBB/Baa2/BBB; greater than or equal to 45% but less than 50%	.120%
Category 5 -----	
BBB-/Baa3/BBB-; greater than or equal to 50% but less than 55%	.175%
Category 6 -----	
BB+/Ba1/BB+ or lower; greater than or equal to 55%	.250%

For purposes of the foregoing, (i) if at least two Ratings shall be available and the Ratings shall fall within different Categories specified above, (A) if three Ratings shall be available, the Applicable Facility Fee Percentage shall be determined by reference to the lower of the two highest Ratings (it being understood that if the two highest Ratings shall be in the same Category, the Applicable Facility Fee Percentage shall be determined by reference to

such Category) and (B) if two Ratings shall be available, the Applicable Facility Fee Percentage shall be determined by reference to the Category in which the lower of the two Ratings falls; (ii) if only one Rating shall be available, then the Applicable Facility Fee Percentage shall be determined by reference to the lower (i.e., the numerically higher) of (A) the Category in which that Rating falls or (B) the Category

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corresponding to the Leverage Ratio; and (iii) if no Ratings shall be available, then the Applicable Facility Fee Percentage shall be determined by reference to the Leverage Ratio. If any Rating shall be changed (other than as a result of a change in such rating agency's rating system) such change shall be effective as of the date on which it is first announced by the applicable rating agency. For purposes of the foregoing, (i) the Leverage Ratio shall be determined as of the end of each fiscal quarter of the Company based on the financial statements of the Company delivered for such fiscal quarter pursuant to Section 5.4 and the ratio so determined shall be effective from and including the Determination Date immediately following such fiscal quarter end to but excluding the next following Determination Date and (ii) prior to the first Determination Date, the Leverage Ratio shall be deemed to correspond to Category 2; PROVIDED, HOWEVER, that the Leverage Ratio for any period during which the Company shall have failed to deliver the financial statements required by Section 5.4 after having received from the Administrative Agent notice of such non-delivery shall be deemed for the purposes of this definition to correspond to Category 6 until such time as the Administrative Agent receives such financial statements. Each change in the Applicable Facility Fee Percentage shall apply during the period commencing on the effective date of such change in the Ratings or the Leverage Ratio, as applicable, and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's, S&P or Duff & Phelps shall change, the Company and the Banks shall negotiate in good faith to amend the references to specific ratings in this definition to reflect such changed rating system (and pending or in the absence of any agreement the Applicable Facility Fee Percentage will be determined by reference to the other Rating or Ratings, if any).

"APPLICABLE MARGIN" shall mean on any date, with respect to the Loans comprising any Eurodollar Loan or ABR Loan, as the case may be, the applicable spread set forth below opposite the applicable Ratings or, under the circumstances specified below, opposite the Leverage Ratio:

S&P/Moody's/Duff & Phelps Rating; Leverage Ratio	Eurodollar Loan Spread	ABR Loan Spread
-----		
Category 1		
-----		
AA/Aa2/AA or higher; N/A	.125%	.000%
Category 2		
-----		
A-/A3/A- or higher; less than 30%	.170%	.000%

## Category 3

-----

BBB+/Baa1/BBB+; greater  
than or equal to 30% but  
less than 45%

.200% .000%

## Category 4

-----

BBB/Baa2/BBB; greater  
than or equal to 45% but  
less than 50%

.230% .000%

## Category 5

-----

BBB-/Baa3/BBB-; greater  
than or equal to 50% but  
less than 55%

.275% .000%

## Category 6

-----

BB+/Ba1/BB+ or lower;  
greater than or equal to 55%

.500% .000%

For purposes of the foregoing, (i) if at least two Ratings shall be available and the Ratings shall fall within different Categories specified above, (A) if three Ratings shall be available, the Applicable Margin shall be determined by reference to the lower of the two highest Ratings (it being understood that if the two highest Ratings shall be in the same Category, the Applicable Margin shall be determined by reference to such Category) and (B) if two Ratings shall be available, the Applicable Margin shall be determined by reference to the Category in which the lower of the two Ratings falls; (ii) if only one Rating shall be available, then the Applicable Margin shall be determined by reference to the lower (i.e., the numerically higher) of (A) the Category in which that Rating falls or (B) the Category corresponding to the Leverage Ratio; and (iii) if no Ratings shall be available, then the Applicable Margin shall be determined by reference to the Leverage Ratio. If any Rating shall be changed (other than as a result of a change in such rating agency's rating system) such change shall be effective as of the date on which it is first announced by the applicable rating agency. For purposes of the foregoing, (i) the Leverage Ratio shall be determined as of the end of each fiscal quarter of the Company based on the financial statements of the Company delivered for such fiscal quarter pursuant to Section 5.4 and the

ratio so determined shall be effective from and including the Determination Date immediately following such fiscal quarter end to but excluding the next following Determination Date and (ii) prior to the first Determination Date, the Leverage Ratio shall be deemed to correspond to Category 2; PROVIDED, HOWEVER, that the Leverage Ratio for any period during which the Company shall have failed to deliver the financial statements required by Section 5.4 after having received from the Administrative Agent notice of such non-delivery shall be deemed for the purposes of this definition to correspond to Category 6 until such time as the Administrative Agent receives such financial statements. Each change in the Applicable Margin shall apply during the

period commencing on the effective date of such change in the Ratings or the Leverage Ratio, as applicable, and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's, S&P or Duff & Phelps shall change, the Company and the Banks shall negotiate in good faith to amend the references to specific ratings in this definition to reflect such changed rating system (and pending or in the absence of any agreement the Applicable Margin will be determined by reference to the other Rating or Ratings, if any).

"ASSIGNMENT AND ACCEPTANCE" shall mean an assignment and acceptance entered into by a Bank and an assignee, and accepted by the Administrative Agent, in the form of EXHIBIT C or such other form as shall be approved by the Administrative Agent.

"ATTRIBUTABLE DEBT" shall mean, in connection with a Sale and Lease-Back Transaction, the present value (discounted in accordance with GAAP at the debt rate implied in the lease) of the obligations of the lessee for rental payments during the term of the applicable lease.

"BOARD" shall mean the Board of Governors of the Federal Reserve System of the United States, or any successor thereto.

"BORROWING" shall mean a group of Loans of a single Type made by the Banks (or, in the case of a Competitive Borrowing, by the Bank or Banks whose Competitive Bids have been accepted pursuant to Section 2.3) on a single date and as to which a single Interest Period is in effect.

"BUSINESS DAY" shall mean any day not a Saturday, Sunday or legal holiday in the State of North Carolina on which banks are open for business in Charlotte, North Carolina and New York, New

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York; provided, however, that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London Interbank Market.

"CAPITALIZED LEASE OBLIGATIONS" shall mean the obligations to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real and/or personal property which obligations are required to be classified and accounted for as a capital lease on a balance sheet under GAAP, and, for the purposes hereof, the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

A "CHANGE IN CONTROL" shall be deemed to have occurred if (a) any person or group (within the meaning of Rule 13d-5 of the Securities and Exchange Commission as in effect on the date hereof) other than Bruce C. Gottwald, Floyd D. Gottwald, Jr. or members of their respective families (together, the "Gottwalds"), or investment entities owned by any of them, shall own directly or indirectly, beneficially or of record, shares representing more than the greater of (i) 20% and (ii) the percentage owned by the Gottwalds of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Company or any corporation directly or indirectly Controlling the Company; or (b) a majority of the seats (other than vacant seats) on

the board of directors of the Company or any corporation directly or indirectly Controlling the Company shall at any time be occupied by persons who were neither (i) nominated by the management of the Company or by persons who were members of the board of directors as of the Effective Date or members elected by two thirds of such members, nor (ii) appointed by directors so nominated; PROVIDED, HOWEVER, that an event described in clause (a) above shall not constitute a "Change in Control" if the acquisition of shares resulting in ownership of in excess of the 20% threshold referred to in such clause (a) shall have been approved, prior to the acquisition of such shares or the commencement by the person or group referred to in such clause (a) of a tender offer for shares of the Company that would result, if successful, in such person or group owning in excess of such 20% threshold, by a majority of the members of the board of directors of the Company who were either members of the board of directors as of the date of this Agreement or nominated or appointed as provided in clauses (b)(i) or (ii) above.

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"CODE" shall mean the Internal Revenue Code of 1986, as the same may be amended from time to time.

"COMMITMENT" shall mean, with respect to each Bank, the Commitment of such Bank hereunder as set forth in Schedule 2.1 hereto, as the same may be permanently terminated, reduced or extended from time to time pursuant to the provisions of Section 2.10. The Commitments shall be deemed permanently terminated on the Maturity Date.

"COMMITTED BORROWING" shall mean a borrowing consisting of simultaneous Committed Loans from each of the Banks.

"COMMITTED BORROWING REQUEST" shall mean a request made pursuant to Section 2.4 in the form of Exhibit A-5.

"COMMITTED LOANS" shall mean the revolving loans made by the Banks to the Company pursuant to Section 2.4. Each Committed Loan shall be a Eurodollar Committed Loan or an ABR Loan.

"COMMITTED NOTE" shall mean a promissory note of the Company in the form of Exhibit B-2 executed and delivered as provided in Section 2.7.

"COMPETITIVE BID" shall mean an offer by a Bank to make a Competitive Loan pursuant to Section 2.3.

"COMPETITIVE BID ACCEPT/REJECT LETTER" shall mean a notification made by the Company pursuant to Section 2.3(d) in the form of Exhibit A-4.

"COMPETITIVE BID RATE" shall mean, as to any Competitive Bid made by a Bank pursuant to Section 2.3(b), (i) in the case of a Eurodollar Competitive Loan, the Margin, and (ii) in the case of a Fixed Rate Loan, the fixed rate of interest offered by the Bank making such Competitive Bid.

"COMPETITIVE BID REQUEST" shall mean a request made pursuant to Section 2.3 in the form of EXHIBIT A-1.

"COMPETITIVE BORROWING" shall mean a borrowing consisting of a Competitive Loan or concurrent Competitive Loans from the Bank or Banks whose Competitive Bids for such



Borrowing have been accepted by the Company under the bidding procedure described in Section 2.3.

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"COMPETITIVE LOAN" shall mean a Loan from a Bank to the Company pursuant to the bidding procedure described in Section 2.3. Each Competitive Loan shall be a Eurodollar Competitive Loan or a Fixed Rate Loan.

"COMPETITIVE NOTE" shall mean a promissory note of the Company in the form of EXHIBIT B-1 executed and delivered as provided in Section 2.7.

"CONSOLIDATED" shall mean, as applied to any financial or accounting term, such term determined on a consolidated basis for the Company and the Subsidiaries in accordance with generally accepted accounting principles, including principles of consolidation, consistent with those applied in the preparation of the Consolidated financial statements referred to in Section 3.4.

"CONSOLIDATED CAPITALIZATION" shall mean, as of any date, the sum of (a) Consolidated Shareholders' Equity and (b) Consolidated Indebtedness, in each case at such date.

"CONSOLIDATED INDEBTEDNESS" shall mean, as of any date, all Indebtedness of the Company and the Subsidiaries at such date, computed and consolidated in accordance with GAAP.

"CONSOLIDATED SHAREHOLDERS' EQUITY" shall mean, as of any date, the Shareholders' Equity of the Company and the Subsidiaries at such date, computed and consolidated in accordance with GAAP.

"CONTROL" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract or otherwise, and "Controlling" and "Controlled" shall have meanings correlative thereto.

"DEFAULT" shall mean any event or condition which upon notice, lapse of time or both would constitute an Event of Default.

"DESIGNATED SUBSIDIARY" shall mean any Subsidiary that (a) has assets with a total market value not in excess of \$10,000 and (b) has not conducted any business or other operations during the prior 12-month period.

"DETERMINATION DATE" shall mean the 60th day following the end of each of the first three fiscal quarters in each fiscal year

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of the Company and the 120th day following the end of each fiscal year of the Company.

"DOLLARS", "dollars" or "\$" shall mean dollars of lawful money of the United States of America.

"DUFF & PHELPS" shall mean Duff & Phelps Credit Rating

Co.

"EFFECTIVE DATE" shall mean the date hereof.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time.

"ERISA AFFILIATE" shall mean any trade or business (whether or not incorporated) that, together with the Company, is treated as a single employer under Section 414 of the Code.

"EURODOLLAR BORROWING" shall mean a Borrowing comprised of Eurodollar Loans.

"EURODOLLAR COMMITTED LOAN" shall mean any Committed Loan bearing interest at a rate determined by reference to the LIBO Rate in accordance with the provisions of Article II.

"EURODOLLAR COMPETITIVE LOAN" shall mean any Competitive Loan bearing interest at a rate determined by reference to the LIBO Rate in accordance with the provisions of Article II.

"EURODOLLAR LOAN" shall mean any Eurodollar Competitive Loan or Eurodollar Committed Loan.

"EVENT OF DEFAULT" shall have the meaning given to such term in Article VII.

"EXECUTIVE OFFICER" shall mean an executive officer as defined in Rule 13b-7 of the rules and regulations adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

"EXISTING CREDIT AGREEMENT" means that certain credit agreement dated as of February 16, 1994 by and among the Company, the Banks party thereto and NationsBank of North Carolina, N.A., as Administrative Agent.

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"FACILITY FEE" shall have the meaning assigned to such term in Section 2.6(a) hereof.

"FEES" shall mean the Facility Fees and the Administrative Fees.

"FINANCIAL OFFICER" shall mean the Chief Financial Officer, the Vice Chairman of the Board, the Treasurer or the Senior Vice President of Finance of the Company.

"FIXED RATE BORROWING" shall mean a Borrowing comprised of Fixed Rate Loans.

"FIXED RATE LOAN" shall mean any Competitive Loan bearing interest at a fixed percentage rate per annum (expressed in the form of a decimal to no more than four decimal places) specified by the Bank making such Loan in its Competitive Bid.

"FOREIGN SUBSIDIARY" shall mean any Subsidiary organized under the laws of any country or any political subdivision of any country, except for Subsidiaries

organized under the laws of the United States of America or Canada or any political subdivision of the United States of America or Canada.

"GAAP" shall mean generally accepted accounting principles, applied on a consistent basis.

"GOVERNMENTAL AUTHORITY" shall mean any Federal, state, local, or foreign court or governmental agency, authority, instrumentality or regulatory body.

"GUARANTEE" of or by any person shall mean any obligation, contingent or otherwise, of such person guaranteeing or having the economic effect of guaranteeing any Indebtedness of any other person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Indebtedness, (b) to purchase property, securities or services for the purpose of assuring the owner of such Indebtedness of the payment of such Indebtedness or (c) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness; PROVIDED,

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HOWEVER, that the term Guarantee shall not include endorsements for collection or deposit, in either case in the ordinary course of business.

"INDEBTEDNESS" with respect to any person shall mean at any time, without duplication, (i) all obligations of such person for borrowed money, (ii) all obligations of such person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such person upon which interest charges are customarily paid, (iv) all obligations of such person under conditional sale or other title retention agreements relating to property purchased by such person, (v) all obligations of such person issued or assumed as the deferred purchase price of property or services (other than accounts payable to suppliers incurred in the ordinary course of business and not overdue), (vi) all obligations of others secured by any Lien on property owned or acquired by such person, whether or not the obligations secured thereby have been assumed, (vii) all Capitalized Lease Obligations of such person and (viii) all Guarantees of such person.

"INTEREST PAYMENT DATE" shall mean (i) as to any Eurodollar Loan for which the Interest Period is 1, 2 or 3 months, the last day of the Interest Period, (ii) as to any Eurodollar Loan for which the Interest Period is 6 months, the last day of the Interest Period and the date that would be the last day of an Interest Period commencing on the same date but having a duration of 3 months, (iii) as to any ABR Loan, the last day of March, June, September and December in each year, or if such day is not a Business Day, the next succeeding Business Day and (iv) as to any Fixed Rate Loan, the last day of the Interest Period applicable thereto.

"INTEREST PERIOD" shall mean: (a) as to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day

(or if there is no corresponding day, the last day) in the calendar month that is 1, 2, 3 or 6 months thereafter, as the Company may elect, and thereafter, each period commencing on the last day of the next preceding Interest Period for such Eurodollar Borrowing and ending on the numerically corresponding day (or if there is no corresponding day, the last day) in the calendar month that is 1, 2, 3 or 6 months thereafter, as the Company may elect, (b) as to any ABR Borrowing, the period commencing on the date of such Borrowing and ending on the Maturity Date or the date of prepayment of such Borrowing and (c) as to any Fixed Rate

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Borrowing, the period commencing on the date of such Borrowing and ending on the date specified in the Competitive Bids in which the offer to make the Fixed Rate Loans comprising such Borrowing were extended, which shall not be earlier than 7 days after the date of such Borrowing or later than 360 days after the date of such Borrowing; PROVIDED, HOWEVER, that if any Interest Period would end on a day which shall not be a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, with respect to Eurodollar Loans only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day. Interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period.

"LEVERAGE RATIO" shall mean, as of any date, the ratio of (a) Consolidated Indebtedness on such date to (b) Consolidated Capitalization on such date.

"LIBO RATE" shall mean, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the rate at which dollar deposits approximately equal in principal amount to (i) in the case of a Committed Borrowing the Administrative Agent's portion of such Eurodollar Borrowing and (ii) in the case of a Competitive Borrowing, a principal amount that would have been the Administrative Agent's portion of such Competitive Borrowing had such Competitive Borrowing been a Committed Borrowing, and for the maturity equal to the applicable Interest Period are offered by major banks to the principal London office of the Administrative Agent in immediately available funds in the London Interbank Market for Eurodollars at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"LIEN" shall mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind whatsoever (including any conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction).

