

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest
event reported) December 31, 1997

CONMED CORPORATION

(Exact name of registrant as specified in its charter)

NY	0-16093	16-0977505
-----	-----	-----
(State of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

310 Broad Street, Utica New York	13501
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(Address of principal executive offices)	(Zip Code)

(315) 797-8375

(Registrant's telephone number,
including area code)

NA

(Former name or former address, if changed since last report)

Item 1. Not Applicable.

Item 2. Other Events.

On December 31, 1997, CONMED Corporation acquired all the issued and outstanding shares of common stock of Linvatec Corporation, a Florida corporation, as well as certain related assets, from Bristol-Myers Squibb Company. The acquisition was funded entirely by borrowings under a secured Credit Agreement, dated as of December 29, 1997, among CONMED Corporation, the several banks and other financial institutions or entities from time to time parties thereto, Chase Securities Inc., as Syndication Agent, Salomon Brothers

Holding Company, Inc., as Documentation Agent, and the Chase Manhattan Bank, as Administration Agent. CONMED Corporation's press release announcing the acquisition is attached hereto as Exhibit 99.1, which is incorporated by reference herein.

The Stock and Asset Purchase Agreement dated as of November 26, 1997 between Bristol-Myers Squibb Company and CONMED Corporation, as amended by an amendment dated as of December 31, 1997, is attached hereto as Exhibit 21, which is incorporated by reference herein.

Items 3-4. Not Applicable.

Item 5. Other Events.

On December 29, 1997, CONMED entered into a Credit Agreement, dated as of December 29, 1997, among CONMED Corporation, the several banks and other financial institutions or entities from time to time parties thereto, Chase Securities Inc., as Syndication Agent, Salomon Brothers Holding Company, Inc., as Documentation Agent, and the Chase Manhattan Bank, as Administration Agent. The Credit Agreement provides for up to \$450,000,000 of term and revolving credit loans. A copy of the Credit Agreement is filed herewith as Exhibit 10.1.

Item 6. Not Applicable.

Item 7. Financial Statements and Exhibits.

(a) and (b) Financial statements of businesses acquired and pro forma financial information for the post-acquisition company will be filed by amendment within the period permitted by Item 7(a) (4) of this Form.

(c) Exhibits

2.1(a) Stock and Asset Purchase Agreement dated as of November 26, 1997 between Bristol-Myers Squibb Company and CONMED Corporation, as amended by an amendment dated as of December 31, 1997.

2.1(b) Amendment dated as of December 31, 1997, between Bristol-Myers Squibb Company and CONMED Corporation, to the Stock and Asset Purchase Agreement, dated as of November 26, 1997 between Bristol-Myers Squibb Company and CONMED.

4.1 Warrant, dated as of December 31, 1997 issued to Bristol-Myers Squibb Company.

10.1 Credit Agreement, dated as of December 29, 1997, among CONMED Corporation, the several banks and other financial institutions or entities from time to time parties to the Agreement, Chase Securities Inc., Salomon Brothers Holding Company, Inc., and the Chase Manhattan Bank.

10.2 Guarantee and Collateral Agreement, dated as of December 31, 1997, made by CONMED Corporation and certain of its subsidiaries in favor of the Chase Manhattan Bank.

99 Press release dated December 31, 1997.

SIGNATURE

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.

CONMED CORPORATION

By /s/ Robert D. Shallish, Jr.

Name: Robert D. Shallish, Jr.
Title: Vice President - Finance

Date: January 8, 1998

STOCK AND ASSET PURCHASE AGREEMENT

BETWEEN

BRISTOL-MYERS SQUIBB COMPANY

and

CONMED CORPORATION

Dated as of November 26, 1997

SALE OF LINVATEC CORPORATION

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STOCK AND ASSET PURCHASE AGREEMENT

STOCK AND ASSET PURCHASE AGREEMENT dated as of November 26, 1997, between BRISTOL-MYERS SQUIBB COMPANY, a Delaware corporation ("Seller"), and CONMED CORPORATION, a New York corporation ("Buyer").

Buyer desires to purchase from Seller, and Seller desires to sell to Buyer, all the issued and outstanding shares of Common Stock, par value \$.00001 per share (the "Shares"), of Linvatec Corporation, a Florida corporation and wholly owned subsidiary of Seller (the "Company"). In addition, Buyer desires to purchase from Seller's Affiliates that are set forth on Schedule 1(a) (the "Seller Entities"), and Seller desires to cause such Affiliates to sell to Buyer, certain assets relating to the Company's International Business and Domestic Hall Surgical Business. The term "International Business" means the business conducted by the Company, Envision Medical Corporation, a California corporation and wholly owned subsidiary of the Company (the "Subsidiary"), and certain other subsidiaries of Seller, including the Seller Entities, relating to the sale outside of the United States of all the Company's products. The term "Domestic Hall Surgical Business" means the business conducted by the Company, the Subsidiary and Zimmer, Inc., a wholly owned subsidiary of Seller ("Zimmer"), relating to the sale of the Company's Hall(R) Surgical branded products throughout the United States and the sale of the Company's arthroscopy products to the accounts in the United States listed on Schedule 1(b).

Accordingly, Seller and Buyer hereby agree as follows:

ARTICLE I

PURCHASE AND SALE OF THE SHARES AND THE OTHER ASSETS

Section 1.1 Purchase and Sale of the Shares and the Other Assets. (a) On the terms and subject to the conditions of this Agreement, (i) Seller will sell, transfer and deliver (or cause to be sold, transferred and delivered) to Buyer, and Buyer will purchase from Seller, free and clear of all Liens (Section 15.7(c) identifies the sections of this Agreement in which this term and the other

capitalized terms used herein are defined) the Shares and (ii) Seller will sell, convey, transfer and assign or cause the Seller Entities to sell, convey, transfer and assign to Buyer or its designee, and Buyer or its designee will purchase from Seller or such Seller Entities, as applicable, the Other Assets, for an aggregate purchase price equal to (A) \$370,000,000 (the "Cash Purchase

Price") plus (B) the Warrant Consideration (the Warrant Consideration, together with the Cash Purchase Price, the "Purchase Price"), payable and subject to adjustment as set forth in Article II. The "Warrant Consideration" means the Warrant, in the form of Exhibit F, to purchase common stock, par value \$1.00 per share, of Buyer with an exercise price per share equal to 130% of the average of the closing sale prices of a share of such common stock on the NASDAQ National Market System for the 15 consecutive trading days immediately preceding the Closing Date (the "Warrant"), on the terms of and subject to the conditions of the Warrant.

(b) The "Non-U.S. Inventory Purchase Price" means the aggregate standard cost for the Non-U.S. Inventory, which standard cost means the standard cost used to prepare the Balance Sheet. The term "Other Assets" means (i) products which are both (A) manufactured by the Company or the Subsidiary and sold to a Seller Entity prior to the Closing Date in connection with the International Business and (B) owned by such Seller Entity as of the Closing Date (the "Non-U.S. Inventory") and (ii) accounts receivable reflected in Closing Working Capital which were owned by Zimmer as of the Closing Date and arise out of the sale in the United States of the Company's Hall(R) Surgical branded products by Zimmer's U.S. distributors (the "Zimmer U.S. Receivables"). If any amount necessary to compute the Non-U.S. Inventory Purchase Price is in a currency other than U.S. dollars, such amount shall be converted into U.S. dollars at the prevailing commercial rate of exchange for purchasing U.S. dollars with the applicable foreign currency, as quoted by Citibank, N.A. in New York City two business days prior to the Closing Date. On or prior to December 15, 1997, Seller shall cause Zimmer to provide (i) a good faith estimate of the amount of Zimmer U.S. Receivables and (ii) a good faith estimate of the amount of Non-U.S. Inventory with a breakdown by Seller Entity, in each case as of November 30, 1997.

(c) Buyer and Seller shall negotiate in good faith to allocate the Purchase Price among the Shares and the Other Assets prior to the Closing Date. If Buyer and Seller agree on an allocation of the Purchase Price prior to the Closing Date, Buyer and Seller shall set forth such

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allocation in Schedule 1.1(c). To the extent the Purchase Price is adjusted pursuant to Section 2.2 or 2.4 after the Closing Date, and if Buyer and Seller have been able to agree on a Purchase Price allocation pursuant to the preceding sentence, Buyer and Seller shall negotiate in good faith to allocate such adjustment among the Shares and the Other Assets in a manner consistent with the original Purchase Price allocation, and Schedule 1.1(c) shall be amended accordingly. In such case, neither Buyer nor Seller, nor any of their respective Affiliates (including the Company and the Subsidiary), shall take any position on any return, declaration, report, or information return or statement relating to Taxes inconsistent with any allocation set forth in Schedule 1.1(c), unless required to do so by applicable law.

ARTICLE II

CLOSING; PURCHASE PRICE ADJUSTMENT

Section 2.1 Closing. The closing (the "Closing") of the purchase and sale of the Shares and the Other Assets shall be held at the offices of Cravath, Swaine & Moore, Worldwide Plaza, 825 Eighth Avenue, New York, New York, at 10:00 a.m. on December 31, 1997, or, if the conditions to the Closing set forth in Article 3 shall not have been satisfied by such date, as soon as practicable after such conditions shall have been satisfied. The date on which the Closing shall occur is hereinafter referred to as the "Closing Date". At the Closing, (a) Buyer shall deliver to Seller, by wire transfer to a bank account designated in writing by Seller at least two business days prior to the Closing Date, immediately available funds in an amount equal to the sum of (i) the Cash Purchase Price and (ii) the Closing Tax Adjustment Amount plus or minus (iii) an estimate, prepared by Seller, containing sufficient detail to describe the basis therefore and the calculation thereof and delivered to Buyer at least three business days prior to the Closing Date, of any adjustment to the Cash Purchase Price under Section 2.2 (the Cash Purchase Price plus or minus such estimate of any adjustment under Section 2.2 being hereinafter called the "Closing Date Amount"); (b) Buyer shall execute and deliver to Seller the Warrant; (c) Seller

shall deliver or cause to be delivered to Buyer certificates representing the Shares, duly endorsed in blank or accompanied by stock powers duly endorsed in blank in proper form for transfer, with appropriate transfer stamps, if any, affixed; and (d) Seller (acting as agent for the Seller Entities) shall deliver or cause to be delivered to

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Buyer such appropriately executed instruments of sale, assignment, transfer and conveyance in form and substance reasonably satisfactory to Buyer and its counsel evidencing and effecting the sale, assignment, and transfer to Buyer of the Other Assets (it being understood that such instruments shall not require the Seller Entities to make any additional representations, warranties or covenants, expressed or implied, not contained in this Agreement). With respect to Intellectual Property, Seller hereby agrees to execute (or cause the appropriate Seller Entities to execute) after the Closing such additional documents (provided that such documents are reasonably satisfactory in form and substance to Seller) in form appropriate for recordation (with governmental agencies or authorities responsible for intellectual property) in all countries where such Intellectual Property is registered as Buyer may prepare and request from time to time for the purpose of perfecting Buyer's rights in, maintaining the enforceability of, or obtaining proper recordation of the assignment to Buyer of, such Intellectual Property, including but not limited to, executing powers of attorney, deeds of assignment, proofs of use, registered user agreements, original certificates of registration (to the extent available) or letters patent, affidavits or declarations, it being understood that the cost of preparing and recording any such documents shall be borne by Buyer.

Section 2.2 Working Capital Cash Purchase Price Adjustment. (a) (i) Within 60 calendar days after the Closing Date, Buyer shall prepare and deliver to Seller a statement (the "Statement"), certified by an officer of Buyer, setting forth Working Capital as of the close of business on the Closing Date ("Closing Working Capital") and a certificate of Buyer stating that the Statement has been prepared in compliance with the requirements of this Section 2.2.

(ii) During the 30 calendar day period following Seller's receipt of the Statement, Seller shall be permitted to review the working papers of Buyer relating to the Statement. The Statement shall become final and binding upon the parties on the thirtieth day following delivery thereof, unless Seller gives written notice of its disagreement with the Statement ("Notice of Disagreement") to Buyer prior to such date. Any Notice of Disagreement shall (A) specify in reasonable detail the nature of any disagreement so asserted and (B) only include disagreements based on mathematical errors or based on Closing Working Capital not being calculated in accordance with this Section 2.2. If a Notice of Disagreement is received by

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Buyer in a timely manner, then the Statement (as revised in accordance with clause (1) or (2) below) shall become final and binding upon Seller and Buyer on the earlier of (1) the date Seller and Buyer resolve in writing any differences they have with respect to the matters specified in the Notice of Disagreement or (2) the date any disputed matters are finally resolved in writing by the Accounting Firm.

(iii) During the 30 calendar day period following the delivery of a Notice of Disagreement, Seller and Buyer shall seek in good faith to resolve in writing any differences which they may have with respect to the matters specified in the Notice of Disagreement. At the end of such 30 calendar day period, Seller and Buyer shall submit to a nationally recognized independent accounting firm mutually agreed upon by Seller and Buyer (the "Accounting Firm") for review and resolution any and all matters which remain in dispute and which were properly included in the Notice of Disagreement. The scope of the Accounting Firm's review shall be limited to only those matters which remain in dispute and which were properly included in the Notice of Disagreement. Seller and Buyer shall use reasonable efforts to cause the Accounting Firm to render a

decision resolving the matters submitted to the Accounting Firm within 30 calendar days of the receipt of such submission. Seller and Buyer agree that judgment may be entered upon the determination of the Accounting Firm in any court having jurisdiction over the party against which such determination is to be enforced. The Accounting Firm's determination shall be accompanied by a certificate of the Accounting Firm that it reached its decision in accordance with the provisions of this Section 2.2(a). The cost of any arbitration (including the fees and expenses of the Accounting Firm) pursuant to this Section 2.2(a) shall be borne by the party that, on a relative basis, prevails less on matters resolved by the Accounting Firm, which determination also shall be determined by the Accounting Firm at the time the determination of the Accounting Firm is rendered on the merits of the matter submitted.

(b) Subject to Section 2.2(f), the Cash Purchase Price shall be increased by the amount by which Closing Working Capital exceeds \$38,571,000 (the "WC Amount"), and the Cash Purchase Price shall be decreased by the amount by which Closing Working Capital is less than the WC Amount (the Cash Purchase Price as so increased or decreased shall hereinafter be referred to as the "Adjusted Cash Purchase Price"). If the Closing Date Amount is less than the Adjusted Cash Purchase Price, Buyer shall, and if the Closing Date Amount is more than the Adjusted Cash Purchase

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Price, Seller shall, within 10 business days after the Statement becomes final and binding on the parties, make payment by wire transfer in immediately available funds of the amount of such difference, together with interest thereon from and including the Closing Date to but excluding the actual date of payment at the Prime Rate.

(c) The term "Working Capital" shall mean Current Assets minus Current Liabilities. The WC Amount equals Working Capital on the date of the Domestic Balance Sheet, and shall not be subject to change regardless of whether the items included therein were in accordance with United States generally accepted accounting principles ("GAAP"). The terms "Current Assets" and "Current Liabilities" shall mean the U.S. current assets and current liabilities of the Company and the Subsidiary, calculated in accordance with the Bristol Myers Squibb Company Accounting Procedures previously delivered to Buyer and certified to be in effect as of June 30, 1997 (the "Seller Accounting Policies"), which Seller hereby represents to Buyer are in accordance with GAAP (it being understood that current assets and current liabilities should be classified as "U.S. current assets and liabilities" consistent with the classifications used in preparing the Domestic Balance Sheet). Current assets and current liabilities relating to Taxes shall not be taken into account in determining Working Capital. The parties agree that the adjustment contemplated by this Section 2.2(c) is intended to show the change in Working Capital from the date of the Domestic Balance Sheet to the Closing Date, and that such change can only be measured if the calculation is done in the same way and uses Seller Accounting Policies at both dates. The scope of the disputes to be resolved by the Accounting Firm is limited to whether such calculation was done in accordance with this Section 2.2(c), including whether Seller Accounting Policies were used and whether there were mathematical errors in the Statement, and the Accounting Firm is not to make any other determination, including any determination as to whether GAAP was followed for the Domestic Balance Sheet or the Statement. Any items on or omissions from the Domestic Balance Sheet that are based upon errors of fact or mathematical errors or that are not in accordance with the Seller Accounting Policies shall be retained for purposes of calculating Closing Working Capital.

(d) Buyer agrees that following the Closing any actions with respect to the accounting books and records of the Company on which the Statement is to be based that are not consistent with the Seller Accounting Policies shall not

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be taken into consideration for purposes of calculating the Closing Working Capital.

(e) During the period of time from and after the Closing Date through the resolution of any adjustment to the Cash Purchase Price contemplated by this Section 2.2, Buyer shall cause the Company to afford to Seller and any accountants, counsel or financial advisers retained by Seller in connection with any adjustment to the Cash Purchase Price contemplated by this Section 2.2 reasonable access during normal business hours to all the Company's properties, books, contracts, personnel and records relevant to the adjustment contemplated by this Section 2.2 (including the working papers relating to the Statement of Buyer and any working papers relating to the Statement prepared by any accountants retained by Buyer).

Section 2.3 Other Assets Cash Purchase Price Adjustment. (a) The Non-U.S. Inventory will be in the possession of the Seller Entities on the Closing Date. At the Effective Time, title to such Non-U.S. Inventory shall pass to Buyer. As promptly as practicable after the Closing Date, Seller shall prepare and deliver to Buyer a statement setting forth the actual amount of the Non-U.S. Inventory Purchase Price (the "Non-U.S. Inventory Statement") on the Closing Date.

(b) During the 60-calendar day period following Buyer's receipt of the Non-U.S. Inventory Statement, Buyer shall be permitted to review Seller's calculations and working papers related thereto. The Non-U.S. Inventory Statement shall become final and binding upon the parties on the thirtieth day following delivery thereof, unless Seller gives written notice of its disagreement with the Statement ("Notice of Inventory Disagreement") to Buyer prior to such date. Any Notice of Inventory Disagreement shall (i) specify in reasonable detail the nature of any disagreement so asserted and (ii) only include disagreements based on mathematical errors or based on the Non-U.S. Inventory Purchase Price not being calculated based on the actual inventory delivered or standard cost. If a Notice of Inventory Disagreement is received by Seller in a timely manner, then the Non-U.S. Inventory Statement (as revised in accordance with clause (1) or (2) below) shall become final and binding upon Seller and Buyer on the earlier of (1) the date Seller and Buyer resolve in writing any differences they have with respect to the matters specified in the Notice of Disagreement or (2) the date any disputed matters are finally resolved in writing by the Accounting Firm.

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(c) During the 30-calendar day period following the delivery of a Notice of Inventory Disagreement, Seller and Buyer shall seek in good faith to resolve in writing any differences which they may have with respect to the matters specified in the Notice of Inventory Disagreement. At the end of such 30-calendar day period, Seller and Buyer shall submit to the Accounting Firm for review and resolution any and all matters which remain in dispute and which were properly included in the Notice of Inventory Disagreement. The scope of the Accounting Firm's review shall be limited to only those matters which remain in dispute and which were properly included in the Notice of Inventory Disagreement. Seller and Buyer shall use reasonable efforts to cause the Accounting Firm to render a decision resolving the matters submitted to the Accounting Firm within 30 calendar days of the receipt of such submission. Seller and Buyer agree that judgment may be entered upon the determination of the Accounting Firm in any court having jurisdiction over the party against which such determination is to be enforced. The Accounting Firm's determination shall be accompanied by a certificate of the Accounting Firm that it reached its decision in accordance with the provisions of this Section 2.4(c). The cost of any arbitration (including the fees and expenses of the Accounting Firm) pursuant to this Section 2.4(c) shall be fully borne by the party that, on a relative basis, prevails less, which determination also shall be determined by the Accounting Firm at the time the determination of the Accounting Firm is rendered on the merits of the matter submitted.