"LOAN" shall mean a Competitive Loan or a Committed Loan, whether made as a Eurodollar Loan, an ABR Loan or a Fixed Rate Loan, as permitted hereby.

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"MARGIN" shall mean, as to any Eurodollar Competitive Loan, the margin (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) to be added to or subtracted from the LIBO Rate in order to determine the interest rate applicable to such Loan, as specified in the Competitive Bid relating to such Loan.

"MARGIN STOCK" shall mean "margin stock" as defined in Regulation U of the Board.

"MATERIAL ADVERSE EFFECT" shall mean a materially adverse effect on the business, assets, condition (financial or otherwise) or results of operations of the Company and the Subsidiaries taken as a whole.

"MATURITY DATE" shall mean September 24, 2001 or any anniversary of such date to which the Maturity Date shall have been extended pursuant to Section 2.10(d).

"MOODY'S" shall mean Moody's Investors Service, Inc.

"MULTIEMPLOYER PLAN" shall mean a multiemployer plan as defined in Section 4001(a)(3) of ERISA to which the Company or any ERISA Affiliate (other than one considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Section 414 of the Code) is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"NATIONSBANK" shall mean NationsBank, N.A.

"NOTE" or "NOTES" shall mean a Competitive Note or a Committed Note of the Company executed and delivered under this Agreement.

"OLEFINS TRANSACTION" shall mean the sale by the Company on March 1, 1996 of the Company's alpha olefins, poly alpha olefins and synthetic alcohol businesses to Amoco Chemical Company for approximately \$500 million, including plant and equipment (primarily located in Pasadena, Texas, Deer Park, Texas and Feluy, Belgium), other assets, inventory and accounts receivable, net of expenses and trade accounts payable retained and paid to date by the Company, and certain business-related liabilities transferred at the date of sale.

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"PBG" shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

"PERSON" shall mean any natural person, corporation, division of a corporation, business trust, joint venture, association, company, partnership or government, or any agency or political subdivision thereof.

"PLAN" shall mean any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code that is maintained for current or former employees, or any beneficiary thereof, of the Company or any ERISA Affiliate.

"RATINGS" shall mean the ratings applicable to the senior, unsecured, non-credit-enhanced, long-term debt of the Company established by S&P, Moody's and Duff & Phelps.

"REGULATION D" shall mean Regulation D of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"REGULATION G" shall mean Regulation G of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"REGULATION U" shall mean Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"REGULATION X" shall mean Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"REPORTABLE EVENT" shall mean any reportable event as defined in Section 4043(b) of ERISA or the regulations issued thereunder with respect to a Plan (other than a Plan maintained by an ERISA Affiliate that is considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Section 414 of the Code).

"REQUIRED BANKS shall mean a Bank or Banks having Commitments representing more than 50% of the Total Commitment or, for purposes of acceleration pursuant to clause (ii) of Article VII, Banks holding Loans representing more than 50% of the aggregate principal amount of the Loans outstanding.

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

"SALE AND LEASE-BACK TRANSACTION" shall mean, with respect to the Company or any Subsidiary, any arrangement, directly or indirectly, with any person whereby the Company or such Subsidiary shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property which it intends to use for substantially the same purpose or purposes as the property being sold or transferred.

"SHAREHOLDERS' EQUITY" shall mean, for any corporation: the sum of (i) its capital stock outstanding taken at par value, (ii) its paid-in capital and (iii) its retained earnings, less its treasury stock, each to be determined in accordance with generally accepted accounting principles consistent with those applied in the preparation of the Financial Statements.

"subsidiary" shall mean, with respect to any person (herein referred to as the "parent"), any corporation, partnership, association or other business entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or more than 50% of the general partnership interests are, at the time any determination is being made, owned, controlled or held, or (b) which is, at the time any determination is made, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"SUBSIDIARY" shall mean a subsidiary of the Company.

"TOTAL COMMITMENT" shall mean at any time the aggregate amount of the Banks' Commitments, as in effect at such time.

"TRANSFERRED BUSINESSES" shall have the meaning set forth in the definition of Financial Statements.

"TYPE", when used in respect of any Loan or Borrowing, shall refer to the Rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined. For purposes hereof, "Rate" shall include the LIBO Rate, the Alternate Base Rate and the Fixed Rate.

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"WITHDRAWAL LIABILITY" shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.2. TERMS GENERALLY. The definitions in Section 1.1 shall apply equally to both 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. All references herein to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided, however, that if the Company notifies the Administrative Agent that the Company wishes to amend any covenant in Article VI or any related definition to eliminate the effect of any change in GAAP occurring after the date hereof on the operation of such covenant (or if the Administrative Agent notifies the Company that the Required Banks wish to amend Article VI or any related definition for such purpose), then the Company's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Company and the Required Banks.

## ARTICLE II

### THE CREDITS

SECTION 2.1. Commitments. Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each Bank, severally and not jointly, agrees to make Committed Loans to the Company, at any time or from time to time on or after the Effective Date and until the Maturity Date or until the Commitment of such Bank shall have been terminated in accordance with the terms hereof, in an aggregate principal amount at any time outstanding not exceeding the amount of such Bank's Commitment minus the amount by which the Competitive Loans outstanding at such time shall be deemed to have used such Commitment pursuant to Section 2.15, subject, however, to the conditions that (a) at no time shall (i) the sum of (x) the outstanding aggregate principal amount of all Committed Loans made by all Banks plus (y) the outstanding aggregate principal amount of all Competitive Loans made by all Banks exceed (ii) the Total Commitment and (b) at all

times the outstanding aggregate principal amount of all Committed Loans made by each Bank shall equal the product of (i) the percentage which its Commitment represents of the Total Commitment times (ii) the outstanding aggregate principal amount of all Committed Loans made pursuant to Section 2.4. Each Bank's Commitment is set forth opposite its respective name in Schedule 2.1. Such Commitments may be terminated or reduced from time to time pursuant to Section 2.10. Within the foregoing limits, the Company may borrow, repay and reborrow hereunder on or after the Effective Date and prior to the Maturity Date, subject to the terms, provisions and limitations set forth herein. Upon the reasonable request of any Bank, the Administrative Agent shall notify such Bank of the aggregate principal amount of Competitive Loans and Committed Loans outstanding at such time. Nothing contained in this Section 2.1 shall preclude the Company from borrowing on a committed or a competitive basis outside of this Agreement so long as any such borrowing is not otherwise prohibited hereunder.

SECTION 2.2. Loans. (a) Each Committed Loan shall be made as part of a Borrowing consisting of Loans made by the Banks ratably in accordance with their Commitments; provided, however, that the failure of any Bank to make any Committed Loan shall not in itself relieve any other Bank of its obligation to lend hereunder (it being understood, however, that no Bank shall be responsible for the failure of any other Bank to make any Loan required to be made by such other Bank). Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.3. The Loans comprising any Borrowing shall be in a minimum aggregate principal amount of \$5,000,000 and in integral multiples of \$1,000,000 in excess thereof, in the case of Competitive Loans, or \$10,000,000 and in integral multiples of \$1,000,000 in excess thereof, in the case of Committed Loans (or, in either case, an aggregate principal amount equal to the remaining balance of the available Commitments).

(b) Each Competitive Borrowing shall be comprised entirely of Eurodollar Competitive Loans or Fixed Rate Loans, and each Committed Borrowing shall be comprised entirely of Eurodollar Committed Loans or ABR Loans, as the Company may request pursuant to Section 2.3 or 2.4, as applicable. Each Bank may at its option fulfill its Commitment with respect to any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Bank to make such Loan; provided that (i) any exercise of such option shall not affect the obligation of the Company to repay such Loan in accordance with the terms of this Agreement and the applicable Note and (ii) the Company shall not be liable for increased costs

under Section 2.12, 2.13 or 2.17 to the extent that (A) such costs could be avoided by the use of a different branch or Affiliate to make Eurodollar Loans and (B) such use would not, in the judgment of such Bank, entail any expense for which such Bank shall not be indemnified hereunder or otherwise be disadvantageous to it. Borrowings of more than one Type may be outstanding at the same time; provided, however, that the Company shall not be entitled to request any Borrowing which, if made, would result in an aggregate of more than five separate Eurodollar Committed Loans of any Bank being outstanding hereunder at any one time. For purposes of the foregoing, Loans having different Interest Periods, regardless of whether they commence on the same date, shall be considered



separate Loans.

(c) Subject to Section 2.5, each Bank shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds to the Administrative Agent in Charlotte, North Carolina, not later than 2:00 p.m., North Carolina time, and the Administrative Agent shall by 3:00 p.m., North Carolina time, credit the amounts so received to the general deposit account of the Company with the Administrative Agent or, if a Borrowing shall not occur on such date because any condition precedent herein specified shall not have been met, return the amounts so received to the respective Banks. Competitive Loans shall be made by the Bank or Banks whose Competitive Bids therefor are accepted pursuant to Section 2.3 in the amounts so accepted and Committed Loans shall be made by the Banks pro rata in accordance with Section 2.15. Unless the Administrative Agent shall have received notice from a Bank prior to the date of any Borrowing that such Bank will not make available to the Administrative Agent such Bank's portion of such Borrowing, the Administrative Agent may assume that such Bank has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with this paragraph (c) and the Administrative Agent may, in reliance upon such assumption, make available to the Company on such date a corresponding amount. If and to the extent that such Bank shall not have made such portion available to the Administrative Agent, such Bank and the Company severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount, together with interest thereon, for each day from the date such amount is made available to the Company until the date such amount is repaid to the Administrative Agent at (i) in the case of the Company, the interest rate applicable at the time to the Loans comprising such Borrowing and (ii) in the case of such Bank, the Federal Funds

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Effective Rate. If such Bank shall repay to the Administrative Agent such corresponding amount, such amount shall constitute such Bank's Loan as part of such Borrowing for purposes of this Agreement.

(d) Notwithstanding any other provision of this Agreement, the Company shall not be entitled to request any Committed Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date with respect to any Bank.

### SECTION 2.3. Competitive Bid Procedure.

(a) The Company may request the Banks to make Competitive Bids in respect of an aggregate amount of Competitive Borrowings at any time outstanding not in excess of (i) the Total Commitment in effect at such time less (ii) the aggregate Committed Borrowings outstanding at such time. In order to request Competitive Bids, the Company shall hand deliver or telecopy to the Administrative Agent a duly completed Competitive Bid Request in the form of Exhibit A-1 hereto, to be received by the Administrative Agent (i) in the case of a Eurodollar Competitive Borrowing, not later than 10:00 a.m., North Carolina time, four Business Days before a proposed Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 10:00 a.m., North Carolina time, one Business Day before a proposed Competi-

tive Borrowing. No ABR Loan shall be requested in, or made pursuant to, a Competitive Bid Request. A Competitive Bid Request that does not conform substantially to the format of Exhibit A-1 may be rejected in the Administrative Agent's sole discretion, and the Administrative Agent shall promptly notify the Company of such rejection by telecopier. Such request shall in each case refer to this Agreement and specify (x) whether the Borrowing then being requested is to be a Eurodollar Borrowing or a Fixed Rate Borrowing, (y) the date of such Borrowing (which shall be a Business Day) and the aggregate principal amount thereof which shall be in a minimum principal amount of \$5,000,000 and in integral multiples of \$1,000,000 in excess thereof, and (z) the Interest Period with respect thereto (which may not end after the Maturity Date (as such date may have been extended pursuant to Section 2.10)). Promptly after its receipt of a Competitive Bid Request that is not rejected as aforesaid, the Administrative Agent shall invite by telecopier (in the form set forth in Exhibit A-2 hereto) the Banks to bid, on the terms and conditions of this Agreement, to make Competitive Loans pursuant to the Competitive Bid Request.

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(b) Each Bank may, in its sole discretion, make one or more Competitive Bids to the Company responsive to any Competitive Bid Request; provided, however, that no Bank may make a Competitive Bid in response to any Competitive Bid Request for which the Interest Period would end after the Maturity Date with respect to such Bank. Each Competitive Bid by a Bank must be received by the Administrative Agent via telecopier, in the form of Exhibit A-3 hereto, (i) in the case of a Eurodollar Competitive Borrowing, not later than 9:30 a.m., North Carolina time, three Business Days before a proposed Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 9:30 a.m. North Carolina time, on the day of a proposed Competitive Borrowing. Multiple bids will be accepted by the Administrative Agent. Competitive Bids that do not conform substantially to the format of Exhibit A-3 may be rejected by the Administrative Agent after conferring with, and upon the instruction of, the Company, and the Administrative Agent shall notify the Bank making such nonconforming bid of such rejection as soon as practicable. Each Competitive Bid shall refer to this Agreement and specify (x) the principal amount (which shall be in a minimum principal amount of \$5,000,000 and in integral multiples of \$1,000,000 in excess thereof and which may equal the entire principal amount of the Competitive Borrowing requested by the Company) of the Competitive Loan or Loans that the Bank is willing to make to the Company, (y) the Competitive Bid Rate or Rates at which the Bank is prepared to make the Competitive Loan or Loans and (z) the Interest Period and the last day thereof. If any Bank shall elect not to make a Competitive Bid, such Bank shall so notify the Administrative Agent via telecopier (I) in the case of Eurodollar Competitive Loans, not later than 9:30 a.m., North Carolina time, three Business Days before a proposed Competitive Borrowing, and (II) in the case of Fixed Rate Loans, not later than 9:30 a.m., North Carolina time, on the day of a proposed Competitive Borrowing; provided, however, that failure by any Bank to give such notice shall not cause such Bank to be obligated to make any Competitive Loan as part of such Competitive Borrowing. A Competitive Bid submitted by a Bank pursuant to this paragraph (b) shall be irrevocable.

(c) The Administrative Agent shall promptly notify the Company by telecopier of all the Competitive Bids made, the Competitive Bid Rate, the Interest Period and the principal amount of each Competitive Loan in respect of which a Competitive Bid was made and the identity of the Bank that made each bid. The Administrative Agent shall send a copy of all Competitive Bids to

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the Company for its records as soon as practicable after completion of the bidding process set forth in this Section 2.3.

(d) The Company may in its sole and absolute discretion, subject only to the provisions of this paragraph (d), accept or reject any Competitive Bid referred to in paragraph (c) above. The Company shall notify the Administrative Agent by telephone, confirmed by telecopier in the form of a Competitive Bid Accept/Reject Letter, whether and to what extent it has decided to accept or reject any of or all the bids referred to in paragraph (c) above, (x) in the case of a Eurodollar Competitive Borrowing, not later than 10:30 a.m., North Carolina time, three Business Days before a proposed Competitive Borrowing, and (y) in the case of a Fixed Rate Borrowing, not later than 10:30 a.m., North Carolina time, on the day of a proposed Competitive Borrowing; provided, however, that (i) the failure by the Company to give such notice shall be deemed to be a rejection of all the bids referred to in paragraph (c) above, (ii) the Company shall not accept a bid made at a particular Competitive Bid Rate if the Company has decided to reject a bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Company shall not exceed the principal amount specified in the Competitive Bid Request, (iv) if the Company shall accept a bid or bids made at a particular Competitive Bid Rate but the amount of such bid or bids shall cause the total amount of bids to be accepted by the Company to exceed the amount specified in the Competitive Bid Request, then the Company shall accept a portion of such bid or bids in an amount equal to the amount specified in the Competitive Bid Request less the amount of all other Competitive Bids accepted with respect to such Competitive Bid Request, which acceptance, in the case of multiple bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such bid at such Competitive Bid Rate, and (v) except pursuant to clause (iv) above, no bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a minimum principal amount of \$5,000,000 and in integral multiples of \$1,000,000 in excess thereof; provided further, however, that if a Competitive Loan must be in an amount less than \$5,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of \$500,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be rounded to integral multiples of \$500,000 in a manner which shall be in the discretion of the Company. A notice

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given by the Company pursuant to this paragraph (d) shall be irrevocable.

(e) The Administrative Agent shall promptly notify each bidding Bank whether or not its Competitive Bid has been accepted (and if so, in what amount and at what Competitive Bid Rate) by telecopy sent by the Administrative Agent, and each successful bidder will thereupon become bound, subject to the other applicable conditions hereof, to make the Competitive Loan in respect of which its bid has been accepted.

(f) A Competitive Bid Request shall not be made within five Business Days after the date of any previous Competitive Bid Request.

(g) If NationsBank, N.A. shall elect to submit a Competitive Bid in its capacity as a Bank, it shall submit such bid directly to the Company one half of an hour earlier than the latest time at which the other Banks are required to submit their bids to the Administrative Agent pursuant to paragraph (b) above.

(h) All notices required by this Section 2.3 shall be given in accordance with Section 9.1.

SECTION 2.4. Committed Borrowing Procedure. In order to request a Committed Borrowing, the Company shall hand deliver or telecopy (or notify by telephone and promptly confirm by hand delivery or telecopy) to the Administrative Agent the information requested by the form of Committed Borrowing Request attached as Exhibit A-5 hereto (a) in the case of a Eurodollar Committed Borrowing, not later than 10:30 a.m., North Carolina time, three Business Days before a proposed Borrowing and (b) in the case of an ABR Borrowing, not later than 10:30 a.m., North Carolina time, on the day of a proposed Borrowing. No Fixed Rate Loan shall be requested or made pursuant to a Committed Borrowing Request. Such notice shall be irrevocable and shall in each case specify (i) whether the Borrowing then being requested is to be a Eurodollar Committed Borrowing or an ABR Borrowing; (ii) the date of such Committed Borrowing (which shall be a Business Day) and the amount thereof; and (iii) if such Borrowing is to be a Eurodollar Committed Borrowing, the Interest Period with respect thereto. If no election as to the Type of Committed Borrowing is specified in any such notice, then the requested Committed Borrowing shall be an ABR Borrowing. If no Interest Period with respect to any Eurodollar Committed Borrowing is specified in any such notice, then the Company shall be deemed to have selected an Interest Period of one month's duration. If the

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Company shall not have given notice in accordance with this Section 2.4 of its election to refinance a Committed Borrowing prior to the end of the Interest Period in effect for such Borrowing, then the Company shall (unless such Borrowing is repaid at the end of such Interest Period) be deemed to have given notice of an election to refinance such Borrowing with an ABR Borrowing. The Administrative Agent shall promptly advise the Banks of any notice given pursuant to this Section 2.4 and of each Bank's portion of the requested Borrowing.

SECTION 2.5. Refinancings. The Company may refinance all or any part of any Borrowing with a Borrowing of the same or a different Type made pursuant to Section 2.3 or Section 2.4, subject to the conditions and limitations set forth herein and elsewhere in this Agreement, including refinancings of Competitive Borrowings with Committed Borrowings and Committed Borrowings with Competitive Borrowings. Any Borrowing or part thereof so refinanced shall be deemed to be repaid in accordance

with Section 2.7 with the proceeds of a new Borrowing hereunder and the proceeds of the new Borrowing, to the extent they do not exceed the principal amount of the Borrowing being refinanced, shall not be paid by the Banks to the Administrative Agent or by the Administrative Agent to the Company pursuant to Section 2.2(c); provided, however, that (i) if the principal amount extended by a Bank in a refinancing is greater than the principal amount extended by such Bank in the Borrowing being refinanced, then such Bank shall pay such difference to the Administrative Agent for distribution to the Banks described in (ii) below, (ii) if the principal amount extended by a Bank in the Borrowing being refinanced is greater than the principal amount being extended by such Bank in the refinancing, the Administrative Agent shall return the difference to such Bank out of amounts received pursuant to (i) above, and (iii) to the extent any Bank fails to pay the Administrative Agent amounts due from it pursuant to (i) above, any Loan or portion thereof being refinanced with such amounts shall not be deemed repaid in accordance with Section 2.7 and shall be payable by the Company.

#### SECTION 2.6. Fees.

(a) The Company agrees to pay to each Bank, through the Administrative Agent, on each March 31, June 30, September 30 and December 31 and on the date on which the Commitment of such Bank shall be reduced or terminated as provided herein (including pursuant to Section 9.17), a facility fee (a "Facility Fee") at a rate per annum equal to the Applicable Facility Fee Percentage from time to time in effect on the average daily amount of such Bank's Commitment (whether used or unused) during the preceding

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quarter (or shorter period commencing with the Effective Date or ending with the Maturity Date or any date on which the Commitment of such Bank shall be terminated). All Facility Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days. The Facility Fee due to each Bank shall commence to accrue on the Effective Date, and shall cease to accrue on the earlier of the Maturity Date and the termination of the Commitment of such Bank as provided herein.

(b) The Company agrees to pay the Administrative Agent, for its own account, (i) administrative fees at the times and in the amounts agreed upon between the Company and the Administrative Agent and (ii) such Competitive Bid auction fees as shall be agreed upon by the Company and the Administrative Agent from time to time (collectively, the "Administrative Fees").

(c) All Fees shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, if and as appropriate, among the Banks. Once paid, none of the Fees shall be refundable under any circumstances.

SECTION 2.7. Notes; Repayment of Loans. The Competitive Loans made by each Bank shall be evidenced by a single Competitive Note duly executed on behalf of the Company, dated the Effective Date, in substantially the form attached hereto as Exhibit B-1 with the blanks appropriately filled, payable to such Bank in a principal amount equal to the Total Commitment. The Committed Loans made by each Bank shall be evidenced by a single Committed Note duly executed on behalf of the Company, dated the

Effective Date, in substantially the form attached hereto as Exhibit B-2 with the blanks appropriately filled, payable to such Bank in a principal amount equal to the Commitment of such Bank. Each Competitive Note and each Committed Note shall bear interest from the date thereof on the outstanding principal balance thereof as set forth in Section 2.8. Each Bank shall, and is hereby authorized by the Company to, endorse on the schedule attached to the relevant Note held by such Bank (or on a continuation of such schedule attached to each such Note and made a part thereof), or otherwise to record in such Bank's internal records, an appropriate notation evidencing the date and amount of each Competitive Loan or Committed Loan, as applicable, of such Bank, each payment or prepayment of principal of any Competitive Loan or Committed Loan, as applicable, and the other information provided for on such schedule; provided, however, that the failure of any Bank to make such a notation or any error therein shall not in any manner affect the obligation of the Company to repay the Competitive Loans or Committed Loans, as applicable, made by such Bank

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in accordance with the terms of the relevant Note. The outstanding principal balance of each Competitive Loan and Committed Loan, as evidenced by the relevant Note, shall be payable on the last day of the Interest Period applicable to such Loan and on the Maturity Date.

#### SECTION 2.8. Interest on Loans.

(a) Subject to the provisions of Section 2.9, the Loans comprising each ABR Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, when determined by reference to the Prime Rate and over a year of 360 days at all other times) at a rate per annum equal to the Alternate Base Rate plus the Applicable Margin.

(b) Subject to the provisions of Section 2.9, the Loans comprising each Eurodollar Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to (i) in the case of each Eurodollar Committed Loan, the LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Margin, and (ii) in the case of each Eurodollar Competitive Loan, the LIBO Rate for the Interest Period in effect for such Borrowing plus the Margin offered by the Bank making such Loan and accepted by the Company pursuant to Section 2.3.

(c) Subject to the provisions of Section 2.9, each Fixed Rate Loan shall bear interest at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 360 days) equal to the fixed rate of interest offered by the Bank making such Loan and accepted by the Company pursuant to Section 2.3.

(d) Interest on each Loan shall be payable on each Interest Payment Date applicable to such Loan. The LIBO Rate or the Alternate Base Rate for each Interest Period or day within an Interest Period shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

#### SECTION 2.9. Additional Interest; Alternate Rate of Interest.

(a) If the Company shall default in the payment of the

principal of or interest on any Loan or any other amount becoming due hereunder, the Company shall on demand from time to time pay interest on any overdue payment of principal and other amounts

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(other than interest) and, to the extent permitted by law, on overdue payments of interest up to the date of actual payment (after as well as before judgment):

(i) in the case of principal of or interest on an ABR Loan or a Eurodollar Loan, at a rate determined by the Administrative Agent (such determination to be conclusive and binding on the Company) to be 1% per annum above the rate which would otherwise be payable on such Loans in accordance with the provisions herein; and

(ii) in the case of any other amount payable hereunder (other than principal of or interest on any Loan referred to in clause (i) above), at a rate 1% per annum above the Alternate Base Rate.

(b) In the event, and on each occasion, that on the day two Business Days prior to the commencement of any Interest Period for a Eurodollar Loan, the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Company) that dollar deposits in the principal amount of such Eurodollar Loan are not generally available in the London Interbank Market, or that the rate at which such dollar deposits are being offered will not adequately and fairly reflect the cost to the Banks of making or maintaining the principal amount of such Eurodollar Loan during such Interest Period, or that reasonable means do not exist for ascertaining the LIBO Rate, the Administrative Agent shall, as soon as practicable thereafter, give written, telegraphic or telephonic notice of such determination to the Company and the Banks, and any request by the Company for a Eurodollar Loan or for conversion to or maintenance of a Eurodollar Loan pursuant to the terms of this Agreement shall be deemed a request for an ABR Borrowing. After such notice shall have been given and until the circumstances giving rise to such notice no longer exist, each request for a Eurodollar Loan shall be deemed to be a request for an ABR Borrowing. Each determination by the Administrative Agent hereunder shall be conclusive absent manifest error.

SECTION 2.10. Termination, Reduction and Extension of Commitments.

(a) The Commitments shall be automatically terminated on the Maturity Date.

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(b) Upon at least three Business Days' prior irrevocable written or telecopy notice to the Administrative Agent, the Company may at any time in whole permanently terminate, or from time to time in part permanently reduce, the Total Commitment; provided, however, that (i) each partial reduction of the Total Commitment shall be in a minimum principal amount of \$10,000,000 and in integral multiples thereof and (ii) no such termination or reduction

shall be made which would reduce the Total Commitment to an amount less than the aggregate outstanding principal amount of the Competitive Loans.

(c) Each reduction in the Total Commitment hereunder shall be made ratably among the Banks in accordance with their respective Commitments. The Company shall pay to the Administrative Agent for the account of the Banks, on the date of each termination or reduction, the Facility Fees on the amount of the Commitments so terminated or reduced accrued to the date of such termination or reduction.

(d) Not later than the date 60 days prior to the first or any subsequent anniversary of the date hereof, the Company may deliver to the Administrative Agent (which shall promptly transmit to each Bank) a notice requesting that the Commitments be extended to the first anniversary of the Maturity Date. Within 30 days after its receipt of any such notice, each Bank shall notify the Administrative Agent of its willingness or unwillingness so to extend its Commitment. Any Bank that shall fail so to notify the Administrative Agent within such period shall be deemed to have declined to extend its Commitment. If Banks holding a majority in amount of the Commitments agree to extend their Commitments, the Administrative Agent shall so notify the Company and each Bank that shall have consented to such request, whereupon (i) the respective Commitments of such consenting Banks and each other Bank that shall consent to the extension of its Commitment prior to the expiration of its respective 30-day period shall without further act be extended to the first anniversary of the Maturity Date at the time in effect, (ii) the term "Maturity Date" shall thenceforth mean, as to the Loans of such consenting Banks, such first anniversary and (iii) the Commitments of the non-extending Banks shall terminate on the Maturity Date in effect prior to such extension and the Loans and other amounts owed to such Banks shall become due and payable on such date. If Banks holding a majority in amount of the Commitments shall not have agreed to extend their Commitments, then none of the Commitments shall be extended and the Maturity Date shall remain unchanged. In the event that any

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Bank shall have declined or been deemed to have declined to extend its Commitment and the Commitments of other Banks shall have been extended, the Company shall have the right, but not the obligation, at its own expense, upon notice to such Bank and the Administrative Agent, to replace such Bank at any time prior to the termination of such Bank's Commitment (in accordance with and subject to the restrictions contained in Section 9.4) with an assignee willing to agree that its Commitment will terminate on the extended Maturity Date, and such Bank hereby agrees to transfer and assign without recourse (in accordance with and subject to the restrictions contained in Section 9.4) all its interests, rights and obligations under this Agreement to such assignee; provided, however, that (i) no such assignment shall conflict with any law or any rule, regulation or order of any Governmental Authority and (ii) the Company or such assignee, as the case may be, shall pay to the affected Bank in immediately available funds on the date of such assignment the principal of and interest accrued to the date of payment on the Loans made by such Bank hereunder and all other amounts accrued for such Bank's account or owed to it hereunder.



SECTION 2.11. Prepayment of Loans.

(a)The Company shall have the right at any time and from time to time to prepay any Committed Borrowing, in whole or in part, without premium or penalty (but in any event subject to Section 2.14), upon prior written, telecopy or telephonic notice to the Administrative Agent given no later than 10:30 a.m., North Carolina time, one Business Day before any proposed prepayment; provided, however, that each such partial prepayment shall be in a minimum principal amount of \$10,000,000 and in integral multiples of \$1,000,000. The Company shall not have the right to prepay any Competitive Borrowing.

(b)On the date of any termination or reduction of the Commitments pursuant to Section 2.10, the Company shall pay or prepay so much of the Committed Borrowings as shall be necessary in order that the aggregate principal amount of the Competitive Loans and Committed Loans outstanding will not exceed the Total Commitment after giving effect to such termination or reduction.

(c)Each notice of prepayment shall specify the prepayment date and the principal amount of each Borrowing to be prepaid, shall be irrevocable and shall commit the Company to prepay such Borrowing (or portion thereof) by the amount stated therein.

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All prepayments on Eurodollar Loans under this Section shall be accompanied by accrued interest on the principal amount being prepaid to the date of prepayment.

SECTION 2.12. Reserve Requirements; Change in Circumstances.

(a)Notwithstanding any other provision herein, if after the date hereof any change in applicable law or regulations or in the interpretation or administration thereof (including, without limitation, any request, guideline or policy not having the force of law) by any Governmental Authority charged with the administration or interpretation thereof shall occur which shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including a tax) against any assets held by, deposits with or for the account of or credit extended by such Bank (including any reserve requirement that may be applicable to "eurocurrency liabilities" under and as defined in Regulation D) or shall impose upon such Bank or the London interbank market any other condition with respect to this Agreement or the Eurodollar Loans or Fixed Rate Loans made by such Bank and the result of any of the foregoing shall be to increase the cost to such Bank of making or maintaining any Eurodollar Loan or Fixed Rate Loan hereunder or to reduce the amount of any payment (whether of principal, interest or otherwise) by an amount deemed by such Bank to be material, then and in each such case the Company shall pay to such Bank, as provided in paragraph (c) below, such amounts as shall be necessary to compensate such Bank for such cost, reduction or payment; provided, however, that the Company may, at its option and upon written notice to the Administrative Agent and the Banks, either (i) elect to convert such Loan of such Bank into an ABR Loan upon the payment by the Company of the increased costs described above incurred prior to such conversion and any amount owing

in respect of Section 2.14 hereof, it being understood that (A) for purposes of Section 2.11, such ABR Loan shall be subject to prepayment only at such times and on such conditions as the Loan from which it was converted and (B) upon such increased costs being eliminated, or reduced by an amount deemed sufficient by the Company, such ABR Loan will be converted into a Loan of the same Type as the Loan previously converted into such ABR Loan having an Interest Period expiring on the same date as the Loan previously converted into such ABR Loan or (ii) with the prior consent of the Required Banks, elect to convert all (but not less than all) Loans of all Banks of the same Type and Interest Period as the Loan subject to such change into Loans of a different Type upon the payment of all amounts that are due under this Section 2.12(a) and

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Section 2.14.

Notwithstanding the foregoing, no Bank shall be entitled to request compensation under this paragraph with respect to any Competitive Loan if it shall have been aware of the change giving rise to such request at the time of submission of the Competitive Bid pursuant to which such Competitive Loan shall have been made.

(b) If any Bank shall have determined that the adoption after the date hereof of any law, rule, regulation, agreement or guideline regarding capital adequacy, or any change in any law, rule, regulation, agreement or guideline regarding capital adequacy or in the interpretation or administration of any law, rule, regulation, agreement or guideline regarding capital adequacy by any Governmental Authority charged with the interpretation or administration thereof, or compliance by any Bank (or any lending office of such Bank) or any Bank's holding company with any request or directive regarding capital adequacy issued under any law, rule, regulation or guideline (whether or not having the force of law) of any such authority, central bank or comparable agency issued after the date hereof, has or would have the effect of reducing the rate of return on such Bank's capital or on the capital of such Bank's holding company, if any, as a consequence of this Agreement or the Loans made by such Bank pursuant hereto to a level below that which such Bank or such Bank's holding company could have achieved but for such applicability, adoption, change or compliance by an amount deemed by such Bank to be material, then from time to time the Company shall pay to such Bank following receipt of a certificate of such Bank to such effect in accordance with paragraph (c) below such additional amount or amounts as will compensate such Bank or such Bank's holding company on an after-tax basis for any such reduction suffered.

(c) Each Bank shall promptly deliver to the Company from time to time one or more certificates setting forth the amounts due to such Bank under paragraphs (a) and (b) above, the changes as a result of which such amounts are due and the manner of computing such amounts. Each such certificate shall be conclusive in the absence of manifest error. The Company shall pay to each Bank the amounts shown as due on any such certificate within 10 days after its receipt of the same. No failure on the part of any Bank to demand compensation under paragraph (a) or (b) above on any one occasion shall constitute a waiver of its right to demand such compensation with respect to such period or any other period, except that no Bank shall be entitled to

compensation under this

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Section 2.12 for any costs incurred or reduction suffered with respect to any date unless such Bank shall have notified the Company that it will demand compensation for such costs or reductions not more than 90 days after the later of (i) such date and (ii) the date on which such Bank shall have become aware of such costs or reductions. The protection of this Section 2.12 shall be available to each Bank regardless of any possible contention of the invalidity or inapplicability of any law, rule, regulation, guideline or other change or condition which shall have occurred or been imposed and shall give rise to any demand by such Bank for compensation hereunder.

(d) Promptly after actual notice to any Bank that a change referred to in paragraph (a) or (b) above has occurred, such Bank will give notice of such occurrence to the Company and the Administrative Agent and, unless all the Eurodollar Loans giving rise to any such increased costs shall have been converted to Loans of another type, such Bank will, for a period of 30 days after the giving of such notice, use reasonable efforts to specify a new Eurodollar lending office with respect to its Commitment and the Eurodollar Loans held by it with a view to mitigating the consequences of such occurrence to the greatest extent practicable unless in the opinion of such Bank such specification might at such time or in the future have an adverse effect upon it.

SECTION 2.13. Change in Legality. (a) Notwithstanding anything to the contrary contained in Section 2.18 or elsewhere in this Agreement, if any change after the date hereof in law or regulation or in the interpretation thereof by any Governmental Authority charged with the administration or interpretation thereof shall make it unlawful for a Bank to make or maintain any Eurodollar Loan or to give effect to its obligations as contemplated hereby with respect to any Eurodollar Loan, then, by written notice to the Company and the Administrative Agent, such Bank may:

(i) declare that Eurodollar Loans will not thereafter be made by such Bank hereunder, whereupon such Bank shall not submit a Competitive Bid in response to a request for Eurodollar Competitive Loans and any request by the Company for a Eurodollar Committed Borrowing shall, as to such Bank only, be deemed a request for an ABR Loan unless such declaration shall be subsequently withdrawn; and

(ii) require that all outstanding Eurodollar Loans made by it be converted to ABR Loans, whereupon all of such

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Eurodollar Loans shall be automatically converted to ABR Loans as of the effective date of such notice as provided in paragraph (b) below.