(d) In the event that the Non-U.S. Inventory Purchase Price is greater than \$11,027,000, Buyer shall pay to Seller, within five calendar days after the Non-U.S. Inventory Statement becomes final and binding, the amount of the deficiency. In the event that \$11,027,000 is greater than the actual amount of the Non-U.S. Inventory Purchase Price, Seller shall pay to Buyer, within five calendar days of the date the Non-U.S. Inventory Statement has become final and binding, the amount of the excess. Any such payment shall be made by wire transfer to a bank account designated by the receiving party of immediately

available funds in the amount of such deficiency or excess, as the case may be, together with interest thereon from and including the Closing Date to but excluding the actual date of payment at the Prime Rate.

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ARTICLE III

CONDITIONS TO CLOSING

Section 3.1 Buyer's Obligation. The obligation of Buyer to purchase and pay for the Shares and the Other Assets is subject to the satisfaction (or waiver by Buyer) as of the Closing of the following conditions:

(a) The representations and warranties of Seller made in this Agreement that are qualified as to materiality shall be true and correct, and those representations and warranties not so qualified shall be true and correct in all material respects, as of the date hereof and as of the time of the Closing as though made as of such time, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties that are qualified as to materiality shall be true and correct, and those representations and warranties not so qualified shall be true and correct in all material respects, on and as of such earlier date). Seller shall have performed or complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by Seller by the time of the Closing. Seller shall have delivered to Buyer a certificate dated the Closing Date and signed by an authorized officer of Seller confirming the foregoing.

(b) Buyer shall have received an opinion dated the Closing Date of Cravath, Swaine & Moore, counsel to Seller, substantially in the form of Exhibit B, and an opinion dated the Closing Date of John L. McGoldrick, General Counsel of Seller, substantially in the form of Exhibit C.

(c) No statute, rule, regulation, executive order, decree, temporary restraining order, preliminary or permanent injunction or other order enacted, entered, promulgated, enforced or issued by any Federal, state, local or foreign government or any court of competent jurisdiction, administrative agency or commission or other governmental authority or instrumentality, domestic or foreign (a "Governmental Entity") or other legal restraint or prohibition shall be in effect preventing the consummation of the transactions contemplated to occur at the Closing. The parties shall have received all authorizations, consents, orders and approvals of Governmental Entities

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required in order to consummate the sale of the Shares and the Other Assets and the execution and delivery of the Transaction Agreements, except the consents listed on Schedule 4.2(iii)(B).

(d) The waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act"), if applicable to the purchase and sale of the Shares and the other Assets, shall have expired or been terminated.

(e) The Transition Distribution Services Agreement, the Distribution Agreement, the Cross-Licensing Agreement and the Manufacturing Agreement shall have been executed and delivered by the parties thereto.

(f) Buyer and Seller shall have executed a bill of sale for each relevant country with respect to the Other Assets in forms to be

mutually agreed upon.

(g) Buyer shall not have been informed in writing by any of The Chase Manhattan Bank ("Chase"), Smith Barney Funding Group ("SB") and Chase Securities Inc. ("CSI") that the financing contemplated by the Commitment Letter, dated as of the date hereof (the "Commitment Letter"), among Buyer, Chase, CSI and SB, is not being provided to Buyer solely as a result of there having occurred a material adverse change in banking conditions that materially impairs the syndication of such financing as contemplated by clause (c) of the last paragraph on page three of the Commitment Letter.

Section 3.2 Seller's Obligation. The obligation of Seller to sell and deliver the Shares and the Other Assets to Buyer is subject to the satisfaction (or waiver by Seller) as of the Closing of the following conditions:

(a) The representations and warranties of Buyer made in this Agreement qualified as to materiality shall be true and correct, and those representations not so qualified shall be true and correct in all material respects, as of the date hereof and as of the time of the Closing as though made as of such time, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties that are qualified as to materiality shall be true and correct, and those representations and warranties not so qualified shall be true and correct in all material

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respects, on and as of such earlier date). Buyer shall have performed or complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by Buyer by the time of the Closing. Buyer shall have delivered to Seller a certificate dated the Closing Date and signed by an authorized officer of Buyer confirming the foregoing.

(b) Seller shall have received an opinion dated the Closing Date of Sullivan & Cromwell, counsel to Buyer, substantially in the form of Exhibit D, and Joseph J. Corasanti, Vice-President-Legal Affairs and General Counsel of Buyer, substantially in the form of Exhibit E.

(c) No statute, rule, regulation, executive order, decree, temporary restraining order, preliminary or permanent injunction or other order enacted, entered, promulgated, enforced or issued by any Governmental Entity or other legal restraint or prohibition shall be in effect preventing the consummation of the transactions contemplated to occur at the Closing. The parties shall have received all authorizations, consents, orders and approvals of Governmental Entities required in order to consummate the sale of the Shares and the Other Assets and the execution and delivery of the Transaction Agreements, except the consents listed on Schedule 4.2.

(d) The waiting period under the HSR Act, if applicable to the purchase and sale of the Shares and the Other Assets, shall have expired or been terminated.

(e) The Transition Distribution Services Agreement, the Distribution Agreement, the Cross-Licensing Agreement and the Manufacturing Agreement shall have been executed and delivered by the parties thereto.

(f) Buyer and Seller shall have executed a bill of sale for each relevant country with respect to the Other Assets in forms to be mutually agreed upon.

Section 3.3 Waiver of Closing Conditions. The parties acknowledge and agree that if Buyer or Seller has actual knowledge of a failure of any condition set forth in Section 3.1 or 3.2, respectively, or of any breach by the other party of any representation, warranty or covenant

contained in this Agreement, and such party proceeds with the Closing despite such actual knowledge, such party shall be deemed to have waived such condition or breach and such party and its successors, assigns and Affiliates shall not be entitled to be indemnified pursuant to Section 11, to sue for damages or to assert any other right or remedy for any losses arising from any matters relating to such condition or breach, notwithstanding anything to the contrary contained herein. For purposes of this Section 3.3 only, "actual knowledge" (a) with respect to Buyer, means the actual (as opposed to constructive) knowledge of William W. Abraham, Eugene R. Corasanti, Joseph J. Corasanti and Robert D. Shallish, Jr. and (b) with respect to Seller, means the actual (as opposed to constructive) knowledge of Robert E. Ewers, Jr., George P. Kooluris and Steven R. Palesy.

Section 3.4 Frustration of Closing Conditions. Neither Buyer nor Seller may rely on the failure of any condition set forth in Section 3.1 or 3.2, respectively, to be satisfied if such failure was caused by such party's failure to act in good faith or to use its best efforts to cause the Closing to occur, as required by Section 8.4.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer as follows:

Section 4.1 Authority. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Seller has all requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder. Each of the Seller Entities is a direct or indirect wholly owned Subsidiary of Seller (except for director qualifying shares). Seller and the Seller Entities have all requisite corporate power to consummate the transactions contemplated hereby. Subject to approval by the Board of Directors of Seller, all corporate acts and other corporate proceedings required to be taken by Seller and Zimmer to authorize the execution, delivery and performance of this Agreement, the Manufacturing Agreement, the Convatec Agreement, the Transition Distribution Services Agreement, the Distribution Agreement and the Cross-Licensing Agreement (together with the Warrant, the "Transaction Documents"), to the extent such persons are parties to such agreements, and the

consummation of the transactions contemplated hereby have been duly and properly taken. Subject to approval by the Board of Directors of Seller, this Agreement has been duly executed and delivered by Seller and constitutes a legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms.

Section 4.2 No Conflicts; Consents. (a) The execution and delivery of this Agreement by Seller do not, and the consummation of the transactions contemplated hereby and compliance with the terms hereof will not, conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a benefit under, or result in the creation of any liens, claims, encumbrances, security interests, options, charges or restrictions of any kind ("Liens") upon any of the properties or assets of the Company or the Subsidiary under, any provision of (i) the Certificate of Incorporation or By-laws (or the comparable governing instruments) of Seller, the Company, the Subsidiary or any Seller Entity, (ii) except as set forth in Schedule 4.2(a), any note, bond, mortgage, indenture, deed of trust, license, lease, contract, commitment, agreement or arrangement to which Seller, the Company, the Subsidiary or any Seller Entity is a party or by which any of their respective properties or assets are bound or (iii) any

judgment, order or decree, or, subject to the matters referred to in clauses (i), (ii) and (iii) of paragraph (b) below, statute, law, ordinance, rule or regulation applicable to Seller, the Company, the Subsidiary or any Seller Entity or their respective properties or assets, other than, in the case of clauses (ii) and (iii) above, any such items that, individually or in the aggregate, would not have a Material Adverse Effect.

(b) No consent, approval, license, permit, order or authorization of, or registration, declaration or filing with, any Governmental Entity or nongovernmental third party is required to be obtained or made by or with respect to Seller, the Company, the Subsidiary or any Seller Entity in connection with the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby other than (i) compliance with and filings under the HSR Act, if applicable, (ii) those that may be required solely by reason of Buyer's (as opposed to any other third party's) participation in the transactions contemplated hereby, (iii) those set forth on Schedules 4.2(b)(iii)(A) and (b)(iii)(B) and (iv) with respect to nongovernmental third parties, such consents,

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approvals, licenses, permits, orders, authorizations, registrations, declarations and filings the absence of which, or the failure to make which, individually or in the aggregate, would not have a Material Adverse Effect.

(c) As of the date hereof, there are no (i) outstanding judgments, orders, injunctions or decrees of any Governmental Entity or arbitration tribunal against Seller or any of its Affiliates, (ii) lawsuits, actions or proceedings pending or, to the knowledge of Seller, threatened against Seller or any of its Affiliates or (iii) investigations by any Governmental Entity which are, to the knowledge of Seller, pending or threatened against Seller or any of its Affiliates, which, in the case of each of clauses (i), (ii) and (iii), have or could have a material adverse effect on the ability of Seller to consummate the transactions contemplated hereby.

Section 4.3 The Shares and the Other Assets. (a) Seller has good and valid title to the Shares, free and clear of any Liens. Assuming Buyer has the requisite power and authority to be the lawful owner of the Shares, upon delivery to Buyer at the Closing of certificates representing the Shares, duly endorsed by Seller for transfer to Buyer, and upon Seller's receipt of the Closing Date Amount, good and valid title to the Shares will pass to Buyer, free and clear of any Liens, other than those arising from acts of Buyer or its Affiliates. Other than this Agreement, the Shares are not subject to any voting trust agreement or other contract, agreement, arrangement, commitment or understanding, including any such agreement, arrangement, commitment or understanding restricting or otherwise relating to the voting, dividend rights or disposition of the Shares.