(b) For purposes of this Section 2.13, a notice to the Company by any Bank pursuant to paragraph (a) above shall be

effective with respect to outstanding Eurodollar Loans, if lawful, on the last day of the then current Interest Period; in all other cases, such notice shall be effective on the date of receipt by the Company.

SECTION 2.14. Indemnity. The Company shall reimburse each Bank on demand for any loss incurred or to be incurred by it in the reemployment of the funds released by any prepayment or conversion of any Eurodollar Loan or Fixed Rate Loan required or permitted by any other provision of this Agreement if such Loan is prepaid or converted other than on the last day of any Interest Period for such Loan. Such loss shall be the difference as reasonably determined by such Bank between the amount that would have been realized by such Bank for the remainder of such Interest Period for such Loan based on the interest rate applicable thereto hereunder during such Interest Period and any lesser amount that would be realized by such Bank in reemploying the funds received in prepayment by making a Loan of the same type in the principal amount prepaid during the period from the date of prepayment to the end of the Interest Period of the Loan being prepaid. Without duplication of the foregoing indemnity payments, the Company will indemnify each Bank against any actual loss or expense which such Bank may sustain or incur as a consequence of (a) any failure by the Company to borrow or to refinance any Loan hereunder after irrevocable notice of such borrowing or refinancing, (b) any default in payment or prepayment of the principal amount of any Loan or any part thereof or interest accrued thereon, as and when due and payable (at the due date thereof, by notice of prepayment or otherwise), or (c) the occurrence of any Event of Default, including but not limited to any loss or expense sustained or incurred in liquidating or employing deposits from third parties acquired to effect or maintain such Loan or any part thereof. Each Bank shall provide to the Company a statement, signed by an officer of such Bank and explaining the amount and calculation of any such actual loss or expense, which statement shall, in the absence of manifest error, be conclusive with respect to the parties hereto.

SECTION 2.15. Pro Rata Treatment, etc. Except as required under Section 2.10(d) or 2.13, each Committed Borrowing, each payment or prepayment of principal of any Committed Borrowing, each payment of interest on the Committed Loans, each payment of the Facility Fees,

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each reduction of the Commitments and each refinancing of any Borrowing with a Committed Borrowing of any Type, shall be made pro rata among the Banks in accordance with their respective Commitments (or, if such Commitments shall have expired or been terminated, in accordance with the respective principal amounts of their outstanding Committed Loans). Each payment of principal of any Competitive Borrowing shall be allocated pro rata among the Banks participating in such Borrowing in accordance with the respective principal amounts of their outstanding Competitive Loans comprising such Borrowing. Each payment of interest on any Competitive Borrowing shall be allocated pro rata among the Banks participating in such Borrowing in accordance with the respective amounts of accrued and unpaid interest on their outstanding Competitive Loans comprising such Borrowing. For purposes of determining the available Commitments of the Banks at any time (but not for purposes of Section 2.6(a)), each outstanding Competitive Borrowing shall be deemed to have utilized the Commitments of the Banks (including those Banks which shall not have made Loans as part of such Competitive Borrowing) pro rata in accordance with such respective Commitments. Each Bank agrees that in computing

such Bank's portion of any Borrowing to be made hereunder, the Administrative Agent may, in its discretion, round each Bank's percentage of such Borrowing to the next higher or lower whole dollar amount.

SECTION 2.16. Payments.

(a) The Company shall make each payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder not later than 12:00 (noon), North Carolina time, on the date when due in dollars to the Administrative Agent at its offices at NationsBank Corporate Center, Charlotte, North Carolina, in immediately available funds.

(b) Whenever any payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder shall become due, or otherwise would occur, on a day that is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or Fees, if applicable.

SECTION 2.17. Taxes.

(a) Any and all payments by the Company hereunder shall be made, in accordance with Section 2.16, free and clear of and without deduction for any and all current or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities

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with respect thereto, excluding (i) taxes imposed on or measured by all or part of the gross or net income (but not including any such tax in the nature of a withholding tax) of the Administrative Agent or any Bank (or any transferee or assignee thereof, including a participation holder (any such entity a "Transferee")), in each case by the jurisdiction under the laws of which the Administrative Agent or such Bank (or Transferee) is organized or has its applicable lending office or any political subdivision of any thereof and (ii) taxes that would not have been imposed if the only connection between the Administrative Agent or any Bank (or Transferee), or any Affiliate thereof, and the jurisdiction imposing such taxes were activities of the Administrative Agent or such Bank (or Transferee) pursuant to or in respect of this Agreement (including entering into, lending money or extending credit pursuant to, receiving payments under or enforcing this Agreement) (all such nonexcluded taxes, levies, imposts, deductions, charges, withholdings and liabilities, collectively or individually, "Taxes"). If the Company shall be required to deduct any Taxes from or in respect of any sum payable hereunder to any Bank (or any Transferee) or the Administrative Agent, (i) the sum payable shall be increased by the amount (an "additional amount") necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.17) such Bank (or Transferee) or the Administrative Agent (as the case may be) shall receive an amount equal to the sum it would have received had no such deductions been made, (ii) the Company shall make such deductions and (iii) the Company shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Company agrees to pay to the relevant Governmental Authority in accordance with applicable law any current or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise similarly with respect to, this Agreement and the Notes ("Other Taxes").

(c) The Company will indemnify each Bank (or Transferee) and the Administrative Agent for the full amount of Taxes and Other Taxes paid by such Bank (or Transferee) or the Administrative Agent, as the case may be, and any liability (including penalties, interest and expenses (including reasonable attorney's fees and expenses)) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted

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by the relevant Governmental Authority. A certificate as to the amount of such payment or liability prepared by a Bank, or the Administrative Agent on its behalf, absent manifest error, shall be final, conclusive and binding for all purposes. Such indemnification shall be made within 30 days after the date the Bank (or Transferee) or the Administrative Agent, as the case may be, makes written demand therefor. Each Bank (or Transferee) or the Administrative Agent shall make written demand for indemnification no later than 120 days after the earlier of (i) the date on which such Bank (or Transferee) or the Administrative Agent makes such payment of Taxes or Other Taxes and (ii) the date on which such Governmental Authority makes written demand upon such Bank (or Transferee) or the Administrative Agent for payment of such Taxes or Other Taxes.

(d) If a Bank (or Transferee) or the Administrative Agent shall become aware that it is entitled to claim a refund, credit or reduction in tax from a Governmental Authority in respect of Taxes or Other Taxes as to which it has been indemnified by the Company, or with respect to which the Company has paid additional amounts, pursuant to this Section 2.17, it shall promptly notify the Company of the availability of such refund claim, credit or reduction in tax and shall, within 30 days after receipt of a request by the Company, make a claim to such Governmental Authority for such refund, credit or reduction in tax at the Company's expense. If a Bank (or Transferee) or the Administrative Agent receives a refund (including pursuant to a claim for refund made pursuant to the preceding sentence) or realizes a credit or reduction in tax in respect of any Taxes or Other Taxes as to which it has been indemnified by the Company or with respect to which the Company has paid additional amounts pursuant to this Section 2.17, it shall within 30 days from the date of such receipt pay over the amount of such refund or benefit of such credit or reduction in tax to the Company (but only to the extent of indemnity payments made, or additional amounts paid, by the Company under this Section 2.17 with respect to the Taxes or Other Taxes giving rise to such refund, credit or reduction in tax), net of all reasonable out-of-pocket expenses of such Bank (or Transferee) or the Administrative Agent and without interest (other than interest paid by the relevant Governmental Authority with respect to such refund, credit

or reduction in tax); provided, however, that the Company, upon the request of such Bank (or Transferee) or the Administrative Agent, agrees to repay the amount paid over to the Company (plus penalties, interest or other charges) to such Bank (or Transferee) or the Administrative Agent

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in the event such Bank (or Transferee) or the Administrative Agent is required to repay such refund, credit or reduction in tax to such Governmental Authority.

(e)As soon as practicable after the date of any payment of Taxes or Other Taxes by the Company to the relevant Governmental Authority, the Company will deliver to the Administrative Agent, at its address referred to in Section 9.1, the original or a certified copy of a receipt issued by such Governmental Authority evidencing payment thereof.

(f)Without prejudice to the survival of any other agreement contained herein, the agreements and obligations contained in this Section 2.17 shall survive the payment in full of the principal of and interest on all Loans made hereunder.

(g)Each Bank (or Transferee) that is organized under the laws of a jurisdiction other than the United States, any State thereof or the District of Columbia (a "Non-U.S. Bank") shall deliver to each of the Company and the Administrative Agent (i) two copies of either United States Internal Revenue Service Form 1001 or Form 4224 (whichever is applicable), or (ii) in the case of a Non-U.S. Bank claiming exemption from U.S. Federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a Form W-8, or any subsequent versions thereof or successors thereto and a certificate representing that such Non-U.S. Bank is not a bank for purposes of Section 881(c) of the Code, is not a 10-percent shareholder (within the meaning of Section 871(h)(3)(B) of the Code) of the Company and is not a controlled foreign corporation related to the Company (within the meaning of Section 864(d)(4) of the Code), in either case properly completed and duly executed by such Non-U.S. Bank claiming complete exemption from, or reduced rate of, U.S. Federal withholding tax on payments by the Company under this Agreement. Such forms shall be delivered by each Non-U.S. Bank on or before the date it becomes a party to this Agreement (or, in the case of a Transferee that is a participation holder, on or before the date such participation holder becomes a Transferee hereunder) and on or before the date, if any, such Non-U.S. Bank changes its applicable lending office by designating a different lending office (a "New Lending Office"). In addition, each Non-U.S. Bank shall deliver such forms promptly upon (or, if reasonably practicable, prior to) the obsolescence or invalidity of any form previously delivered by such Non-U.S. Bank. Notwithstanding any other provision of this Section 2.17(g), a

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Non-U.S. Bank shall not be required to deliver any form pursuant to this Section 2.17(g) that such Non-U.S. Bank is not legally able to deliver. Each Bank (or Transferee) that is organized under the laws of the United

States or any state thereof or the District of Columbia shall deliver to the Company an original copy of Internal Revenue Service Form W-9 (or applicable successor form) properly completed and duly executed by such Bank (or Transferee).

(h) The Company shall not be required to indemnify any Non-U.S. Bank, or to pay any additional amounts to any Non-U.S. Bank, in respect of United States Federal withholding tax (or any withholding tax imposed by a state that applies only when such United States Federal withholding tax is imposed) pursuant to paragraph (a) or (c) above to the extent that: (i) the obligation to withhold amounts with respect to United States Federal withholding tax existed on the date such Non-U.S. Bank became a party to this Agreement (or, in the case of a Transferee that is a participation holder, on the date such participation holder became a Transferee hereunder) or, with respect to payments to a New Lending Office, the date such Non-U.S. Bank designated such New Lending Office with respect to a Loan; provided, however, that this clause (i) shall not apply to any Transferee or New Lending Office that becomes a Transferee or New Lending Office as a result of an assignment, participation, transfer or designation made at the request of the Company; and provided further, however, that this clause (i) shall not apply to the extent the indemnity payment or additional amounts any Transferee, or Bank (or Transferee) through a New Lending Office, would be entitled to receive (without regard to this clause (i)) do not exceed the indemnity payment or additional amounts that the person making the assignment, participation or transfer to such Transferee, or Bank (or Transferee) making the designation of such New Lending Office, would have been entitled to receive in the absence of such assignment, participation, transfer or designation; or (ii) the obligation to make such indemnification or to pay such additional amounts would not have arisen but for a failure by such Non-U.S. Bank to comply with the provisions of paragraph (g) above.

(i) Any Bank (or Transferee) claiming any indemnity payment or additional amounts payable pursuant to this Section 2.17 shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document reasonably requested in writing by the Company or to change the jurisdiction of its applicable lending office if the making of such a filing or

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change would avoid the need for or reduce the amount of any such indemnity payment or additional amounts that may thereafter accrue and would not, in the good faith determination of such Bank (or Transferee), be otherwise disadvantageous to such Bank (or Transferee).

(j) Nothing contained in this Section 2.17 shall require any Bank (or Transferee) or the Administrative Agent to make available any of its tax returns (or any other information that it deems to be confidential or proprietary).

SECTION 2.18. Certain Bank Obligations. In the event (a) any Bank delivers a certificate requesting compensation pursuant to Section 2.12, (b) any Bank delivers a notice described in Section 2.13 or (c) the Company is required to pay any additional amount to any Bank or any Governmental Authority on account of



any Bank, pursuant to Section 2.17, the Company may require such Bank to transfer and assign, without recourse, all of its interests, rights and obligations under this Agreement to an assignee which shall assume such assigned obligations (which assignee may be another Bank, if such Bank accepts such assignment); provided, that (i) such assignment shall not conflict with any law, rule or regulation or order of any court or other Governmental Authority having jurisdiction and (ii) the Company or such assignee shall have paid to the assigning Bank in immediately available funds an amount equal to the sum of the principal of and interest accrued to the date of such payment on the outstanding Loans of such Bank, plus all Facility Fees and other amounts accrued for the account of such Bank or owed to it hereunder (including any amounts under Section 2.12, 2.14 or 2.17); provided further, that if prior to any such transfer and assignment the circumstances or event that resulted in such Bank's claim for compensation under Section 2.12 or notice under Section 2.13 or the amount paid pursuant to Section 2.17, as the case may be, cease to cause such Bank to suffer increased costs or reductions in amounts received or receivable or reduction in return on capital, or cease to have the consequences specified in Section 2.13, or cease to result in amounts being payable under Section 2.17, as the case may be, or if such Bank shall waive its right to claim further compensation under Section 2.12 or 2.17 in respect of such circumstances or event or shall withdraw its notice under Section 2.13 or in respect of such circumstances or event, as the case may be, then such Bank shall not thereafter be required to make any such transfer and assignment hereunder if it has not already done so.

### ARTICLE III

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#### Representations and Warranties

The Company represents and warrants to the Administrative Agent and the Banks that as of the Effective Date and as of the date of each Borrowing, to the extent provided in Article IV:

SECTION 3.1. Organization, Corporate Powers. (a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia; each Subsidiary which is not a Foreign Subsidiary is duly organized, validly existing and in good standing, and each Foreign Subsidiary is duly organized and validly existing, in each case under the laws of the jurisdiction of its organization; (b) the Company and each of its Subsidiaries (i) has the corporate power and authority to own its property and to carry on its business as now conducted and as proposed to be conducted and (ii) is qualified to do business in every jurisdiction where such qualification is necessary except where the failure so to qualify would not have a materially adverse effect on the condition, financial or otherwise, of the Company and the Subsidiaries taken as a whole; and (c) the Company has the corporate power to execute, deliver and perform this Agreement, to borrow hereunder and to execute and deliver the Notes.

SECTION 3.2. Authorization. The execution, delivery and performance of this Agreement, the borrowings hereunder and the execution and delivery of the Notes (a) have been duly authorized by all requisite corporate action on the part of the Company and (b) will not (i) violate (A) any provision of law, statute, rule or regulation, the articles of incorporation or By-laws of the Company or any Subsidiary, (B) any applicable order of any court

or other agency of government or (C) any indenture, any agreement for borrowed money, any bond, note or other similar instrument or any other material agreement to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary or any of their respective property is bound, (ii) be in conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement, bond, note, instrument or other material agreement or (iii) result in the creation or imposition of any Lien of any nature whatsoever upon any property or assets of the Company or any Subsidiary. This Agreement constitutes, and the Notes when delivered hereunder will constitute, legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms.

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SECTION 3.3. Governmental Approval. No action, consent or approval of, or registration or filing with, or any other action by any Governmental Authority is required in connection with the execution, delivery and performance by the Company of this Agreement, the borrowings hereunder or the execution, delivery and performance of the Notes.

SECTION 3.4. Financial Condition. The audited Consolidated balance sheets, and the audited Consolidated statements of earnings and statements of cash flows for the years ended December 31, 1995, December 31, 1994 and December 31, 1993 have heretofore been furnished to each Bank. Such financial statements (including the notes thereto) (i) have been audited by Coopers & Lybrand LLC, (ii) have been prepared in accordance with GAAP consistently applied throughout the periods covered thereby and (iii) present fairly (on the basis disclosed in the footnotes to such financial statements) the Consolidated financial condition, results of operations and cash flows as of such date and for such periods. The unaudited interim balance sheets of the Company and its Subsidiaries as at the end of, and the related unaudited interim statements of earnings and of cash flows for, each fiscal quarterly period ended after March 31, 1996 and prior to the Effective Date have heretofore been furnished to each Lender. Such interim financial statements for each such quarterly period, (i) have been prepared in accordance with GAAP consistently applied throughout the periods covered thereby and (ii) present fairly (on the basis disclosed in the footnotes to such financial statements) the Consolidated financial condition, results of operations and cash flows as of such date and for such periods. During the period from December 31, 1995 to and including the Effective Date, other than Olefins Transaction, there has been no sale, transfer or other disposition by the Company or any of its Subsidiaries of any material part of the business or property of the Company and its Subsidiaries, taken as a whole, and no purchase or other acquisition by any of them of any business or property (including any capital stock of any other person) material in relation to the consolidated financial condition of the Company and its Subsidiaries, taken as a whole, in each case, which, is not reflected in the foregoing financial statements or in the notes thereto and has not otherwise been disclosed in writing to the Banks on or prior to the Effective Date.

SECTION 3.5. No Material Adverse Change. There has been no material adverse change in the business, assets, condition (financial or otherwise) or results of operations of the Company and the Subsidiaries taken as a whole since December 31, 1995.

SECTION 3.6. Subsidiaries. Schedule 3.6 hereto sets forth a complete and accurate chart of all of the Subsidiaries other than Designated Subsidiaries as of the Effective Date, showing as of the Effective Date (as to each such Subsidiary) the jurisdiction of its incorporation. All of the outstanding shares of each class of stock of each of the Subsidiaries, other than qualifying or similar shares as may be required by law, are owned as of the Effective Date (directly or indirectly) by the Company and none of such shares are covered by outstanding options, warrants, rights of conversion or purchase and similar rights as of the Effective Date. All the outstanding capital stock of each of the Subsidiaries (other than the Designated Subsidiaries) (x) has been validly issued, is fully paid and nonassessable and (y) to the extent owned by the Company or one or more of the Subsidiaries (other than the Designated Subsidiaries) (as shown in Schedule 3.6) is owned free and clear of all Liens.

SECTION 3.7. Litigation. Except as set forth in Schedule 3.7 hereto or in the Company's Reports on Form 10K, Form 10Q, Form 8K or any successor forms thereto, as filed with the Securities and Exchange Commission, there are not any actions, suits or proceedings at law or in equity or by or before any governmental instrumentality or other agency now pending or, to the knowledge of the Company, threatened (and reasonably likely to be commenced) against or affecting the Company or any of the Subsidiaries or any property or rights of the Company or any of the Subsidiaries as to which there is a reasonable likelihood of an adverse determination and which, if adversely determined, would individually or in the aggregate materially impair the right of the Company and the Subsidiaries taken as a whole to carry on business substantially as now being conducted or would result in a Material Adverse Effect.

SECTION 3.8. Tax Returns. The Company and each of the Subsidiaries have filed or caused to be filed all Federal and state tax returns and all local tax returns which, to the knowledge of the Company, are required to be filed and have paid or caused to be paid all taxes as shown on such returns or on any assessment received by it or by any of them to the extent that such taxes have become due, except taxes the validity of which is being contested in good faith by appropriate proceedings and with respect to which the Company or such Subsidiary, as the case may be, shall have set aside on its books such reserves as are required by GAAP with respect to any such tax so contested.

SECTION 3.9. Properties. The Company and its Subsidiaries have good and marketable title to, or valid leasehold interests in, all

their respective properties and assets reflected on the consolidated balance sheet dated March 31, 1996, included in the Financial Statements, except for such properties and assets as have been disposed of since March 31, 1996 as no longer used or useful in the conduct of their respective businesses or as have been disposed of in the ordinary course of business, and all such properties and assets are free and clear of all mortgages, pledges, liens, charges and other encumbrances of any nature whatsoever, except such as are not prohibited by the provisions of Section 6.1.

SECTION 3.10. Employee Benefit Plans. Each of the Company and its ERISA Affiliates is in compliance in all material respects with the applicable provisions of ERISA and the Code (insofar as it relates to the Plans, the Multiemployer Plans and related matters) and the regulations and published

interpretations thereunder. No Reportable Event has occurred with respect to any Plan with vested unfunded liabilities in excess of \$10,000,000 administered by the Company or any of the ERISA Affiliates or any administrator designated by the Company or any of its ERISA Affiliates. The present value of all unfunded vested liabilities under Plans administered by the Company, its ERISA Affiliates and administrators designated by the Company or any of its ERISA Affiliates does not exceed in the aggregate 5% of the Consolidated Shareholders' Equity of the Company. Neither the Company nor any ERISA Affiliate has incurred any Withdrawal Liability that has not been fully satisfied and that materially adversely affects the financial condition of the Company and its ERISA Affiliates taken as a whole. Neither the Company nor any ERISA Affiliate has received any notification that any Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA, and neither the Company nor any ERISA Affiliate reasonably expects any Multiemployer Plan to be in reorganization or to be terminated, where such reorganization or termination has resulted or can reasonably be expected to result in an increase in the contributions required to be made to such Plan that would materially and adversely affect the financial condition of the Company and its ERISA Affiliates taken as a whole.

SECTION 3.11. Investment Company Act; Public Utility Holding Company Act. Neither the Company nor any Subsidiary is an "investment company" as that term is defined in or is otherwise subject to regulation under, the Investment Company Act of 1940. Neither the Company nor any Subsidiary is a "holding company" as that term is defined in, or is otherwise subject to regulation under, the Public Utility Holding Company Act of 1935.

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SECTION 3.12. Federal Reserve Regulations. Neither the Company nor any Subsidiary is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock (within the meaning of Regulation U), and no part of the proceeds of the Loans hereunder will be used directly or indirectly to purchase or carry Margin Stock or to extend credit to others for the purpose of directly or indirectly purchasing or carrying Margin Stock or for any purpose that would violate, or be inconsistent with, the provisions of Regulations G, U or X.

SECTION 3.13. No Material Misstatements. To the best of the Company's knowledge, no information, report, financial statement, exhibit or schedule furnished by or on behalf of the Company to the Administrative Agent or any Bank in connection with the negotiation of this Agreement or any Note or included therein contains any misstatement of fact, or omitted or omits to state any fact necessary to make the statements therein not misleading, where such misstatement or omission would be material to the interests of the Banks with respect to the Company's performance of its obligations hereunder.

SECTION 3.14. Compliance with Laws. Neither the Company nor any of the Subsidiaries, nor any of their respective properties or assets, is (a) in violation of, nor will the continued operation of their properties and assets as currently conducted violate, any law, rule, regulation or statute (including any zoning, building, environmental and safety law, ordinance, code or approval or any building permits) or (b) in default with respect to any judgment, writ, injunction, decree or order of any Governmental Authority, where such violation or default could reasonably be expected to result in a Material

Adverse Effect.

SECTION 3.15. Environmental and Safety Matters. Except as set forth in Schedule 3.15, the Company and each Subsidiary is in compliance in all material respects with all Federal, state, local and other statutes, ordinances, orders, judgments, rulings and regulations relating to environmental pollution or to environmental regulation or control or to employee health or safety, except where the failure to do so would not be reasonably likely, individually or in the aggregate, to result in a Material Adverse Effect. Except as set forth in Schedule 3.15, neither the Company nor any Subsidiary has received notice of any material failure so to comply, which non-compliance neither has been remedied nor is being contested in good faith by the Company nor is the subject of the Company's good faith

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efforts to achieve compliance. Except as set forth in Schedule 3.15, the Company's and the Subsidiaries' facilities do not manage any hazardous wastes, hazardous substances, hazardous materials, toxic substances, toxic pollutants or substances similarly denominated, as those terms or similar terms are used in the Resource Conservation and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act, as amended by the Superfund Amendment and Reauthorization Act, the Hazardous Materials Transportation Act, the Toxic Substance Control Act, the Clean Air Act, as amended, the Clean Water Act, the Occupational Health and Safety Act or any other applicable law relating to environmental pollution or employee health and safety, in violation in any material respect of any law or any regulations promulgated pursuant thereto, except where the failure to do so would not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect. Except as set forth in Schedule 3.15, the Company is aware of no events, conditions or circumstances involving environmental pollution or contamination or employee health or safety that would be reasonably likely to result in a Material Adverse Effect.

#### ARTICLE IV

##### Conditions of Lending

The obligations of the Banks to make Loans hereunder are subject to the satisfaction of the following conditions:

SECTION 4.1. Closing Conditions. The obligation of the Banks to enter into this Agreement and to make the initial Loans shall be subject to satisfaction of the following conditions (in form and substance acceptable to the Banks):

(a) The Administrative Agent shall have received original counterparts of this Agreement executed by each of the parties hereto;

(b) The Administrative Agent shall have received an appropriate original Committed Note for each Bank, executed by the Company;

(c) The Administrative Agent shall have received an appropriate original Competitive Note for each Bank, executed by the Company;

(d) The Administrative Agent shall have received all documents it may reasonably request relating to the existence and good standing of the Company and its Subsidiaries, the corporate or other necessary authority for and the validity of this Agreement, and any other matters relevant thereto, all in form and substance reasonably satisfactory to the Administrative Agent;

(e) The Administrative Agent shall have received a certificate executed by a Financial Officer of the Company as of the Effective Date stating that immediately after giving effect to this Agreement, (i) the Company and its Subsidiaries on a Consolidated basis are solvent, (ii) no Default or Event of Default exists and (iii) the representations and warranties set forth in Section 3 are true and correct in all material respects;

(f) The Administrative Agent shall have received a legal opinion of E. Whitehead Elmore, Esq., counsel for the Company, dated as of the Effective Date and substantially in the form of Schedule 4.1(f);

(g) No material adverse change shall have occurred since December 31, 1995 in the condition (financial or otherwise), business, management or prospects of the Company and its Subsidiaries taken as a whole;

(h) The Administrative Agent shall have received, and in each case, approved (i) the Consolidated financial statements of the Company and its Subsidiaries for the fiscal year 1995, including balance sheets, income and cash flow statements audited by independent public accountants of recognized national standing and prepared in conformity with GAAP consistently applied and (ii) interim financial statements for the fiscal quarters ending during the period from the date of the most recent audited statements to the Effective Date.

(i) The Administrative Agent shall have received, for its own account and for the accounts of the Banks, all fees and expenses required by this Agreement or any other Credit Document to be paid on or before the Effective Date; and

(j) The Administrative Agent shall have received satisfactory evidence of the repayment of all loans and

obligations under the Existing Credit Agreement and the termination of the Commitments thereunder.

SECTION 4.2. Conditions to be Satisfied on Date of Each Borrowing. In the case of each Borrowing to be made hereunder, including each Borrowing in which Loans are refinanced with new Loans as contemplated by Section 2.5:

(a) The Administrative Agent shall have received a notice of such Borrowing as required by Section 2.3 or 2.4, as the case may be.

(b) The representations and warranties set forth in Article III (except, in the case of a refinancing that does not increase the aggregate principal amount of the Loans of

any Bank outstanding, the representations set forth in Sections 3.5 and 3.7) shall be true and correct in all material respects on and as of the date of such Borrowing with the same effect as though such representations and warranties had been made on and as of such date, except to the extent that such representations and warranties expressly relate to an earlier date.

(c) At the time of each such Borrowing, the Company shall be in compliance with all the terms and provisions set forth herein on its part to be observed or performed, and immediately after such Borrowing no Default or Event of Default shall have occurred and be continuing.

(d) Each Bank that shall not have previously received an appropriate Note shall have received a duly executed Competitive Note or Committed Note, as applicable, payable to its order and otherwise complying with the provisions of Section 2.7.

Each Borrowing hereunder shall be deemed to constitute a representation and warranty by the Company on the date of such Borrowing as to the matters specified in paragraphs (b) and (c) of this Section.

## ARTICLE V

### Affirmative Covenants

The Company covenants and agrees with the Administrative Agent and the Banks that, so long as this Agreement shall remain in effect

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or the principal of or interest on any Loan, the Facility Fee or any other expenses or amounts payable hereunder shall be unpaid, unless the Required Banks shall otherwise consent in writing, it will, and will cause each of the Subsidiaries to:

SECTION 5.1. Corporate Existence; Businesses and Properties. Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its corporate existence, material rights, licenses, permits and franchises, comply with all laws and regulations applicable to it and conduct its business in substantially the same manner as heretofore conducted or as at the time permitted under applicable law; at all times maintain and preserve all property used or useful in the conduct of its business and keep the same in good repair, working order and condition, and from time to time make, or cause to be made, all needful and proper repairs, renewals and replacements thereto necessary in order that the business carried on in connection therewith may be properly conducted at all times; provided, however, that nothing contained in this Section 5.1(a) shall prevent the Company or any Subsidiary from ceasing or omitting to exercise any rights, licenses, permits or franchises (including, in the case of a Subsidiary only, the corporate existence thereof) which in the judgment of the Company can no longer be advantageously exercised or (b) shall prevent the Company or any Subsidiary from selling, abandoning or otherwise disposing of any property, the retention of which in the judgment of the Company is inadvisable to the business of the Company or any Subsidiary, or prevent any liquidation of any Subsidiary or any merger or consolidation or sale thereof.

SECTION 5.2. Insurance. (a) Keep its insurable properties

adequately insured at all times by financially sound and reputable insurers; (b) maintain such other insurance, to such extent and against such risks, including fire and other risks insured against by extended coverage, as is customary with companies in the same or similar businesses; (c) maintain in full force and effect public liability insurance against claims for personal injury or death or property damage occurring upon, in, about or in connection with the use of any properties owned, occupied or controlled by the Company or any Subsidiary, as the case may be, in such amount as the Company or such Subsidiary, as the case may be, shall reasonably deem necessary; and (d) maintain such other insurance as may be required by law.

SECTION 5.3. Obligations and Taxes. Pay all of its Indebtedness and obligations promptly and in accordance with their terms and pay and discharge promptly when due all taxes, assessments

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and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property, before the same shall become in default, as well as all lawful claims for labor, materials and supplies or otherwise which, if unpaid, might give rise to a Lien upon such properties or any part thereof; provided, however, that neither the Company nor any of the Subsidiaries shall be required to pay and discharge or to cause to be paid and discharged any such tax, assessment, charge, levy or claim so long as the validity or amount thereof shall be contested in good faith by appropriate proceedings and the Company or such Subsidiary, as the case may be, shall set aside on its books such reserves as are required by generally accepted accounting principles with respect to any such tax, assessment, charge, levy or claim so contested.

SECTION 5.4. Financial Statements, Reports, etc. In the case of the Company, furnish directly to the Administrative Agent and to each of the Banks:

(a) within 120 days after the end of each fiscal year of the Company (being December 31 in each calendar year), its Consolidated balance sheets, Consolidated statements of income and Consolidated statements of cash flows showing the Consolidated financial condition of the Company and the Subsidiaries as of the close of such fiscal year and the results of its operations and the operations of the Subsidiaries during such year, all the foregoing consolidated financial statements to be audited by Coopers & Lybrand, independent public accountants, or other independent public accountants acceptable to the Required Banks and accompanied by an opinion of such accountant (which shall not be qualified in any material respect) to the effect that such consolidated financial statements fairly present the financial condition and results of operations of the Company and the Subsidiaries on a consolidated basis in accordance with GAAP;

(b) within 60 days after the end of each of the first three fiscal quarters of each fiscal year, unaudited Consolidated balance sheets, Consolidated statements of income and Consolidated statements of cash flows showing the financial condition and results of operations of the Company and the Subsidiaries on a consolidated basis as of the end of each such quarter and for the then elapsed portion of the fiscal year, certified by a Financial Officer of the Company as presenting fairly the financial position and results of operations of the Company and such Subsidiaries and as



having been prepared in

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accordance with GAAP (except for such changes therein as are approved by the independent accountants for the Company), in each case subject to normal year-end audit adjustments;

(c) concurrently with (a) and (b) above, a certificate of the firm or person referred to therein (which certificate furnished by the independent accountants referred to in paragraph (a) above may be limited to the best of its knowledge and to accounting matters and may disclaim responsibility for legal interpretations) (i) certifying that no Default or Event of Default has occurred, or, if such a Default or Event of Default has occurred, specifying the nature and extent thereof and, in the case of the certificate furnished by a Financial Officer of the Company, specifying any corrective action taken or proposed to be taken with respect thereto and (ii) setting forth computations in reasonable detail satisfactory to the Administrative Agent demonstrating compliance with the covenant contained in Section 6.5;

(d) promptly after the same become publicly available and to the extent not required to be furnished by any other provision of this Section 5.4, (i) copies of all proxy statements, financial statements and reports that the Company sends to its stockholders and (ii) copies of all regular, periodic and special reports, and all registration statements relating to transactions requiring a vote of stockholders of the Company or filed on Form S-1, S-2 or S-3 under the Securities Act of 1933, which the Company or any Subsidiary files with the Securities and Exchange Commission, or any Governmental Authority which may be substituted therefor, or with any national securities exchange, or distributed to its shareholders, as the case may be; and

(e) promptly, from time to time, such other information regarding the operations, business affairs and condition (financial or otherwise) of the Company and the Subsidiaries as each Bank through the Administrative Agent may reasonably request; provided, however, that the Company shall not be obligated to disclose, or to permit any examination which will disclose, technical knowledge or confidential trade information, except where appropriate safeguards exist that prevent dissemination of such information in a manner detrimental to the Company's competitive position.

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SECTION 5.5. Litigation and Other Notices. Give the Administrative Agent and each Bank prompt written notice of the following:

(a) any Default or Event of Default, specifying the nature and extent thereof and the corrective action (if any) proposed to be taken with respect thereto;

(b) the filing or commencement of (or any threat or notice of intention of any person to file or commence where

such filing or commencement is reasonably likely) any action, suit or proceeding, whether at law or in equity or by or before any Governmental Authority, against the Company or any Affiliate thereof as to which there is a reasonable likelihood of an adverse determination and that, if adversely determined, could reasonably be anticipated to result in Material Adverse Effect; and

(c) any development that has resulted in, or could reasonably be anticipated to result in, a Material Adverse Effect.

#### SECTION 5.6. ERISA.

(a) Comply in all material respects with the applicable provisions of ERISA and the Code (insofar as it relates to the Plans, the Multiemployer Plans and related matters) and (b) furnish to the Administrative Agent and each Bank, (i) as soon as possible after, and in any event within 30 days after any Executive Officer of the Company or any ERISA Affiliate knows or has reason to know that, any Reportable Event with respect to any Plan with vested unfunded liabilities in excess of \$10,000,000 has occurred, a statement of a Financial Officer setting forth details as to such Reportable Event and the action that the Company proposes to take with respect thereto, together with a copy of the notice, if any, of such Reportable Event given to PBGC, (ii) promptly after receipt thereof, a copy of any notice the Company or any Subsidiary may receive from PBGC relating to the intention of PBGC to terminate any Plan with vested unfunded liabilities in excess of \$10,000,000 or to appoint a trustee to administer any such Plan, (iii) within 10 days after the due date for filing with the PBGC pursuant to Section 412(n) of the Code a notice of failure to make a required installment or other payment with respect to a Plan with vested unfunded liabilities in excess of \$10,000,000, a

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statement of a Financial Officer setting forth details as to such failure and the action that the Company proposes to take with respect thereto, together with a copy of any such notice given to the PBGC, and (iv) promptly and in any event within 30 days after receipt thereof by the Company or any ERISA Affiliate from the sponsor of a Multiemployer Plan, a copy of each notice received by the Company or any ERISA Affiliate concerning (A) the imposition of Withdrawal Liability or (B) a determination that a Multiemployer Plan is, or is expected to be, terminated or in reorganization, both within the meaning of Title IV of ERISA.