(b) Each Seller Entity has good and valid title to the Other Assets being transferred by it pursuant to Section 1.1.

Section 4.4 Organization and Standing; Books and Records. Each of the Company and the Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation. Each of the Company and the Subsidiary has full corporate power and authority and possesses all governmental franchises, licenses, permits, authorizations and approvals necessary to enable it to own, lease or otherwise hold its properties and assets and to carry on its business as presently conducted, other than such franchises, licenses, permits, authorizations and approvals the lack of which,

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individually or in the aggregate, would not have a Material Adverse Effect. Each of the Company and the Subsidiary is duly qualified and in good standing to do

business as a foreign corporation in each jurisdiction in which the conduct or nature of its business or the ownership, leasing or holding of its properties makes such qualification necessary, except such jurisdictions where the failure to be so qualified or in good standing, individually or in the aggregate, would not have a Material Adverse Effect. Seller has prior to the execution of this Agreement made available to Buyer true and complete copies of (a) the Certificate of Incorporation and By-laws, each as amended to the date hereof, of the Company and (b) the Articles of Incorporation and By-laws, each as amended to the date hereof, of the Subsidiary.

Section 4.5 Capital Stock of the Company and the Subsidiary. The authorized capital stock of the Company consists of 100,000,000 shares of common stock, par value \$.00001 per share, of which 9,675,220 shares, constituting the Shares, are duly authorized and validly issued and outstanding, fully paid and nonassessable. Seller is the record and beneficial owner of the Shares. Except for the Shares, there are no shares of capital stock or other equity securities or interests of the Company outstanding. The authorized capital stock of the Subsidiary consists of 1,000 shares of common stock, par value \$1.00 per share (the "Subsidiary Shares"), all of which are duly authorized and validly issued and outstanding, fully paid and nonassessable. The Company is the record and beneficial owner of the Subsidiary Shares. Except for the Subsidiary Shares, there are no shares of capital stock or other equity securities of the Subsidiary outstanding. Neither the Shares nor the Subsidiary Shares have been issued in violation of, and none of the Shares or the Subsidiary Shares are subject to, any preemptive, subscription or similar rights under any provision of applicable law, the Certificate of Incorporation or By-laws of the Company or the Articles of Incorporation or By-laws of the Subsidiary, any contract, agreement or instrument to which the Company or the Subsidiary is subject, bound or a party or otherwise. There are no outstanding warrants, options, rights, "phantom" stock rights, agreements, convertible or exchangeable securities or other commitments (other than this Agreement) (a) pursuant to which Seller, the Company or the Subsidiary is or may become obligated to issue, sell, purchase, return or redeem any shares of capital stock or other securities of the Company or the Subsidiary or (b) that give any person the right to receive any benefits or rights similar to any rights enjoyed by or accruing to the holders of shares of

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capital stock of the Company or the Subsidiary. There are no equity securities of the Company or the Subsidiary reserved for issuance for any purpose. The Company has good and valid title, directly, to all the Subsidiary Shares, free and clear of any Liens. There are no outstanding bonds, debentures, notes or other indebtedness having the right to vote on any matters on which stockholders of the Company or the Subsidiary may vote.

Section 4.6 Equity Interests. Except as set forth on Schedule 4.6 and for the Subsidiary, the Company does not directly or indirectly own any capital stock of or other equity interests in any corporation, partnership or other person and neither the Company nor the Subsidiary is a member of or participant or investor in any partnership, joint venture or similar Person.

Section 4.7 Financial Statements. (a) Schedule 4.7 sets forth (i) the audited consolidated statement of assets to be acquired and liabilities to be assumed of the Company and the Subsidiary as of June 30, 1997 (together with the notes thereto, the "Balance Sheet"), and the audited consolidated statement of net sales and direct operating expenses of the Company and the Subsidiary for the period ended June 30, 1997, in each case together with the notes to such financial statements, (ii) the audited consolidated statement of U.S. assets to be acquired and liabilities to be assumed of the Company and the Subsidiary as of June 30, 1997 (together with the notes thereto, the "Domestic Balance Sheet"), and an audited consolidated statement of U.S. net sales and direct operating expenses for the period ended June 30, 1997, in each case together with the notes to such financial statements, and (iii) the audited consolidated statement of assets to be acquired and liabilities to be assumed of the Company and the Subsidiary as of December 31, 1996 and 1995, and the audited consolidated statements of net sales and direct operating expenses of the Company and the Subsidiary for the years ended December 31, 1996 and 1995, in each case together with the notes to such financial statements (the financial statements described in clauses (i), (ii) and (iii) above, together with the

notes to such financial statements, collectively, the "Financial Statements"). The Financial Statements have been prepared in conformity with GAAP consistently applied (except in each case as described in the notes thereto) and on that basis fairly present in all material respects the consolidated financial condition and results of operations of the Company and the Subsidiary as of the respective dates thereof and for the respective periods indicated.

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(b) The Company does not have any material liabilities or obligations of any nature (whether accrued, absolute, contingent, unasserted or otherwise) of a nature required by GAAP to be reflected on a consolidated balance sheet of the Company and the Subsidiary or in the notes thereto, except (i) as disclosed, reflected or reserved against in the Balance Sheet, (ii) for liabilities and obligations incurred in the ordinary course of business and consistent with past practice since the date of the Balance Sheet and not in violation of this Agreement and (iii) for Taxes.

Section 4.8 Taxes. (a) For purposes of this Agreement, (i) "Tax" or "Taxes" shall mean all Federal, state, local and foreign taxes and similar assessments, including all interest, penalties and additions imposed with respect to such amounts; (ii) "Pre-Closing Tax Period" shall mean all taxable periods ending on or before the Closing Date and the portion ending on the Closing Date of any taxable period that includes (but does not end on) the Closing Date; and (iii) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(b) Except as set forth in Schedule 4.8, (i) the Company and the Subsidiary, and any affiliated group, within the meaning of Section 1504 of the Code, and any unitary, combined or consolidated group of which the Company or the Subsidiary is or has been a member, has filed or caused to be filed in a timely manner (within any applicable extension periods) all Tax returns, reports and forms required to be filed by the Code or by applicable state, local or foreign Tax laws, (ii) all Taxes shown to be due on such returns, reports and forms have been timely paid in full or will be timely paid in full by the due date thereof, and (iii) no Tax liens have been filed and no material claims are being asserted with respect to any Taxes.

The Tax returns referred to in the prior paragraph have been examined by the Internal Revenue Service or the appropriate taxing authority for all taxable years through the year ended December 31, 1991. All deficiencies resulting from such examinations have either been paid or adequately provided for.

(c) Except as set forth in Schedule 4.8, (i) neither Seller, the Company nor the Subsidiary has given with respect to the Company or the Subsidiary, or any property held by the Company or the Subsidiary, any consent under Section 341 of the Code, (ii) no property of the Company or the Subsidiary is "tax exempt use property"

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within the meaning of Section 168(h) of the Code, and (iii) neither the Company nor the Subsidiary is a party to any lease made pursuant to Section 168(f)(8) of the Internal Revenue Code of 1954.

(d) Except as set forth in Schedule 4.8, there are no outstanding agreements or waivers extending the statutory period of limitation applicable to any Tax returns required to be filed with respect to the Company or the Subsidiary and no extension of time within which to file any Tax return, which return has not yet been filed, has been requested.

(e) Neither the Company nor the Subsidiary is a United States real property holding company within the meaning of Section 897 of the Code.

(f) Seller is not a "foreign person" within the meaning of Section 1445 of the Code.

Section 4.9 Assets Other than Real Property Interests. The Company or the Subsidiary has, or as of the Closing Date will have, good and valid title to all material assets reflected on the Balance Sheet or thereafter acquired, except those sold or otherwise disposed of since the date of the Balance Sheet in the ordinary course of business consistent with past practice and not in violation of this Agreement, in each case free and clear of all Liens, except (a) the Other Assets, (b) Non-U.S. accounts receivable reflected therein, (c) such as are set forth in Schedule 4.9, (d) mechanics', carriers', workmen's, repairmen's or other like liens arising or incurred in the ordinary course of business, liens arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business and liens for Taxes and other governmental charges which are not due and payable or which may thereafter be paid without penalty, (e) mortgages and Liens which secure debt that is reflected as a liability on the Balance Sheet and the existence of which are indicated in the notes thereto, and (f) other imperfections of title or encumbrances, if any, which do not, individually or in the aggregate, materially impair the continued use and operation of the assets to which they relate in the business of the Company and the Subsidiary, taken as a whole, as presently conducted (the mortgages and Liens described in clauses (c), (d) and (e) above are hereinafter referred to collectively as "Permitted Liens").

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This Section 4.9 does not relate to real property or interests in real property, Intellectual Property or Contracts, such items being the subjects of Section 4.10, 4.11 and 4.12, respectively.

Section 4.10 Title to Real Property. Schedule 4.10 sets forth a complete list of all real property and interests in real property leased by the Company and the Subsidiary (individually, a "Leased Property"). The Company or the Subsidiary has good and valid title to the leasehold estates in all Leased Property free and clear of all mortgages, Liens, leases, assignments, subleases, easements, covenants, rights-of-way and other similar restrictions of any nature whatsoever, except (a) such as are set forth in Schedule 4.10, (b) leases, subleases and similar agreements set forth in Schedule 4.12, (c) Permitted Liens, (d) easements, covenants, rights-of-way and other similar restrictions of record that do not, individually or in the aggregate, materially impair the use and operation of the Leased Property to which they relate in the business of the Company and the Subsidiary, taken as a whole, as presently conducted, and (e) (i) zoning, building and other similar restrictions, (ii) mortgages, Liens, easements, covenants, rights-of-way and other similar restrictions that have been placed by any developer, landlord or other third party on property over which the Company or the Subsidiary has easement rights or on any Leased Property and subordination or similar agreements relating thereto, and (iii) unrecorded easements, covenants, rights-of-way and other similar restrictions, none of which items set forth in clause (e), individually or in the aggregate, materially impair the continued use and operation of the Leased Property to which they relate in the business of the Company and the Subsidiary, taken as a whole, as presently conducted. Neither the Company nor the Subsidiary has a fee title interest in any real property.

Section 4.11 Intellectual Property. Schedule 4.11 sets forth a true and complete list of all material patents, trademarks (registered or unregistered), trade names, service marks, applications therefor and the Subsidiary's registered copyright (collectively, "Intellectual Property"), owned, used, filed by or licensed to the Company or the Subsidiary. With respect to registered trademarks, Schedule 4.11 sets forth a list of all jurisdictions in which such trademarks are registered or applied for and all registration and application numbers. Except as set forth in Schedule 4.11, the Company or the Subsidiary owns (or will own as of the Closing Date), and the Company and the Subsidiary have the right (or will have

the right as of the Closing Date) to use without payment to any other person (except to the extent the Intellectual Property may be licensed from third parties, as specified on Schedule 4.11), all Intellectual Property listed in Schedule 4.11 and the consummation of the transactions contemplated hereby will not conflict with, alter or impair any such rights.

The Intellectual Property contains all patents, trademarks (registered or unregistered), trade names, service marks and applications therefor necessary for the conduct of the business of the Company and the Subsidiary as presently conducted.

Except as set forth in Schedule 4.11, neither the Company nor the Subsidiary has granted any options, licenses or agreements of any kind relating to Intellectual Property listed in Schedule 4.11 or the marketing or distribution thereof, except non-exclusive implied licenses to end-users in the ordinary course of business. Neither the Company nor the Subsidiary is bound by or a party to any options, licenses or agreements of any kind relating to the Intellectual Property of any other person, except as set forth in Schedule 4.11 and except for agreements relating to computer software licensed to the Company or the Subsidiary in the ordinary course of business consistent with past practice. Subject to the rights of third parties set forth in Schedule 4.11, all Intellectual Property listed in Schedule 4.11 is free and clear of the claims of others asserted in writing to Seller, the Company, the Subsidiary or Zimmer and of all Liens. Except as set forth in Schedule 4.11, no claims are pending or, to the knowledge of Seller, the Company, the Subsidiary or Zimmer, threatened, as of the date of this Agreement, against the Company, the Subsidiary or, in the case of Intellectual Property to be transferred to the Company prior to the Closing Date (as indicated on Schedule 4.11), the party that owns such Intellectual Property, by any person with respect to the ownership, validity, enforceability, effectiveness or use of any Intellectual Property.

Section 4.12 Contracts. Except as set forth in Schedule 4.12, neither the Company nor the Subsidiary is a party to any:

(a) employment agreement or employment contract that has an aggregate future liability in excess of \$50,000, is not terminable by the Company or the Subsidiary by notice of not more than 60 calendar days

and provides for severance or other termination payments other than pursuant to the Benefit Plans;

(b) employee collective bargaining agreement or other contract with any labor union;

(c) covenant not to compete that restricts the operation of the business of the Company and the Subsidiary as presently conducted;

(d) agreement, contract or other arrangement with (i) Seller or any Affiliate of Seller (other than the Company or the Subsidiary) or (ii) any officer, director or employee of the Company, the Subsidiary, Seller or any Affiliate of Seller (other than (A) employment agreements that are the subject of paragraph (a) above and (B) agreements and contracts with Zimmer and its subsidiaries (including the Seller Entities) (1) entered into in the ordinary course of the International Business and the Domestic Hall Surgical Business), (2) for services being continued under the Transition Distribution Services Agreement, (3) by their terms not in effect after the Closing Date, (4) that individually do not have future liability in excess of \$50,000 except for accounts payable, accounts receivable, purchase orders and customer contracts arising, in each case, in connection with the manufacturing, marketing, sale and distribution of the Company's and the Subsidiary's products in the ordinary course of business consistent with past practice or (5) in connection with other services or relationships continuing under the Manufacturing Agreement, the

agreement with Convatec contemplated by Section 8.9, the Transition Distribution Services Agreement and the Distribution Agreement);

(e) lease, sublease or similar agreement with any person (other than the Company or the Subsidiary) under which the Company or the Subsidiary is a lessor or sublessor of, or makes available for use, to any person (other than the Company or the Subsidiary), (i) any Leased Property or (ii) any portion of any premises otherwise occupied by the Company or the Subsidiary;

(f) lease or similar agreement with any person (other than the Company or the Subsidiary) under which (i) the Company or the Subsidiary is lessee of, or holds or uses, any machinery, equipment, vehicle or other tangible personal property owned by any person or

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(ii) the Company or the Subsidiary is a lessor or sublessor of, or makes available for use by any person, any tangible personal property owned or leased by the Company or the Subsidiary, in any such case which has an aggregate future liability or receivable, as the case may be, in excess of \$100,000, is not terminable by the Company or the Subsidiary by notice of not more than 60 calendar days for a cost of less than \$50,000 and, together with all other such agreements, in the aggregate has termination payments in excess of \$250,000;

(g) (i) continuing contract for the future purchase of materials, supplies or equipment (other than purchase contracts and orders for inventory in the ordinary course of business consistent with past practice); (ii) management, service, consulting or other similar type of contract (other than contracts for services in the ordinary course of business consistent with past practices) or (iii) advertising agreement or arrangement, in any such case which has an aggregate future liability to any person (other than the Company or the Subsidiary) in excess of \$100,000, is not terminable by the Company or the Subsidiary by notice of not more than 60 calendar days for a cost of less than \$50,000 and which, together with all other such leases and agreements, has termination payments in the aggregate in excess of \$250,000;

(h) agreement, contract or other instrument under which the Company or the Subsidiary has borrowed any money from, or issued any note, bond, debenture or other evidence of indebtedness to, any person or any other note, bond, debenture or other evidence of indebtedness issued to any person except for cash management and funding practices among or between any of the Company, the Subsidiary, Seller or Seller's Affiliates that will terminate as of the Closing Date, or accounts payable, accounts receivable or purchase orders entered into, in each case, in the ordinary course of business consistent with past practice;

(i) agreement, contract or other instrument (including so-called take-or-pay or keepwell agreements) under which (i) any person (including the Company or the Subsidiary) has directly or indirectly guaranteed indebtedness, liabilities or obligations of the Company or the Subsidiary or (ii) the Company or the Subsidiary has directly or indirectly guaranteed indebtedness, liabilities or obligations of any person

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(in each case other than endorsements for the purpose of collection in the ordinary course of business);

(j) agreement, contract or other instrument under which the Company or the Subsidiary has, directly or indirectly, made any

advance, loan, extension of credit or capital contribution to, or other investment in, any person except for accounts receivable arising in the ordinary course of business consistent with past practice;

(k) mortgage, pledge, security agreement, deed of trust or other instrument granting a Lien upon any Leased Property, which Lien is set forth in Schedule 4.10 except for Permitted Liens and Liens described in Section 4.9(f);

(l) agreement or instrument providing for indemnification of any person with respect to material liabilities relating to any current or former business of the Company, the Subsidiary or any predecessor person; or

(m) other agreement, contract, lease, license, commitment or instrument to which the Company or the Subsidiary is a party or by or to which it or any of its assets or business is bound or subject which has an aggregate future liability to any person (other than the Company or the Subsidiary) in excess of \$50,000, is not terminable by the Company or the Subsidiary by notice of not more than 60 calendar days for a cost of less than \$50,000 and which, together with all such other instruments, in the aggregate has termination payments in excess of \$250,000.

Except as set forth in Schedule 4.12, each agreement, contract, lease, license, commitment or instrument of the Company or the Subsidiary listed in the Schedules hereto (collectively, the "Contracts") is valid, binding and in full force and effect and, to the knowledge of Seller, the Company, the Subsidiary and Zimmer, is enforceable by the Company or the Subsidiary in accordance with its terms subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws affecting creditors' rights generally, general principles of equity and the discretion of courts in granting equitable remedies. Except as set forth in Schedule 4.12, the Company and the Subsidiary have performed all material obligations required to be performed by them to date under the Contracts and they are not (with or without the lapse of time or the

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giving of notice, or both) in breach or default in any material respect thereunder and, to the knowledge of Seller, the Company, the Subsidiary and Zimmer, no other party to any of the Contracts is (with or without the lapse of time or the giving of notice, or both) in breach or default in any material respect thereunder. Except as set forth on Schedule 4.12, neither the Company nor the Subsidiary has received any written notice that any party to any Contract intends to cancel or exercise its option, if any, under such Contracts to terminate. Neither the Company nor, the Subsidiary is a party to any agreement which prohibits such entity from engaging in the business that it currently conducts, or solely by reason of consummation of the transactions contemplated hereby, will prohibit such entity from engaging in the business that it currently conducts.

Section 4.13 Litigation. (a) Schedule 4.13 sets forth a list, as of the date of this Agreement, of all pending or, to the knowledge of Seller, the Company or the Subsidiary, threatened, suits, actions, arbitrations or legal or administrative proceedings or governmental investigations (including with respect to product liability or by the FDA) against the Company or the Subsidiary or any of their respective properties, assets, operations or businesses and which (i) involve an uninsured claim against the Company or the Subsidiary of, or which involve an uninsured unspecified amount which would reasonably be expected to result in a liability of, more than \$100,000, (ii) seek any injunctive relief or (iii) seek any legal restraint on or prohibition against the transactions contemplated by this Agreement. Except as set forth in Schedule 4.13, neither the Company nor the Subsidiary is a party or subject to or in default in any material respect under any judgment, order, injunction or decree of any Governmental Entity or arbitration tribunal applicable to it or any of its respective properties, assets, operations or business. The matters set forth on Schedule 4.13, except as otherwise specifically indicated thereon, are not reasonably expected to have a Material Adverse Effect.

(b) Except as set forth in Schedule 4.13(a), since January 1, 1997,

there has not been any product liability suit, action, arbitration or legal or administrative proceedings against Seller, any Affiliate of Seller, the Company or the Subsidiary with respect to any product manufactured, marketed or distributed by the Company or the Subsidiary.