SECTION 5.7. Access to Premises and Records. Maintain financial records in accordance with GAAP, and permit representatives of the Administrative Agent and of each Bank that shall make a request therefor through the Agent to have access to such financial records and the premises of the Company and each Subsidiary at reasonable times and to make such extracts from such records as such representatives deem necessary, and permit any such representatives to discuss the affairs, finances and condition of the Company or any Subsidiary with the officers thereof and independent accountants therefor.

SECTION 5.8. Issuance of Notes. Forthwith upon the effectiveness of this Agreement, the Company shall execute and deliver to the Banks the Notes (it being agreed, however, that this Agreement and the obligations of the Company hereunder shall

become effective as provided in Section 9.17 whether or not the Notes shall have been delivered).

## ARTICLE VI

### Negative Covenants

The Company covenants and agrees with the Administrative Agent and the Banks that, so long as this Agreement shall remain in effect or the principal of or interest on any Note, the Facility Fee or any other expenses or amounts payable hereunder shall be unpaid, unless the Required Banks otherwise consent in writing, it will not, and it will not cause, permit or suffer any of the Subsidiaries, directly or indirectly, to:

SECTION 6.1. Liens, etc. Create, incur, assume or suffer to exist any Lien upon or with respect to any of its assets or

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properties (including stock or other securities of any person, including any Subsidiary) now owned or hereafter acquired or assign or otherwise convey any right to receive income or revenues; provided that the foregoing restrictions shall not apply to mortgages, deeds of trust, pledges, liens, security interests or other charges or encumbrances:

(a) for taxes, assessments or governmental charges or levies on property of the Company or any Subsidiary if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings and with respect to which the Company or Subsidiary shall have set aside adequate reserves in accordance with GAAP with respect thereto;

(b) imposed by law, such as carrier's, warehousemen's and mechanics' liens and other similar liens, which arise in the ordinary course of business with respect to obligations not yet due or being contested in good faith and by appropriate proceedings and with respect to which the Company or Subsidiary shall have set aside adequate reserves in accordance with GAAP with respect thereto;

(c) arising out of pledges or deposits under workmen's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation;

(d) other attachments, liens, charges, pledges, deposits, encumbrances, or other security interests incidental to the conduct of its business or the ownership of its property and assets which were not incurred in connection with the borrowing of money or the obtaining of advances or credit, and which do not in the aggregate materially detract from the value of its property or assets or materially impair the use thereof in the operation of its business;

(e) Liens on the assets or properties of a Subsidiary in favor of the Company or another Subsidiary to secure Indebtedness of such Subsidiary to the Company or such other Subsidiary;

(f) any Lien on property or assets of the Company or any Subsidiary existing on the date hereof and set forth on

Schedule 6.1 and any Lien that replaces such an existing Lien; provided,

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however, that the principal amount of the Indebtedness secured by the replacing Lien does not exceed the principal amount of Indebtedness secured by such existing Lien at the time of replacement of the existing Lien or cover property different from the property covered by the existing Lien;

(g) Liens on property or assets of the Company or any Subsidiary granted in connection with Sale and Lease-Back Transactions, provided that the aggregate amount of Attributable Debt in connection with such Sale and Lease-Back Transactions shall not at any time be in excess of \$50,000,000; and

(h) Liens other than those referred to in subparagraphs (a) through (g) above, provided that the aggregate amount of all Indebtedness that is secured or evidenced by Liens other than those referred to in subparagraphs (a) through (e) and (g) above does not at any time exceed an amount equal to 10% of Consolidated Shareholders' Equity of the Company.

SECTION 6.2. Intentionally Omitted.

SECTION 6.3. Compliance with Regulations G, U and X. Incur, create or assume any Indebtedness or other liability or make any investment, capital contribution, loan, advance or extension of credit or take or permit to be taken any other action or permit to exist any event permitted by this Credit Agreement but for the provisions of this Section 6.3, if such action or event would result in this Agreement, the Loans hereunder, the use of the proceeds thereof or the other transactions contemplated hereby violating or being inconsistent with Regulations G, U or X, including without limitation the provisions of said Regulations relating to withdrawal and substitution of collateral.

SECTION 6.4. Mergers, Consolidations and Sales of Assets. Merge into or consolidate with any other person, or permit any other person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) or any capital stock of any Subsidiary, except that (a) the Company and any Subsidiary may purchase and sell inventory in the ordinary course of business, (b) if at the time thereof and immediately after giving effect thereto no Default or Event of Default shall have occurred and be continuing (i) any wholly owned Subsidiary or any other person may merge into the Company in a transaction in which the Company is the surviving corporation, (ii)

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any wholly owned

Subsidiary may merge into or consolidate with any other wholly owned Subsidiary in a transaction in which the surviving entity is a wholly owned Subsidiary and no person other than the Company or a wholly owned Subsidiary receives any consideration and (iii) so long as (A) the Ratings of the surviving corporation are better than or equal to the Ratings of the Company and (B) the surviving corporation agrees in writing to assume the obligations of the Company under this Agreement, the Company may merge into

or consolidate with any other person, (c) the Company may sell 100% of the capital stock of any Subsidiary for fair market value, as determined in good faith by the Company's board of directors, provided such sale does not constitute a sale of all or substantially all of the Company's assets and (d) the Company may sell any portion of the capital stock of any Subsidiary in connection with the establishment of a joint venture for the purpose of developing a product or business related to any of the Company's existing lines of business as of the date of this Agreement.

SECTION 6.5. Leverage Ratio. Permit the Leverage Ratio at any time to be greater than 60%.

## ARTICLE VII

### Events of Default

In the case of the happening of any of the following events (hereinafter called Events of Default):

(a) any representation or warranty made or deemed made in connection with this Agreement or, with respect to the Company as constituted as of the Effective Date, or with the execution and delivery of the Notes or the borrowings hereunder or any statement or representation made in any report, certificate, financial statement or other instrument furnished by the Company to the Administrative Agent or the Banks pursuant to this Agreement or, with respect to the Company as constituted as of the Effective Date, shall prove to have been false or misleading in any respect material to the interests of the Banks with respect to the Company's performance of its obligations hereunder when made or delivered or when deemed made in accordance with the terms hereof;

(b) default shall be made in the payment of the principal of or interest on any Loan or of the Facility Fee or any other

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amount due under this Agreement, when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise and in the case of interest on the Notes, the Facility Fee or such other amounts, except principal, such default shall continue unremedied for a period of 10 days;

(c) default shall be made in the due observance or performance of any covenant, condition or agreement contained in Section 5.1 or 5.5 or in Article VI;

(d) default shall be made in the due observance or performance of any other covenant, condition or agreement to be observed or performed by the Company or any Subsidiary pursuant to the terms hereof and such default shall continue unremedied for 30 days after written notice thereof to the Company by the Administrative Agent or the Required Banks;

(e) the Company or any Subsidiary shall fail to pay any principal or interest, regardless of amount, due in respect of Indebtedness in a principal amount greater than \$25,000,000, owing by the Company or such Subsidiary (whether by scheduled maturity, required prepayment,

acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness; or the Company or any Subsidiary shall fail to perform any term, covenant or agreement on its part to be performed under any agreement or instrument evidencing or securing or relating to any such Indebtedness, if the effect of such failure is to cause or to permit the holder or holders of such Indebtedness to accelerate the maturity of such Indebtedness;

(f) the Company or any Subsidiary other than a Designated Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for the Company or any Subsidiary other than a Designated Subsidiary or for a substantial part of its property, (iv) file an answer admitting

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the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take corporate action for the purpose of effecting any of the foregoing;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Company or any Subsidiary other than a Designated Subsidiary, or of a substantial part of its property, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator or similar official for the Company or any Subsidiary other than a Designated Subsidiary or for a substantial part of its property or (iii) the winding up or liquidation of the Company or any Subsidiary other than a Designated Subsidiary; and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for 30 days;

(h) one or more final judgments from which no further appeal can be taken for the payment of money in an aggregate amount in excess of \$25,000,000 shall be rendered against the Company and/or a Subsidiary, and the same shall remain undischarged for a period of 60 consecutive days during which execution shall not be effectively stayed;

(i) (i) Reportable Event or Reportable Events, or a failure to make a required installment or other payment (within the meaning of Section 412(n)(1) of the Code) shall have occurred with respect to any Plan or Plans with vested unfunded liabilities in an aggregate amount in excess of \$10,000,000 and, within 30 days after the reporting of such Reportable Event to the Administrative Agent or after the

receipt by the Administrative Agent of the statement required pursuant to Section 5.6, the Administrative Agent shall have notified the Company in writing that (A) the Required Banks have made a determination that, on the basis of such Reportable Event or Reportable Events or the failure to make a required payment, there are reasonable grounds for the termination of such Plan or Plans by the PBGC or for the appointment by the appropriate

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United States District Court of a trustee to administer such Plan or Plans or for the imposition of a Lien in favor of such Plan or Plans (B) as a result thereof an Event of Default exists hereunder; or (ii) a trustee shall be appointed by a United States District Court to administer any Plan with vested unfunded liabilities in excess of \$10,000,000; or (iii) the PBGC shall institute proceedings to terminate any Plan with vested unfunded liabilities in excess of \$10,000,000;

(j) (i) the Company or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan, (ii) the Company or such ERISA Affiliate does not have reasonable grounds for contesting such Withdrawal Liability or is not in fact contesting such Withdrawal Liability in a timely and appropriate manner and (iii) the amount of the Withdrawal Liability specified in such notice, when aggregated with all other amounts required to be paid to Multiemployer Plans in connection with Withdrawal Liabilities (determined as of the date or dates of such notification), either (A) exceeds \$10,000,000 or requires payments exceeding \$2,500,000 in any year or (B) is less than \$10,000,000 but remains unpaid 30 days after such payment is due;

(k) the Company or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if solely as a result of such reorganization or termination the aggregate annual contributions of the Company and its ERISA Affiliates to all Multiemployer Plans that are then in reorganization or have been or are being terminated have been or will be increased over the amounts required to be contributed to such Multiemployer Plans for their most recently completed plan years by an amount exceeding \$2,500,000; or

(l) there shall have occurred a Change in Control;

then, and in every such event and at any time thereafter during the continuance of such event, the Administrative Agent may, and upon written request from the Required Banks shall, by notice to the Company, take either or both of the following actions, at the same or different times: (i) terminate the Commitments and (ii) declare the Loans to be forthwith due and payable, whereupon the principal of the Loans so declared to be due and payable, together with accrued

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interest thereon and any unpaid accrued Fees and all other liabilities of the Company accrued hereunder, shall become forthwith due and payable without presentment,

demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Company, anything contained herein or in the Notes to the contrary notwithstanding. Notwithstanding the foregoing, if an Event of Default specified in paragraph (f) or (g) above occurs with respect to the Company or any Subsidiary, the Commitments shall automatically terminate and the Loans then outstanding, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Company accrued hereunder, shall become immediately due and payable, without any action by any Bank or the Administrative Agent and without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the Notes to the contrary notwithstanding.

#### ARTICLE VIII

##### The Administrative Agent

In order to expedite the transactions contemplated by this Agreement, NationsBank is hereby appointed to act as Administrative Agent on behalf of the Banks. Each of the Banks, and each subsequent holder of any Note by its acceptance thereof, hereby irrevocably authorizes the Administrative Agent to take such actions on behalf of such Bank or holder and to exercise such powers as are specifically delegated to the Administrative Agent by the terms and provisions hereof, together with such actions and powers as are reasonably incidental thereto. The Administrative Agent is hereby expressly authorized by the Banks, without hereby limiting any implied authority, (a) to receive on behalf of the Banks all payments of principal of and interest on the Loans and all other amounts due to the Banks hereunder, and promptly to distribute to each Bank its proper share of each payment so received; (b) to give notice on behalf of each of the Banks to the Company of any Event of Default specified in this Agreement of which the Administrative Agent has actual knowledge acquired in connection with its agency hereunder; and (c) to distribute to each Bank copies of all notices, financial statements and other materials delivered by the Company pursuant to this Agreement as received by the Administrative Agent.

Neither the Administrative Agent nor any of its directors, officers, employees or agents shall be liable as such for any action

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taken or omitted by any of them except for its or his own gross negligence or willful misconduct, or be responsible for any statement, warranty or representation herein or the contents of any document delivered in connection herewith, or be required to ascertain or to make any inquiry concerning the performance or observance by the Company of any of the terms, conditions, covenants or agreements contained in this Agreement. The Administrative Agent shall not be responsible to the Banks or the holders of the Notes for the due execution, genuineness, validity, enforceability or effectiveness of this Agreement, the Notes or any other instruments or agreements. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes hereof until it shall have received from the payee of such Note notice, given as provided herein, of the transfer thereof in compliance with Section 9.4. The Administrative Agent shall in all cases be fully protected in acting, or refraining from acting, in accordance with written instructions signed by the Required Banks (or such greater percentage of Banks as may be required hereunder) and, except as otherwise specifically provided herein, such instructions and any



action or inaction pursuant thereto shall be binding on all the Banks and each subsequent holder of any Note. The Administrative Agent shall, in the absence of knowledge to the contrary, be entitled to rely on any instrument or document believed by it in good faith to be genuine and correct and to have been signed or sent by the proper person or persons. Neither the Administrative Agent nor any of its directors, officers, employees or agents shall have any responsibility to the Company on account of the failure of or delay in performance or breach by any other Bank or the Company of any of their respective obligations hereunder or in connection herewith. The Administrative Agent may execute any and all duties hereunder by or through agents or employees and shall be entitled to rely upon the advice of legal counsel selected by it with respect to all matters arising hereunder and shall not be liable for any action taken or suffered in good faith by it in accordance with the advice of such counsel.

The Banks hereby acknowledge that the Administrative Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement unless it shall be requested in writing to do so by the Required Banks.

Subject to the appointment and acceptance of a successor Administrative Agent as provided below, the Administrative Agent may resign at any time by notifying the Banks and the Company. Upon any such resignation, the Required Banks, with the consent of the Company (which consent shall not be unreasonably withheld), shall have the

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right to appoint a successor. If no successor shall have been so appointed by the Required Banks and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Banks, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, having a combined capital and surplus of at least \$500,000,000 or an Affiliate of any such bank. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor bank, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.5 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

With respect to the Loans made by it hereunder and the Notes issued to it, the Administrative Agent in its individual capacity and not as Administrative Agent shall have the same rights and powers as any other Bank and may exercise the same as though it were not the Administrative Agent, and the Administrative Agent and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Company or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent.

Each Bank agrees (i) to reimburse the Administrative Agent, on demand, in the amount of its pro rata share (based on its Commitment hereunder) of any expenses incurred for the benefit of the Banks by the Administrative Agent, including counsel fees and compensation of agents and employees paid for services rendered on behalf of the Banks, which shall not have been reimbursed by the Company and (ii) to indemnify and hold harmless the

Administrative Agent and any of its directors, officers, employees or agents, on demand, in the amount of such pro rata share, from and against any and all liabilities, taxes, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against it in its capacity as the Administrative Agent or any of them in any way relating to or arising out of this Agreement or any action taken or omitted by it or any of them under this Agreement, to the extent the same shall not have been reimbursed by the Company; provided, however, that no Bank shall be liable to the Administrative Agent or any such director, officer, employee or agent for any

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portion of such liabilities, taxes, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or willful misconduct of the Administrative Agent or any of its directors, officers, employees or agents.

Each Bank acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Bank and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Bank and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder.

#### ARTICLE IX

##### Miscellaneous

SECTION 9.1. Notices. Except as otherwise expressly provided herein, notices and other communications provided for herein shall be in writing and shall be delivered or mailed or sent by telecopy addressed,

(a) if to the Company, in all cases to it at

330 South Fourth Street  
Richmond, Virginia 23219  
Telephone: (804) 788-5402  
Telecopy: (804) 788-5406

Attention of Secretary;

(b) if to NationsBank, either individually or in its capacity as Administrative Agent, in all cases to it at

NationsBank Corporate Center  
Charlotte, North Carolina 28255  
Telephone: (704) 386-7306  
Telecopy: (704) 386-9923

Attention of: Agency Services

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(c) if to Co-Agents or any other Bank, in all cases to it at the address listed next to its name in Schedule 2.1.

All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given (i) on the date of receipt, if delivered by hand or overnight courier service or sent by telecopy, (ii) on the date five Business Days after dispatch if sent by registered or certified mail, and (iii) on the date of receipt, if by telephone, in each case addressed to such party as provided in this Section or in accordance with the latest unrevoked direction from such party.

SECTION 9.2. No Waivers; Amendments.

(a) No failure or delay of the Administrative Agent or of any Bank in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Banks and holders of the Notes hereunder are cumulative and not exclusive of any rights or remedies which they would otherwise have. No waiver of any provision of this Agreement or the Notes nor consent to any departure by the Company therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on the Company in any case shall entitle the Company to any other or further notice or demand in similar or other circumstances. Each holder of any of the Notes shall be bound by any amendment, modification, waiver or consent authorized as provided herein, whether or not such Note shall have been marked to indicate such amendment, modification, waiver or consent.