Section 4.14 Benefit Plans. (a) Schedule 4.14 contains a list of all benefit and compensation plans,

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contracts, policies or arrangements covering current or former employees of the Company or the Subsidiary, including but not limited to "employee pension benefit plans" (as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) (sometimes referred to herein as "Pension Plans"), "employee welfare benefit plans" (as defined in Section 3(1) of ERISA), bonus, stock option, stock purchase, deferred compensation plans or arrangements and other employee fringe benefit plans (all the foregoing being herein called "Benefit Plans") maintained, or contributed to, by Seller, the Company or the Subsidiary for the benefit of any current or former employees of the Company or the Subsidiary. Seller has made available to Buyer true, complete and correct copies of (i) each Benefit Plan and all amendments thereto (or, in the case of any unwritten Benefit Plans, descriptions thereof), (ii) the most recent annual report on Form 5500 filed with the Internal Revenue Service with respect to each Benefit Plan (if any such report was required) and (iii) the most recent summary plan description for each Benefit Plan for which such a summary plan description is required.

(b) Each Benefit Plan has been administered in all material respects in accordance with its terms. The Company and all the Benefit Plans are in compliance in all material respects with the applicable provisions of ERISA and the Code. Except as set forth in Schedule 4.14, there are no lawsuits, actions, termination proceedings or other proceedings pending, or, to the knowledge of Seller, threatened against or involving any Benefit Plan and, to the knowledge of Seller, there are no investigations by any Governmental Entity or other claims (except claims for benefits payable in the normal operation of the Benefit Plans) pending or threatened against or involving any Benefit Plan or asserting any rights to benefits under any Benefit Plan.

(c) Except as set forth in Schedule 4.14, (i) all contributions to, and payments from, the Benefit Plans that may have been required to be made in accordance with the Benefit Plans and, when applicable, Section 302 of ERISA or Section 412 of the Code, have been timely made, (ii) there has been no application for or waiver of the minimum funding standards imposed by Section 412 of the Code with respect to any Pension Plan and (iii) no Pension Plan has an "accumulated funding deficiency" within the meaning of Section 412(a) of the Code as of the most recent plan year; and (iv) neither the Company nor the Subsidiary has provided, or is required to provide, pursuant to Section 401(a)(29) of the Code, security to any single-

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employer plan of any entity which is considered one employer with the Company under Section 4001 of ERISA or Section 414 of the Code (an "ERISA Affiliate").

(d) Except as set forth in Schedule 4.14, all Pension Plans intended to qualify under Section 401(a) of the Code have been the subject of determination letters from the Internal Revenue Service to the effect that such Pension Plans are qualified and exempt from Federal income taxes under Sections 401(a) and 501(a), respectively, of the Code, and no such determination letter has been revoked nor, to the knowledge of Seller, has revocation been threatened, nor has any such Pension Plan been amended since the date of its most recent determination letter or application therefor in any respect that would adversely affect its qualification or materially increase its cost.

(e) To Seller's knowledge, no "prohibited transaction" (as defined in

Section 4975 of the Code or Section 406 of ERISA) has occurred that involves the assets of any Benefit Plan and that could subject the Company or the Subsidiary or any of their employees, or, to the knowledge of Seller, a trustee, administrator or other fiduciary of any trusts created under any Benefit Plan to the tax or penalty on prohibited transactions imposed by Section 4975 of the Code, Section 502(i) of ERISA or the sanctions imposed under Title I of ERISA. Except as set forth in Schedule 4.14, none of the Pension Plans has been terminated nor have there been any "reportable events" (as defined in Section 4043 of ERISA and the regulations there under) with respect thereto. Neither Seller nor any trustee, administrator or other fiduciary of any Benefit Plan nor any agent of any of the foregoing has engaged in any transaction or acted or failed to act in a manner that could subject the Company or the Subsidiary to any material liability for breach of fiduciary duty under ERISA or any other applicable law.

(f) With respect to any Pension Plan subject to Title IV of ERISA (including for the purposes of this Section 4.14(f) and Section 4.14(g) any Pension Plan maintained or contributed to by Seller or an ERISA Affiliate, Seller has not incurred any material liability to such Pension Plan or to the Pension Benefit Guaranty Corporation, other than for the payment of contributions or premiums, all of which have been paid when due. Seller has delivered or made available to Buyer most recent actuarial report or valuation with respect to each Pension Plan that is a "defined benefit pension plan" (as defined in Section 3(35) of ERISA).

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(g) Except as set forth in Schedule 4.14, as of the most recent valuation date for each Pension Plan that is a defined benefit pension plan, there was not any amount of "unfunded benefit liabilities" (as defined in Section 4001(a)(18) of ERISA) under such Pension Plan and, to the knowledge of Seller, there are no facts or circumstances that would materially change the funded status of any such Pension Plan.

(h) At no time within the five years preceding the Closing Date has Seller, the Company or the Subsidiary been required to contribute to any "multiemployer plan" (as defined in Section 4001(a)(3) of ERISA, including for the purposes of this Section 4.14(h) any multiemployer plan maintained or contributed to by Seller or an ERISA Affiliate for the benefit of any current or former employees of the Company and the Subsidiary or incurred any withdrawal liability, within the meaning of Section 4201 of ERISA, with respect to any such multiemployer plan, which liability has not been fully paid as of the date hereof, or announced an intention to withdraw, but not yet completed such withdrawal, from any such multiemployer plan.

(i) With respect to any Benefit Plan that is an employee welfare benefit plan, except as disclosed in Schedule 4.14, (i) no such Benefit Plan is funded through a welfare benefits fund, as such term is defined in Section 419(e) of the Code and (ii) each such Benefit Plan that is a group health plan, as such term is defined in Section 5000(b)(1) of the Code, complies in all material respects with the applicable requirements of Section 4980B(f) of the Code.

(j) Except as set forth on Schedule 4.14, neither the Company nor the Subsidiary has any obligations for retiree health and life benefits under any Benefit Plan.

Section 4.15 Absence of Changes or Events. (a) Except as set forth in Schedule 4.15, since the date of the Balance Sheet, there has not been any material adverse change in the business, assets, results of operations or financial condition of the Company and the Subsidiary, taken as a whole (including the International Business and the Domestic Hall Surgical Business).

(b) Except as set forth in Schedule 4.15 or as contemplated by this Agreement, since the date of the Balance Sheet, Seller has caused the business of the Company and the Subsidiary to be conducted in the ordinary course consistent with past practice and neither the Company nor

the Subsidiary has taken any action that, if taken after the date of this Agreement, would constitute a breach of any of the covenants set forth in Section 5.2.

Section 4.16 Compliance with Applicable Laws. (a) Except as previously disclosed by Seller to Buyer on Schedule 4.16 or in writing referring to this Section 4.16, the Company and the Subsidiary have complied at all times with all applicable statutes, laws, ordinances, rules, orders and regulations of any Governmental Entity ("Applicable Laws"), including those relating to occupational health and safety and the statutes, rules and regulations of the United States Food and Drug Administration ("FDA"), except for instances of noncompliance that, individually or in the aggregate, would not have a Material Adverse Effect. Except as set forth in Schedule 4.16, none of Seller, the Company or the Subsidiary has received any written communication during the past two years from a Governmental Entity that alleges that the Company or the Subsidiary is not in compliance in any material respect with any Applicable Laws. This Section 4.16(a) does not relate to matters with respect to Taxes, which are the subject of Section 4.8, to employee benefit or ERISA matters which are the subject of Section 4.14 or to environmental matters, which are the subject of Section 4.16(b).

(b) Except as disclosed in Schedule 4.16: (i) the Company and the Subsidiary have complied at all times in all material respects with all applicable Environmental Laws; (ii) there have been no material releases or threatened releases on any property currently owned or operated by the Company or the Subsidiary or, during the period of the Company's or the Subsidiary's ownership or operation, on any property formerly owned or operated by the Company or the Subsidiary; (iii) neither the Company nor the Subsidiary is subject to any material liability for Hazardous Substance disposal or contamination on any third party property; (iv) neither the Company nor the Subsidiary is subject to any material liability for any release or threat of release of any Hazardous Substance; (v) neither the Company nor the Subsidiary has received any material notice or communication from a Governmental Entity or third party indicating that it may be in violation of or subject to liability under any Environmental Law; (vi) neither the Company nor the Subsidiary is subject to any material order, decree, injunction or other binding written agreement with any Governmental Entity or any material indemnity or other binding written agreement with any third party relating to liability under any

Environmental Law; (vii) there are no other circumstances or conditions involving the Company or the Subsidiary that could reasonably be expected to result in any material claims, liability, investigations, costs or restrictions on the ownership, use, or transfer of any property in connection with any Environmental Law; and (viii) except as would not individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, the Company has delivered to Purchaser copies of all environmental reports, studies, assessments, sampling data and other environmental information in its possession prepared within the last five years relating to the Company or the Subsidiary or any of their current or former properties or operations.

As used herein, the term "Environmental Law" means any federal, state or local law, regulation, order, decree, permit, authorization, common law or enforceable agency requirement in effect as of the Closing Date relating to: (i) the protection, investigation or restoration of the environment, occupational health and safety or natural resources, (ii) the handling, use, presence, disposal, release or threatened release of any Hazardous Substance or (iii) noise, odor, indoor air, employee exposure, wetlands, pollution, contamination or any injury or threat of injury to persons or property relating to any Hazardous Substance and the term "Hazardous Substance" means any substance that is: (i) listed, classified or regulated pursuant to any Environmental Law, (ii) any petroleum product or by-product, asbestos-containing material in a friable condition, or radioactive materials; or (iii) any other substance which is regulated under any Environmental Law.