(b) Neither this Agreement nor any provision hereof may be amended or modified except pursuant to an agreement or agreements in writing entered into by the Company and the Required Banks; provided, however, that no such agreement shall (i) decrease the principal amount of, or extend the maturity of or the scheduled dates for the payment of principal of or interest on, any Loan or waive or excuse any such payment or any

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part thereof or reduce the rate of interest on any Loan, without the written consent of each holder affected thereby, (ii) increase or extend the Commitment or decrease the Facility Fees of any Bank without the written consent of each Bank, (iii) amend or modify the definition of "Required Banks" or the provisions of this Section 9.2 or Section 9.8 without the written consent of each Bank, or (iv) amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder, without the written consent of the Administrative Agent. Each Bank and holder of any Note shall be bound by any modification or amendment authorized by this Section regardless of whether its Notes shall be marked to make reference thereto, and any consent by any Bank or holder of a Note pursuant to this Section shall bind any person subsequently acquiring a Note from it, whether or not such

Note shall be so marked.

SECTION 9.3. Right of Setoff. If an Event of Default shall have occurred and be continuing that in the good faith judgment of any Bank shall materially compromise in any respect such Bank's interest as a Bank hereunder, such Bank is hereby authorized at any time and from time to time, 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 and other indebtedness at any time owing by such Bank to, or for the credit or the account of, the Company against any of and all the obligations of the Company now or hereafter existing under this Agreement held by such Bank, irrespective of whether or not such Bank shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Bank under this Section are in addition to other rights and remedies (including other rights of setoff) which such Bank may have.

SECTION 9.4. Successors and Assigns.

(a) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the permitted successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Company, the Administrative Agent or the Banks that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

(b) Each Bank may assign to one or more assignees all or a portion of its interests, rights and obligations under this Agreement (including all or a portion of its Commitment and the

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Loans at the time owing to it and the Notes held by it); provided, however, that (i) except in the case of an assignment to a Bank or an Affiliate of a Bank, each of the Company and the Administrative Agent must give its prior written consent to such assignment (which consent shall not be unreasonably withheld), (ii) each such assignment shall be of a constant, and not a varying, percentage of 50% or more of all the assigning Bank's rights and obligations under this Agreement, (iii) the amount of the Commitment of the assigning Bank subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$20,000,000 (or, if such assigning Bank's Commitment is less than \$20,000,000, such amount), (iv) the parties to each such assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with the Note or Notes subject to such assignment and a processing and recordation fee of \$3,500 and (v) the assignee, if it shall not be a Bank, shall deliver to the Administrative Agent an Administrative Questionnaire. Upon acceptance and recording pursuant to paragraph (e) of this Section 9.4, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five Business Days after the execution thereof, (A) the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Bank under this Agreement and (B) the assigning Bank thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and,

in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.12, 2.13, 2.17 and 9.5 (to the extent that such Bank's entitlement to such benefits arose out of such Bank's position as a Bank prior to the applicable assignment), as well as to any Fees accrued for its account and not yet paid). Notwithstanding the foregoing, any Bank assigning its rights and obligations under this Agreement may retain any Competitive Loans made by it outstanding at such time, and in such case shall retain its rights hereunder in respect of any Loans so retained until such Loans have been repaid in full in accordance with this Agreement.

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(c) By executing and delivering an Assignment and Acceptance, the assigning Bank thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (i) such assigning Bank warrants that it is the legal and beneficial owner of the interest being assigned thereby, free and clear of any adverse claim and that its Commitment, and the outstanding balances of its Loans, in each case without giving effect to assignments thereof which have not become effective, are as set forth in such Assignment and Acceptance, (ii) except as set forth in (i) above, such assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto, or the financial condition of the Company or any Subsidiary or the performance or observance by the Company or any Subsidiary of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance; (iv) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.4 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (v) such assignee will independently and without reliance upon the Administrative Agent, such assigning Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Agreement are required to be performed by it as a Bank.

(d) The Administrative Agent shall maintain at one of its offices in Charlotte, North Carolina, a copy of each Assignment and Acceptance and the names and addresses of the Banks, and the

Commitment of, and principal amount of the Loans owing to, each Bank pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive in the absence of manifest error and the Company, the Administrative Agent and the Banks may treat each person whose name is recorded in the Register pursuant to the terms hereof as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Company and any Bank at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Bank and an assignee together with the Note or Notes subject to such assignment, an Administrative Questionnaire completed in respect of the assignee (unless the assignee shall already be a Bank hereunder), the processing and recordation fee referred to in paragraph (b) above and, if required, the written consent of the Company and the Administrative Agent to such assignment, the Administrative Agent shall (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Banks. Within five Business Days after receipt of notice, the Company, at its own expense, shall execute and deliver to the Administrative Agent, in exchange for the surrendered Committed Note and/or Competitive Note (x) a new Competitive Note to the order of such assignee in an amount equal to the Total Commitment and a new Committed Note to the order of such assignee in an amount equal to the portion of the Commitment assumed by it pursuant to such Assignment and Acceptance and, (y) if the assigning Bank has retained a Commitment, a new Committed Note to the order of such assigning Bank in a principal amount equal to the Commitment retained by it. Such new Committed Note shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Committed Note; such new Notes shall be dated the date of the surrendered Notes which they replace and shall otherwise be in substantially the form of Exhibit B-1 or Exhibit B-2 hereto, as appropriate. Canceled Notes shall be returned to the Company.

(f) Each Bank may without the consent of the Company or the Administrative Agent sell participations to one or more banks or other entities in all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it and the Notes held by

it); provided, however, that (i) such Bank's obligations under this Agreement shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other entities shall be entitled to the benefit of the cost protection provisions contained in Sections 2.12, 2.13 and 2.17 to the same extent as if they were Banks and (iv) the Company, the Administrative Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement, and

such Bank shall retain the sole right to enforce the obligations of the Company relating to the Loans and to approve any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications or waivers decreasing any Fees payable hereunder or the amount of principal of or the rate at which interest is payable on the Loans, extending the final scheduled maturity of the Loans or any date scheduled for the payment of interest on the Loans or extending the Commitments).

(g) Any Bank or participant may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.4, disclose to the assignee or participant or proposed assignee or participant any information relating to the Company furnished to such Bank by or on behalf of the Company, provided that, prior to any such disclosure of information designated by the Company as confidential, each such assignee or participant or proposed assignee or participant shall execute an agreement whereby such assignee or participant shall agree (subject to customary exceptions) to preserve the confidentiality of such confidential information. It is understood that confidential information relating to the Company would not ordinarily be provided in connection with assignments or participations of Competitive Loans.

(h) Any Bank may at any time assign all or any portion of its rights under this Agreement and the Notes issued to it to a Federal Reserve Bank; provided that no such assignment shall release a Bank from any of its obligations hereunder.

SECTION 9.5. Expenses; Indemnity. (a) The Company agrees to pay all reasonable out-of-pocket expenses incurred by the Administrative Agent in connection with the preparation of this Agreement or in connection with any amendments, modifications or waivers of the provisions hereof (whether or not the transactions

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hereby contemplated shall be consummated) or incurred by the Administrative Agent or any Bank in connection with the enforcement or protection of their rights in connection with this Agreement or in connection with the Loans made or the Notes issued hereunder, including the reasonable fees, charges and disbursements of Moore & Van Allen, PLLC, counsel for the Administrative Agent, and, in connection with any such enforcement or protection, the reasonable fees, charges and disbursements of any other counsel for the Administrative Agent or any Bank. The Company further agrees that it shall indemnify the Banks from and hold them harmless against any documentary taxes, assessments or charges made by any Governmental Authority by reason of the execution and delivery of this Agreement.

(b) The Company agrees to indemnify the Administrative Agent, each Bank, each of their Affiliates and each of the foregoing persons' respective directors, officers, employees and agents (each such person being called an "Indemnatee") against, and to hold each Indemnatee harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable counsel fees, charges and disbursements, incurred by or asserted against any Indemnatee arising out of, in any way connected with, or as a result of (i) the execution or delivery of this Agreement or any instrument or agreement contemplated hereby, the arrangement or syndication of the credit facilities provided for hereby, performance by the parties hereto of their respective obligations hereunder or the consummation of the

transactions contemplated hereby, (ii) the use of the proceeds of the Loans or (iii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee.

SECTION 9.6. Survival of Agreements, Representations and Warranties, etc. All warranties, representations and covenants made by the Company herein or in any certificate or other instrument delivered by it or on its behalf in connection with this Agreement shall be considered to have been relied upon by the Banks and shall survive the making of the Loans herein contemplated and the issuance and delivery to the Banks of the Notes regardless of any investigation made by the Banks or on their behalf and shall continue in full force and effect so long as any amount due or to become due hereunder is outstanding and unpaid and so long as the Commitments

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have not been terminated.

All statements in any such certificate or other instrument shall constitute representations and warranties by the Company hereunder.

SECTION 9.7. Governing Law. This Agreement and the Notes shall be construed in accordance with and governed by the laws of the Commonwealth of Virginia.

SECTION 9.8. Sharing of Setoffs. If one or more Events of Default shall occur, the holder of any Loan shall have the right, in addition to and not in limitation of any right which any such holder may have under applicable law or otherwise, to set off against the unpaid balance of any Loan or Loans or participation therein held by it any debt owing to the Company by such holder, including, without limitation, any funds in any deposit account maintained by the Company with such holder, and nothing in this Agreement shall be deemed a waiver or prohibition of any Bank's right of banker's lien or setoff. Each holder of a Loan agrees that, if it shall through the exercise of a right of banker's lien, setoff, counterclaim or otherwise obtain payment (voluntary or involuntary) in respect of any Loan or Loans as a result of which the unpaid principal portion of its Loans shall be proportionately less than the unpaid principal portion of the Loans of any other Bank, it shall be deemed to have simultaneously purchased from such other holder a participation in the Loan held by such other holder so that the aggregate unpaid principal amount of the Loan or Loans and participations in Notes held by each holder shall be in the same proportion to the aggregate unpaid principal amount of all Loans then outstanding as the principal amount of such Loan held by it prior to such exercise of banker's lien, setoff or counterclaim or receipt of other payment was to the principal amount of all Loans outstanding prior to such exercise of banker's lien, setoff or counterclaim or receipt of other payment, and it shall promptly remit to each such holder the amount of the participation thus deemed to have been purchased. The Company expressly consents to the foregoing arrangements and agrees that any holder of a participation in a Loan so acquired may exercise any and all rights of banker's lien, setoff, counterclaim or otherwise with respect to any and all moneys owing by such holder to the Company as fully as if such holder were a holder of a Loan in the amount of such participation. If all or any portion of any such excess payment is thereafter recovered from the holder which received



the same, the purchase provided for herein shall be deemed to have been rescinded to the extent of such recovery, without interest.

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SECTION 9.9. Interest Rate Limitation. Notwithstanding anything herein or in the Notes to the contrary, if at any time the applicable interest rate, together with all fees and charges which are treated as interest under applicable law (collectively the "Charges"), as provided for herein or in any other document executed in connection herewith, or otherwise contracted for, charged, received, taken or reserved by any Bank, shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by such Bank in accordance with applicable law, the rate of interest payable under the Notes held by such Bank, together with all Charges payable to such Bank, shall be limited to the Maximum Rate.

SECTION 9.10. Entire Agreement. This Agreement constitutes the entire contract between the parties relative to the subject matter hereof. Any previous agreement among the parties with respect to the subject matter hereof is superseded by this Agreement. Nothing in this Agreement, expressed or implied, is intended to confer upon any party other than the parties hereto and thereto any rights, remedies, obligations or liabilities under or by reason of this Agreement.

SECTION 9.11. Waiver of Jury Trial. Each party hereto hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any litigation directly or indirectly arising out of, under or in connection with this Agreement. Each party hereto (a) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party 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 by, among other things, the mutual waivers and certifications in this Section 9.11.

SECTION 9.12. Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 9.13. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original

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but all of which when taken together shall constitute but one contract, and shall become effective as provided in Section 9.16.

SECTION 9.14. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in

interpreting, this Agreement.

SECTION 9.15. Jurisdiction; Consent to Service of Process.

(a) The Company hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any Commonwealth of Virginia court or Federal court of the United States of America sitting in Virginia, 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 hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such Commonwealth of Virginia court or, to the extent permitted by 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. Nothing in this Agreement shall affect any right that any Bank may otherwise have to bring any action or proceeding relating to this Agreement against the Company or its properties in the courts of any jurisdiction.

(b) The Company hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any Commonwealth of Virginia or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.1. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

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SECTION 9.16. Binding Effect. This Agreement shall become effective when it shall have been executed by the Company and the Administrative Agent and when the Administrative Agent shall have received copies hereof which, when taken together, bear the signatures of each Bank, and thereafter shall be binding upon and inure to the benefit of the Company, the Administrative Agent and each Bank and their respective successors and assigns, except that the Company shall not have the right to assign or delegate any of its rights or duties hereunder or any interest herein without the prior consent of all the Banks.

[Remainder of Page Intentionally Left Blank]

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

ALBEMARLE CORPORATION,

By:  
Name:  
Title:

79

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80

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81

Schedule 2.1  
to Credit Agreement

Lenders and Commitments

Lender  
-----

Commitment  
-----

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82

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83

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84

Schedule 3.7

Litigation

None.

Schedule 4.1(f)

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[LETTERHEAD OF ALBEMARLE CORPORATION]

[September 24, 1996]

To the Banks party to the Credit  
Agreement referred to below and  
NationsBank, N.A., as Administrative Agent

Ladies and Gentlemen:

I am the Senior Vice President, Secretary and General Counsel of Albemarle Corporation, a Virginia corporation (the "Company"), and have acted in the capacity of General Counsel in connection with the Competitive Advance and Revolving Credit Facility Agreement dated as of September 24, 1996 (the "Credit Agreement"), among the Company, the financial institutions listed on Schedule 2.1 thereof (the "Banks"), and NationsBank, N.A., as administrative agent for the Banks (in such capacity, the "Agent"). Capitalized terms used herein but not defined herein shall have the meanings assigned to such terms in the Credit Agreement. This opinion is being furnished to you at the request of the Company pursuant to Section 4.1(f) of the Credit Agreement.

In connection with this opinion, I have examined originals or copies, certified or otherwise identified to my satisfaction, of the following documents:

the Credit Agreement and

the Notes

The documents listed above are collectively referred to herein as the " Documents."

In addition, I have examined: (a) such corporate records of the Company as I have considered appropriate, including copies of the articles of incorporation, as amended, and by-laws, as amended, of the Company certified as in effect on the date hereof (collectively, the "Charter Documents") and certified copies of resolutions of the board of directors of the Company; (b)

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certificates from the Clerk or an Assistant Clerk of the State Corporation Commission of the Commonwealth of Virginia confirming the status of the Company as a corporation in good standing under the laws of the Commonwealth of Virginia; and (c) such other certificates, agreements and documents as I have deemed relevant and necessary as a basis for the opinions hereinafter expressed.

In connection with the rendering of this opinion, I have assumed, without independent investigation, the genuineness of all signatures other than those of representatives of the Company, the enforceability of the Documents against each party thereto other than the Company, the legal capacity of all individuals who have executed any of the Documents, the authenticity of all documents submitted to me as originals, the conformity to the original documents of all documents submitted to me as certified, photostatic, reproduced or conformed copies of existing agreements or other documents and the authenticity of all such latter documents.

Based upon the foregoing, and subject to the assumptions, limitations and qualifications set forth herein, I am of opinion that:

1. Each of the Company and each Subsidiary (a) is a corporation duly incorporated, validly existing and in

good standing under the laws of the jurisdiction of its organization, (b) has the corporate power and authority to own its property and to carry on its business as now conducted and as proposed to be conducted, (c) is qualified to do business in every jurisdiction where such qualification is necessary except where the failure so to qualify would not have a material adverse effect on the condition, financial or otherwise, of the Company and its Subsidiaries taken as a whole and (d) has the corporate power to execute, deliver and perform its obligations under each of the Documents to which it is a party and, in the case of the Company, to borrow thereunder, as applicable, and to execute and deliver the Notes.

2.The execution, delivery and performance by the Company of each of the Documents to which it is a party and the borrowings under the Credit Agreement (a) have been duly authorized by all requisite corporate action on the part of the Company and (b) will not (i) violate

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(A) the Company's Charter Documents or (B) any applicable order of any Governmental Authority or (ii) violate, conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any indenture, any agreement for borrowed money, any bond, note or similar instrument or any other material agreement to which the Company or any of its subsidiaries or any of its property is bound or (iii) result in the creation or imposition of any Lien of any nature whatsoever upon any property or assets now owned or hereafter acquired of the Company or any of its subsidiaries.

3.The Credit Agreement and Notes have been duly executed and delivered by the Company and each constitutes the legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and similar laws affecting the rights of creditors generally and to general principals of equity (regardless of whether considered in a proceeding in equity or at law).

4.The execution, delivery and performance by the Company of each of the Documents to which it is a party and the borrowings under the Credit Agreement do not and will not violate any provision of any law, statute, rule or regulation.

5.There are no actions, suits or proceedings at law or in equity or by or before any Governmental Authority now pending or threatened against, or affecting the Company or any of its subsidiaries or any business, property or rights of any such person (a) that involve any Document or (b) that could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

6.No action, consent or approval of, or registration or filing with, or any other action by, any Governmental Authority is or will be required to be obtained by the Company in connection with the execution, delivery or

performance of any of the Documents.

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7.The Company is not (a) an "investment company" as defined in, and is not otherwise subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, and is not otherwise subject to regulation under , the Public Utility Holding Company Act of 1935.