Section 4.17 Employee and Labor Matters. Except as set forth in Schedule 4.17, (a) there is not, and since June 30, 1995, there has not been, any labor strike, dispute, work stoppage or lockout pending, or, to the knowledge of Seller, the Company or the Subsidiary threatened, against the Company or the Subsidiary; (b) to the knowledge of Seller, the Company and the Subsidiary no union organizational campaign is in progress with respect to the employees of the Company or the Subsidiary, and no question concerning representation exists respecting such employees; (c) neither the Company nor the Subsidiary is engaged in any unfair labor practice; (d) there is no unfair labor practice charge or complaint against the Company or the Subsidiary pending, or, to the knowledge of Seller, the Company or the Subsidiary, threatened, before the National Labor Relations Board; (e) there are no pending, or, to the knowledge of Seller, the Company or the Subsidiary, threatened, union grievances against the Company or the

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Subsidiary as to which there is a reasonable possibility of adverse determination and that, if so determined, individually or in the aggregate, would have a Material Adverse Effect; (f) there are no pending, or, to the knowledge of Seller, the Company or the Subsidiary threatened, charges against the Company, the Subsidiary or any current or former employee of the Company or the Subsidiary before the Equal Employment Opportunity Commission or any state or local agency responsible for the prevention of unlawful employment practices; and (g) since June 30, 1995, none of Seller, the Company or the Subsidiary has received written notice of the intent of any Governmental Entity responsible for the enforcement of labor or employment laws to conduct an investigation of the Company or the Subsidiary and, to the knowledge of Seller, the Company or the Subsidiary no such investigation is in progress.

Section 4.18 Material Services Provided by Seller, Zimmer or their Respective Affiliates to the Company. Except as set forth on Schedule 4.18(a), Seller, Zimmer and their respective Affiliates provide no material services to the Company. The Seller Entities do not own any material assets (including fixed assets, inventories and intellectual property) that are necessary for the conduct of the business of the Company (including the International Business and the Domestic Hall Surgical Business) as presently conducted, except as set forth on Schedule 4.18(a) and the Other Assets.

Section 4.19. Plant and Equipment. The material machinery, equipment and other tangible property used by the Company and the Subsidiary are in good operating condition and repair, normal wear and tear excepted.

Section 4.20. No Severance Payments. None of the Company or the Subsidiary will owe a severance payment or similar obligation to any of their respective current or former employees, officers or directors as a result of the transactions contemplated by this Agreement, nor will any of such persons be entitled to an increase in severance payments or other benefits payable by the Company or the Subsidiary as a result of the transactions contemplated by this Agreement in the event of the subsequent termination of their employment.

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ARTICLE V

COVENANTS OF SELLER

Seller covenants and agrees as follows:

Section 5.1 Access. From the date hereof to the Closing, Seller shall, and shall cause the Company, the Subsidiary and the Seller Entities to, give Buyer and its representatives, employees, counsel, financial advisors, lenders and accountants (a) reasonable access, during normal business hours and upon reasonable notice, to the personnel, properties, books and records of the Company and the Subsidiary and, to the extent relating to the International

Business, the Domestic Hall Surgical Business and the sales, distribution, marketing, purchasing, manufacturing and repair and customer services provided to the Company or the Subsidiary by the Seller Entities, the Seller Entities, (b) such financial and operating data and other information as Buyer shall from time to time reasonably request with respect to the business and properties of each of the Company and the Subsidiary; provided, however, that such access and the furnishing of such data and other information does not unreasonably disrupt the normal operations of Seller, the Company, the Subsidiary or the Seller Entities.

Section 5.2 Ordinary Conduct. (a) Except as set forth in Schedule 5.2 or otherwise expressly permitted by the terms of this Agreement, from the date hereof to the Closing, Seller shall cause the business of the Company and the Subsidiary to be conducted in the ordinary course in substantially the same manner as presently conducted and shall make all reasonable efforts consistent with past practices to (i) preserve their relationships with customers, suppliers, distributors and others with whom the Company or the Subsidiary has a material business relationship, (ii) preserve intact the business organization of the Company and the Subsidiary and keep available the services of the present officers and employees of the Company and the Subsidiary and (iii) provide funding and other cash management services to the Company and the Subsidiary in the ordinary course of business consistent with past practices; provided that Seller shall not be required to make any payment or grant any accommodation (financial or otherwise) with respect to its obligations under clause (i) or (ii).

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(b) Except as set forth in Schedule 5.2 or otherwise contemplated by the terms of this Agreement, Seller shall not permit the Company or the Subsidiary to do any of the following without the prior written consent of Buyer:

(i) amend its Certificate of Incorporation or By-laws;

(ii) declare, set aside or pay any dividend or make any other distribution to its stockholders whether or not upon or in respect of any shares of its capital stock or other ownership interests, if any; provided, however, that (A) Buyer acknowledges that the Company and the Subsidiary do not maintain cash balances and, at the time of the Closing, Seller will withdraw any cash balances of the Company and the Subsidiary (and such cash balances shall not be included in the calculation of Closing Working Capital), (B) dividends and distributions may continue to be made by the Subsidiary to the Company and (C) dividends and distributions of cash may continue to be made by the Company to Seller or its Affiliates;

(iii) directly or indirectly redeem, purchase or otherwise acquire any shares of its capital stock or other ownership interests, if any, or issue any capital stock or any option, warrant or right relating thereto or any securities convertible into or exchangeable for any shares of capital stock or other ownership interests;

(iv) adopt or amend any Benefit Plan or collective bargaining agreement, except as required by law or as part of a general amendment by Seller to its benefit plans generally (notice of which shall be furnished to Buyer);

(v) enter into any employment, consulting or distribution agreement, contract or commitment with any Person, modify or cancel any such agreement that is a Contract containing, in each case, an obligation to pay or accrue any sum of money upon termination or grant to any executive officer or employee any increase in compensation or benefits, except in the ordinary course of business consistent with past practice or as may be required under existing agreements and except for any increases for which Seller shall be solely obligated;

(vi) enter into, modify or cancel, any agreement, contract, indenture or other instrument relating to or incur or assume any liabilities, obligations or indebtedness for borrowed money or guarantee any such liabilities, obligations or indebtedness, other than in the ordinary course of business consistent with past practice; provided that in no event shall the Company or the Subsidiary incur, assume or guarantee any long-term indebtedness for borrowed money;

(vii) permit, allow or suffer any of its assets to become subjected to any mortgage, lien, security interest, encumbrance, easement, covenant, right-of-way or other similar restriction of any nature whatsoever except Liens permitted pursuant to Section 4.9(d) and (f) and Section 4.10(c), (d) and (e);

(viii) cancel any indebtedness of third parties other than in the ordinary course of business consistent with past practice (individually or in the aggregate) or waive any claims or rights of substantial value;

(ix) except for (a) dividends and distributions permitted under clause (ii) above, (b) the conduct of the International Business and the Domestic Hall Surgical Business, (c) transactions between the Company and the Subsidiary, on the one hand, and Seller or Seller's Affiliates, on the other hand, in the ordinary course of business consistent with past practices, (d) pay, loan or advance any amount to, or sell, transfer or lease any of its assets to, or enter into any agreement or arrangement with, Seller or any of its Affiliates (other than the Company and the Subsidiary);

(x) make any change in any method of accounting or accounting practice or policy other than those required by United States generally accepted accounting principles;

(xi) acquire by merging or consolidating with, or by purchasing the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof;

(xii) acquire any assets (other than inventory) which are material, individually or in the aggregate, to the Company and the Subsidiary, taken as a whole;

(xiii) make or incur any capital expenditure that is not currently budgeted which, individually, is in excess of \$50,000 or make or incur any such expenditures which, in the aggregate, are in excess of \$100,000;

(xiv) sell, lease or otherwise dispose of any of its assets with an individual value in excess of \$50,000, except in the ordinary course of business consistent with past practice or enter into any lease of any personal property except leases entered into in the ordinary course of business with aggregate lease payments not in excess of \$100,000;

(xv) enter into, modify or cancel any lease of real property or lease of personal property that is a Contract, except any renewals, modifications or cancellations of existing leases in the ordinary course of business consistent with past practice;

(xvi) modify, amend, terminate or permit the lapse of any lease of, or reciprocal easement agreement, operating agreement or other material agreement relating to, real property (except modifications or amendments associated with renewals of existing leases in the ordinary course of business);

(xvii) amend or terminate any Contract;

(xviii) enter into any license agreement for Intellectual Property other than the Cross Licensing Agreement or any research and development agreements;

(xix) settle any litigation involving the Company or the Subsidiary; or

(xx) commit or agree, whether in writing or otherwise, to do any of the foregoing.

Section 5.3 Insurance. Seller shall keep, or cause to be kept, all insurance policies presently maintained with respect to the Company and the Subsidiary and their respective assets and properties, (except to the extent that Seller is making changes generally to the insurance coverage for itself and its Subsidiaries) in full force and effect through the close of business on the Closing Date. Any and all insurance policies maintained with respect to the Company and the Subsidiary and their respective assets and properties are owned and maintained by Seller and its Affiliates (other than the Company and the

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Subsidiary). None of Buyer, the Company or the Subsidiary will have any rights under any such insurance policies from and after the Closing Date except that Seller shall continue to administer and prosecute, on behalf of the Company and the Subsidiary (notice of which shall be given to Buyer), claims made prior to the Closing Date.

Section 5.4 Zimmer U.S. Receivables. Seller shall cause Zimmer to forward to Buyer, on a weekly basis, any and all proceeds from Zimmer U.S. Receivables that were transferred pursuant to this Agreement and that are received by Zimmer after the Closing Date.

Section 5.5 Covenant Not To Compete. (a) Seller, for and on behalf of itself and its subsidiaries, agrees that, for a period of three years after the Closing Date (or, with respect to the Company's and the Subsidiary's Hall(r) Surgical large bone products being distributed under the Distribution Agreement, the longer of (i) three years after the Closing Date and (ii) two years after any termination of the Distribution Agreement by either party thereto, but in no event longer than five years after the Closing Date), they shall not own, manage, operate, control or otherwise engage in any Competitive Business; provided, however, that nothing herein shall be construed to prevent Seller or any of its Affiliates from any of the following: (A) acquiring any Person engaged in any Competitive Business (other than any Person primarily engaged in a Competitive Business) or any interest in any such Person and thereafter owning, managing, operating or controlling such Person or otherwise engaging in any business engaged in by such Person, (B) owning, managing, operating or controlling Zimmer or any of its subsidiaries or otherwise engaging in any business currently engaged in by Zimmer or any of its subsidiaries, other than the International Business and the Domestic Hall Surgical Business, (C) engaging in transactions pursuant to the Manufacturing Agreement, the Transition Distribution and Services Agreement or the Distribution Agreement, (D) owning up to five percent (5%) of the voting equity securities or any non-voting equity or debt securities of any Person whose securities are publicly traded on a national securities exchange or in the over-the-counter market (it being understood, however, that this Agreement shall not prohibit or in any way be deemed to be inconsistent with the ownership or exercise by Seller of the Warrant or the Warrant Shares (as defined in the Warrant)) or (E) manufacturing or selling the current MicroMill(r) branded products (capital equipment and related disposables) and upgrades and improvements of MicroMill(r) branded products. Notwithstanding anything to the contrary

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contained herein, to the extent that the Company discontinues manufacturing and selling any product being distributed under the Distribution Agreement that otherwise would be restricted hereunder, Seller and its subsidiaries shall no longer be restricted in any manner under this Agreement with respect to such product.