8.Assuming that the proceeds of the Loans are used for the purposes set forth in the Credit Agreement, the making of the Loans will not violate Regulation G, U or X of the Board of Governors of the Federal Reserve System of the United States.

The opinions expressed herein are limited to the laws of the Commonwealth of Virginia and the United States federal law.

This letter is furnished by me solely for your benefit in connection with the transactions referred to in the Documents and may not, without my prior written consent, be circulated to, or relied upon by, any other person or used in any other context.

Very truly yours,

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Schedule 6.1

Liens

None.

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EXHIBIT A-1

FORM OF  
COMPETITIVE BID REQUEST

NationsBank, N.A.,  
as Administrative Agent for the Banks  
referred to below,  
NationsBank Corporate Center  
Charlotte, NC 28255

[Date]

Attention: Jeffrey Pugh

Ladies and Gentlemen:

The undersigned, Albemarle Corporation, a Virginia corporation (the "Company"), refers to the Competitive Advance and Revolving Credit Facility Agreement dated as of September 24, 1996 (as amended, modified, extended or restated from time to time, the "Credit Agreement"), among the Company, the Banks and Co-Agents party thereto, and NationsBank, N.A., as Administrative

Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The Company hereby gives you notice pursuant to Section 2.2(b) of the Credit Agreement that it requests a Competitive Borrowing under the Credit Agreement, and in that connection sets forth below the terms on which such Competitive Borrowing is requested to be made:

(A) Interest Rate Basis. \_\_\_\_\_

(B) Date of Competitive Borrowing (which is a Business Day) \_\_\_\_\_

(C) Interest Period and the last day thereof \_\_\_\_\_

91  
(D) Principal Amount of Competitive Borrowing \_\_\_\_\_

Upon acceptance of any or all of the Loans offered by the Banks in response to this request, the Company shall be deemed to affirm as of such date the representations and warranties made in the Credit Agreement to the extent specified in Article IV thereof.

Very truly yours,

ALBEMARLE CORPORATION,

By: \_\_\_\_\_  
Title: [Responsible Officer]

Copy to:

E. Turner Coggin  
NationsBank, N.A.  
1111 East Main Street  
4th Floor Pavilion  
Richmond, VA 23227

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Exhibit A-2

FORM OF  
COMPETITIVE BID INVITATION

[Name of Bank]  
[Address]

[Date]

Ladies and Gentlemen:

Reference is made to the Competitive Advance and Revolving Credit Facility Agreement dated as of September 24, 1996 (as amended, modified, extended or restated from time to time, the "Credit Agreement"), among Albemarle Corporation, a Virginia corporation (the "Company"), the Banks and Co-Agents party thereto, and NationsBank, N.A., as Administrative Agent.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The Company made a Competitive Bid Request on \_\_\_\_\_, 19\_\_\_\_, pursuant to Section 2.3(a) of the Credit Agreement, and in that connection you are invited to submit a Competitive Bid by [Date]/[Time]. Your Competitive Bid must comply with Section 2.3(b) of the Credit Agreement and the terms set forth below on which the Competitive Bid Request was made:

- (A) Interest Rate Basis -----
- (B) Date of Competitive Borrowing -----
- (C) Interest Period and the Last day thereof -----

93  
(D) Principal Amount of \$ Competitive Borrowing

Very truly yours,  
  
NATIONSBANK, N.A.,  
as Administrative Agent,  
  
by  
  
Title:

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Exhibit A-3

FORM OF  
COMPETITIVE BID

NationsBank, N.A.,  
as Administrative Agent for the Banks  
referred to below,  
NationsBank Corporate Center  
Charlotte, NC 28255

[Date]

Attention: Jeffrey Pugh

Ladies and Gentlemen:

The undersigned, [Name of Bank], refers to the Competitive Advance and Revolving Credit Facility Agreement dated as of September \_\_, 1996 (as amended, modified, extended or restated from time to time, the "Credit Agreement"), among Albemarle Corporation, a Virginia corporation (the "Company"), the Banks and Co-Agents party thereto, and NationsBank, N.A., as Administrative Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The undersigned hereby makes a Competitive Bid Request pursuant to Section 2.3(b) of the Credit



Agreement, in response to the Competitive Bid Request made by the Company on \_\_\_\_\_, 19\_\_, and in that connection sets forth below the terms on which such Competitive Bid is made:

(A) Interest Period and last day thereof

(B) Principal Amount \$ \_\_\_\_\_ \$ \_\_\_\_\_ \$ \_\_\_\_\_

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(C) Competitive Bid Rate

The undersigned hereby confirms that it is prepared, subject to the conditions set forth in the Credit Agreement, to extend credit to the Company upon acceptance by the Company of this bid in accordance with Section 2.3(d) of the Credit Agreement.

Very truly yours,

[NAME OF BANK],

by

-----

Title:

Copy to:

E. Turner Coggin
NationsBank, N.A.
1111 East Main Street
4th Floor Pavilion
Richmond, VA 23227

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EXHIBIT A-4

FORM OF COMPETITIVE BID ACCEPT/REJECT LETTER

[Date]

NationsBank, N.A.,
as Administrative Agent
for the Banks referred to below
NationsBank Corporate Center
Charlotte, NC 28255

Attention: Jeffrey Pugh

Ladies and Gentlemen:

The undersigned, Albemarle Corporation (the "Company"), refers to the Competitive Advance and Revolving Credit Facility Agreement dated as of September 24, 1996 (as amended, modified, extended or restated from time to time, the "Credit Agreement"), among the Company, the Banks and Co-Agents party thereto, and NationsBank, N.A., as Administrative Agent.

In accordance with Section 2.3(c) of the Credit Agreement, we have received a summary of bids in connection with our Competitive Bid Request dated \_\_\_\_\_ and in accordance with Section 2.3(d) of the Credit Agreement, we hereby accept the following bids for maturity on [date]:



Business Day)

(C) Interest Period and the \_\_\_\_\_  
last day thereof \_\_\_\_\_

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(D) Principal Amount of \_\_\_\_\_  
Committed Borrowing \_\_\_\_\_

Upon acceptance of any or all of the Loans in response to this request, the Company shall be deemed to affirm as of such date the representations and warranties made in the Credit Agreement to the extent specified in Article IV thereof.

Very truly yours,

ALBEMARLE CORPORATION,

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

Name:

Title:

Copy to:

E. Turner Coggin  
NationsBank, N.A.  
1111 East Main Street  
4th Floor Pavilion  
Richmond, VA 23227

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EXHIBIT B-1

FORM OF COMPETITIVE NOTE

\$[5,000,000.00]

Richmond, Virginia  
September 24, 1996

FOR VALUE RECEIVED, the undersigned, ALBEMARLE CORPORATION, a Virginia corporation (the "Company"), hereby promises to pay to the order of [\_\_\_\_\_] (the "Bank"), at the office of NationsBank, N.A. (the "Agent"), at NationsBank Corporate Center, Charlotte, North Carolina 28255, (i) on the last day of each Interest Period as defined in the Competitive Advance and Revolving Credit Facility Agreement dated as of September 24, 1996, among the Company, the Banks and Co-Agents party thereto, and the Agent (as amended, modified, extended or restated from time to time, the "Credit Agreement"), the aggregate unpaid principal amount of all Competitive Loans made by the Bank to the Company pursuant to Section 2.3 of the Credit Agreement to which such Interest Period applies and (ii) on the Maturity Date (as defined in the Credit Agreement), the lesser of the principal sum of [\_\_\_\_\_] Dollars (\$[\_\_\_\_\_] ) and the aggregate unpaid principal amount of all Competitive Loans made by the Bank to the Company pursuant to Section 2.3 of the Credit Agreement, in lawful money of the United States of America in immediately available funds, and to pay interest from the date hereof on such principal amount from time to time outstanding, in like funds, at said office, at the rate or rates per annum and payable on the dates determined pursuant to the Credit Agreement.

The Company promises to pay interest, on demand, on any overdue principal and, to the extent permitted by law, overdue interest from their due dates at the rate or rates determined as set forth in the Credit Agreement.

The Company hereby waives diligence, presentment, demand, protest and notice of any kind whatsoever. The nonexercise by the holder of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

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All borrowings evidenced by this Competitive Note and all payments and prepayments of the principal hereof and interest hereon and the respective dates thereof shall be endorsed by the holder hereof on the schedule attached hereto and made a part hereof, or on a continuation thereof which shall be attached hereto and made a part hereof, or otherwise recorded by such holder in its internal records; provided, however, that the failure of the holder hereof to make such a notation or any error in such a notation shall not in any manner affect the obligations of the Company to make payments of principal and interest in accordance with the terms of this Competitive Note and the Credit Agreement.

This Competitive Note is one of the Competitive Notes referred to in the Credit Agreement which, among other things, contains provisions for the acceleration of the maturity hereof upon the happening of certain events, for prepayment of the principal hereof prior to the maturity thereof under certain circumstances and for the amendment or waiver of certain provisions of the Credit Agreement, all upon the terms and conditions therein specified. This Competitive Note shall be construed in accordance with and governed by the laws of the Commonwealth of Virginia and any applicable laws of the United States of America.

ALBEMARLE CORPORATION,

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

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Loans and Payments

Date	Amount of Loan	Interest Rate	Interest Period	Payments Principal/ Interest	Unpaid Principal Balance of Note	Name of Person Making Notation
-----	-----	-----	-----	-----	-----	-----

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FORM OF COMMITTED NOTE

\$ \_\_\_\_\_

Richmond, Virginia

September 24, 1996

FOR VALUE RECEIVED, the undersigned, ALBEMARLE CORPORATION, a Virginia corporation (the "Company"), hereby promises to pay to the order of \_\_\_\_\_ (the "Bank"), at the office of NationsBank, N.A. (the "Agent"), at NationsBank Corporate Center, Charlotte, North Carolina 28225, on (i) the last day of each Interest Period as defined in the Competitive Advance and Revolving Credit Facility Agreement dated as of September 24, 1996, among the Company, the Banks and Co-Agents party thereto, and the Agent (as amended, modified, extended or restated from time to time, the "Credit Agreement"), the aggregate unpaid principal amount of all Committed Loans made by the Bank to the Company pursuant to Sections 2.2 and 2.4 of the Credit Agreement to which such Interest Period applies and (ii) the Maturity Date, the lesser of the principal sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) and the aggregate unpaid principal amount of all Committed Loans made by the Bank to the Company pursuant to Sections 2.2 and 2.4 of the Credit Agreement, in lawful money of the United States of America in immediately available funds, and to pay interest from the date hereof on such principal amount from time to time outstanding, in like funds, at said office, at a rate or rates per annum and payable on the dates determined pursuant to the Credit Agreement.

The Company promises to pay interest, on demand, on any overdue principal and, to the extent permitted by law, overdue interest from their due dates at the rate or rates determined as set forth in the Credit Agreement.

The Company hereby waives diligence, presentment, demand, protest and notice of any kind whatsoever. The nonexercise by the holder of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

104

All borrowings evidenced by this Committed Note and all payments and prepayments of the principal hereof and interest hereon and the respective dates thereof shall be endorsed by the holder hereof on the schedule attached hereto and made a part hereof, or on a continuation thereof which shall be attached hereto and made a part hereof, or otherwise recorded by such holder in its internal records; provided, however, that the failure of the holder hereof to make such a notation or any error in such a notation shall not in any manner affect the obligations of the Company to make payments of principal and interest in accordance with the terms of this Committed Note and the Credit Agreement.

This Committed Note is one of the Committed Notes referred to in the Credit Agreement which, among other things, contains provisions for the acceleration of the maturity hereof upon the happening of certain events, for prepayment of the principal hereof prior to the maturity thereof and for the amendment or waiver of certain provisions of the Credit Agreement, all upon the terms and conditions therein specified. This Committed Note shall be construed in accordance with and governed by the laws of the Commonwealth of Virginia and any applicable laws of the United States of America.

ALBEMARLE CORPORATION

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

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Date	Amount of Loan	Type of Loan	Interest Period	Payments Principal/ Interest	Unpaid Principal Balance of Making Note	Name of Person Making Notation
- - - - -	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -

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EXHIBIT C

FORM OF  
ASSIGNMENT AND ACCEPTANCE

Reference is made to the Competitive Advance and Revolving Credit Facility Agreement dated as of September 24, 1996, (as amended, modified, extended or restated from time to time, the "Credit Agreement"), among Albemarle Corporation, a Virginia corporation (the "Company"), the Banks party hereto (the "Banks"), NationsBank, N.A., as administrative agent for the Banks (in such capacity, the "Agent"), and Bank of America Illinois, The Bank of New York and The Chase Manhattan Bank, as Co-Agents. Terms defined in the Credit Agreement are used herein with the same meanings.

1. The Assignor hereby sells and assigns, without recourse, to the Assignee, and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Effective Date set forth on the following page, the interests set forth on the following page (the "Assigned Interest") in the Assignor's rights and obligations under the Credit Agreement, including, without limitation, the interests set forth on the following page in the Commitment of the Assignor on the Effective Date and the Loans owing to the Assignor which are outstanding on the Effective Date, together with unpaid interest accrued on the assigned Loans to the Effective Date and the amount, if any, set forth on the following page of the Fees accrued to the Effective Date for the account of the Assignor. Each of the Assignor and the Assignee hereby makes and agrees to be bound by all the representations, warranties and agreements set forth in Section 9.4(c) of the Credit Agreement, a copy of which has been received by each such party. From and after the Effective Date (i) the Assignee shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the interests assigned by this Assignment and Acceptance, have the rights and obligations of a Bank thereunder and under the Credit Agreement or any other document issued in connection therewith and (ii) the Assignor shall, to the extent of the interests assigned by this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

2. This Assignment and Acceptance is being delivered to the Agent together with (i) the Notes evidencing the Loans included in the Assigned Interest, (ii) if the Assignee is organized under the laws of a jurisdiction outside the United States, the forms prescribed by the Internal Revenue Service of the United States certifying as to the Assignee's exemption from withholding taxes with respect to all payments to be made to the Assignee under the Credit Agreement or such other documents as are necessary to indicate that all such payments are subject to such tax at a rate reduced by an applicable tax treaty, all duly completed and executed by such Assignee, (iii) if the Assignee is not already a Bank under the Credit Agreement, an Administrative Questionnaire and (iv) a processing and recordation fee of \$3,500.

3. This Assignment and Acceptance shall be governed by and construed in accordance with the laws of \_\_\_\_\_.

Date of Assignment:

Legal Name of Assignor:

Legal Name of Assignee:

Assignee's Address for Notices:

Effective Date of Assignment  
(may not be fewer than 5  
Business Days after the Date  
of Assignment):

Facility	Principal Amount Assigned (and Identifying information as to individual Competitive Loans)	Percentage Assigned of Facility and Commitment (set forth, to at least 8 decimal, as a percentage of the Facility and the aggregate Commitments of all banks thereunder)
Commitment Assigned	\$	%
Committed Loans	\$	%
Competitive Loans	\$	%
Fees Assigned (if any)	\$	%

The terms set forth above and on the preceding page are hereby agreed to:

[Accepted]

-----, as Assignor      NATIONSBANK, N.A.,  
as Administrative Agent

By:-----  
Name:  
Title:

By:-----  
Name:  
Title:

-----, as Assignee ALBEMARLE CORPORATION,

By: -----  
Name:  
Title:

By: -----  
Name:  
Title:

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EXHIBIT D

ADMINISTRATIVE QUESTIONNAIRE

ALBEMARLE CORPORATION

Please accurately complete the following information and return via FAX to the attention of Jeffrey Pugh at NationsBank, N.A. as soon as possible.

FAX Number: (704) 388-9436

LEGAL NAME OF YOUR INSTITUTION TO APPEAR IN DOCUMENTATION:

-----

GENERAL INFORMATION - DOMESTIC RATE LENDING OFFICE:

Institution Name: -----  
Street Address: -----  
City, State, Zip Code:-----

GENERAL INFORMATION - EURODOLLAR LENDING OFFICE:

Institution Name: -----  
Street Address: -----  
City, State, Zip Code: -----

CREDIT CONTACTS/NOTIFICATION METHODS:

Primary Contact: -----  
Street Address: -----  
City, State, Zip Code: -----  
Phone Number: -----  
FAX Number: -----

Backup Credit Contact:-----  
Street Address: -----  
City, State, Zip Code: -----  
Phone Number:  
FAX Number:

TAX WITHHOLDING:

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UNITED STATES

Non-Resident Alien or Foreign Corporation or other Foreign Entity

-----YES ----- NO

If yes, please enclose Form 4224, 1001 or W-8. If no, please enclose Form W-9.

Tax ID Number -----

CONTACTS/NOTIFICATION METHODS:



ADMINISTRATIVE CONTACTS BORROWINGS, PAYDOWNS, INTEREST, FEES,  
ETC.

Contact: -----  
Street Address:-----  
City, State, Zip Code:-----  
Phone Number: -----  
FAX Number:-----  
Telex & Answer Back: -----

PAYMENT INSTRUCTIONS:

Name of Bank where funds are to be transferred:  
-----  
Routing Transit/ABA number of Bank where funds are to be  
transferred: -----

Name of Account, if applicable: -----

Account Number:-----  
Additional Information: -----

BID LOAN NOTIFICATIONS:

Contact:-----  
Street Address: -----  
City, State, Zip Code:-----  
Phone Number:-----  
Fax Number:-----

MAILINGS:

Please specify who should receive financial information:

Name:-----  
Street Address: -----

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City, State, Zip Code:-----

It is very important that all of the above information is  
accurately filled in and returned promptly. If there is someone  
other than yourself who should receive this questionnaire, please  
notify us of their name and FAX number and we will FAX them a  
copy of the questionnaire. If you have any questions, please  
call Jeffrey Pugh (704-386-9046) or Mary Blau (704-388-1335).