(b) Seller, on behalf of itself and its subsidiaries, agrees that, for a period of two years after the Closing Date, it will not solicit any individual that, as of the date hereof, is a member of management or a sales representative or an area sales director of the Company or the Subsidiary, in each case except for any such individual no longer employed by the Company or the Subsidiary at the time of any solicitation. Buyer covenants and agrees that, for a period of two years after the Closing Date, it will not, and it will cause its subsidiaries not to, solicit any individual that, as of the date hereof, is a member of management or a sales representative or an area sales director of Zimmer, except for any such individual no longer employed by Zimmer at the time of any such solicitation. It is understood and agreed that general solicitations in periodicals of broad distribution by either Seller or Buyer (or any of their respective subsidiaries) shall not constitute a breach of this Section 5.5(b).

(c) Buyer covenants and agrees that, for a period of three years after the Closing Date, it will not, and it will cause its subsidiaries, including the Company and the Subsidiary, not to, solicit or induce any of Zimmer's distributors who are located within the United States to sell any products manufactured by Buyer or any of its subsidiaries, including the Company and the Subsidiary.

(d) "Competitive Business" shall mean (i) the manufacturing or selling of any arthroscopy product of a type currently manufactured or sold by the Company or the Subsidiary or a similar type used primarily for arthroscopy, other than, in each case, any product for spinal arthroscopy procedures, and (ii) the manufacturing or selling of any powered surgical instrument (capital equipment and disposables) of a type currently manufactured or sold by the Company or the Subsidiary or any similar pneumatic, electric or battery powered surgical instrument that mechanically cuts, mills or drills bone and, in the case of clause (i) and (ii), upgrades and improvements thereof.

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ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller as follows:

Section 6.1 Authority. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of New York. Buyer has all requisite corporate power and authority to enter into this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. All corporate acts and other corporate proceedings required to be taken by Buyer to authorize the execution, delivery and performance of this Agreement and any other Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby have been duly and properly taken. This Agreement has been duly executed and delivered by Buyer and constitutes a legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms.

Section 6.2 No Conflicts; Consents. The execution and delivery of this Agreement do not, and the consummation of the transactions contemplated hereby and compliance with the terms hereof shall not, conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancelation or acceleration of any obligation or to loss of a benefit under, or result in the creation of any Lien upon any of the properties or assets of Buyer or the Subsidiary of Buyer under, any provision of (a) the Certificate of Incorporation or By-laws of Buyer or the comparable governing instruments of the Subsidiary of Buyer, (b) any material note, bond, mortgage, indenture, deed of trust, license, lease, contract, commitment, agreement or arrangement to which Buyer or the Subsidiary of Buyer is a party or by which any of their respective proper ties or assets

are bound, or (c) any judgment, order, or decree, or material statute, law, ordinance, rule or regulation applicable to Buyer or the Subsidiary of Buyer or their respective properties or assets, other than, in the case of clauses (b) and (c) above, any such items that, individually or in the aggregate, would not have a material adverse effect on the ability of Buyer to consummate the transactions contemplated hereby. No material consent, approval, license, permit, order or authorization of, or registration, declaration or filing with, any Governmental Entity or any nongovernmental third party is required to be obtained or made by or with respect to Buyer or any of its

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subsidiaries or their respective Affiliates in connection with the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby, other than (i) a consent under Buyer's principal existing bank facility, under which Buyer on the date hereof does not have any outstanding indebtedness, (ii) compliance with and filings under the HSR Act, if applicable, and (iii) those that may be required solely by reason of Seller's and its Affiliates (as opposed to any other third party's) participation in the transactions contemplated hereby.

Section 6.3 Securities Act. The Shares purchased by Buyer pursuant to this Agreement are being acquired for investment only and not with a view to any public distribution thereof, and Buyer shall not offer to sell or otherwise dispose of the Shares so acquired by it in violation of any of the registration requirements of the Securities Act of 1933, as amended.

Section 6.4 Actions and Proceedings, etc. As of the date hereof, there are no (a) outstanding judgments, orders, injunctions or decrees of any Governmental Entity or arbitration tribunal against Buyer or any of its Affiliates, (b) lawsuits, actions or proceedings pending or, to the knowledge of Buyer, threatened against Buyer or any of its Affiliates, or (c) investigations by any Governmental Entity which are, to the knowledge of Buyer, pending or threatened against Buyer or any of its Affiliates, which, in the case of each of clauses (a), (b) and (c), have or could have a material adverse effect on the ability of Buyer to consummate the transactions contemplated hereby.

Section 6.5 Availability of Funds. Buyer has cash available or has binding written financing commitments which together are sufficient to enable it to finance the transactions contemplated by this Agreement. True and correct copies of any such commitments have been provided to Seller.

ARTICLE VII

COVENANTS OF BUYER AND SELLER

Section 7.1 Confidentiality. The parties acknowledge that the information being provided to Buyer and its representatives, employees, agents, counsel, financial advisors, lenders and accountants in connection with the purchase and sale of the Shares and the consummation of the

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other transactions contemplated hereby is subject to the terms of a confidentiality agreement between Buyer and Seller (the "Confidentiality Agreement"). Effective upon, and only upon, the Closing, the Confidentiality Agreement shall terminate with respect to information to the extent relating to the Company and the Subsidiary (including the International Business and the Domestic Hall Surgical Business); provided that Buyer acknowledges that any and all other information provided to it by Seller or Seller's representatives concerning Seller (including, with respect to information to the extent not related to the International Business and the Domestic Hall Surgical Business, Zimmer or one of its Affiliates) shall remain subject to the terms and conditions of the Confidentiality Agreement after the Closing Date.

Section 7.2 No Additional Representations. (a) Buyer acknowledges that it and its representatives have received or been afforded the opportunity to review prior to the date hereof all written materials which Seller was required to deliver or make available, as the case may be, to Buyer pursuant to this Agreement on or prior to the date hereof. Buyer acknowledges that it and its representatives have been permitted access to the books and records, facilities, equipment, tax returns, contracts, insurance policies (or summaries thereof) and other properties and assets of the Company and the Subsidiary that it and its representatives have requested to see and/or review, and that it and its representatives have had an opportunity to meet with the officers and employees of Seller, Zimmer, the Company and the Subsidiary to discuss the businesses and assets of the Company and the Subsidiary. Buyer acknowledges that none of Seller, Zimmer, the Company, the Subsidiary, any Seller Entity or any other person has made any representation or warranty, expressed or implied, as to the accuracy or completeness of any information regarding the Company, the Subsidiary, the International Business or the Domestic Hall Surgical Business furnished or made available to Buyer and its representatives, except as expressly set forth in this Agreement or the Schedules hereto, and none of Seller, the Company, the Subsidiary, any Seller Entity or any other person shall have or be subject to any liability to Buyer or any other person resulting from the distribution to Buyer, or Buyer's use of, any such information, including the Confidential Offering Memorandum prepared by Morgan Stanley & Co. Incorporated, dated September 1997, and any information, documents or material made available to Buyer in certain "data rooms", management presentations or in any other form in expectation of the transactions contemplated hereby.

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(b) Seller acknowledges that none of Buyer or any other person has made any representation or warranty, expressed or implied, as to the accuracy or completeness of any information regarding Buyer furnished or made available to Seller and its representatives, except as expressly set forth in this Agreement.

Section 7.3 No Use of Certain Names. Except as provided in the Transition and Distribution Services Agreement and the Distribution Agreement, Buyer shall cause the Company and the Subsidiary promptly, and in any event (a) within 180 calendar days after Closing, to revise product literature and labeling to delete all references to the Names and (b) within 90 calendar days after Closing, to change signing and stationery and otherwise discontinue use of the Names; provided, however, that for a period of 365 calendar days from the Closing Date each party may continue to distribute product literature that uses any Names and distribute products with labeling that uses any Names to the extent that such product literature and labeling exists on the Closing Date; and provided, further, until no later than the second anniversary of the Closing Date, outside the United States each party may continue to distribute product literature that uses any Names and distribute products with labeling that uses any Names (in each case, consistent with past practices) to the extent that, in spite of the reasonable efforts of such party to obtain registration that permits such party to distribute products that do not use such Names, such party has not obtained such registration and such continued distribution does not violate any Applicable Law.

In no event shall either party hereto or its Affiliates use any Names after the Closing in any manner or for any purpose different from the use of such Names during the 90-day period preceding the Closing. With respect to product inventory manufactured by the Company and the Subsidiary prior to the Closing, Buyer, the Company and the Subsidiary may continue to sell such inventory, notwithstanding that it bears one or more of the Names, for a reasonable time after the Closing (not to exceed 365 calendar days). "Names" means, with respect to Buyer and its Affiliates, "Bristol-Myers Squibb", "Bristol-Myers Squibb Company", "Zimmer"; "MicroMill", "Z-Serter", "Z-Wire", "Ultra-Cut", variations and derivatives thereof and any other logos, service marks or trademarks of Seller or its Affiliates not included in Schedule 4.11 and means, with respect to Seller and its Affiliates, "Linvatec", "Hall Surgical", variations and derivatives thereof and any other logos or trademarks of the Company and the Subsidiary,

except to the extent permitted under the Transition and Distribution Services Agreement and the Distribution Agreement.

ARTICLE VIII

MUTUAL COVENANTS

Each of Seller and Buyer covenants and agrees as follows:

Section 8.1 Consents. The parties acknowledge that certain consents and waivers with respect to the transactions contemplated by this Agreement may be required from lenders under Buyer's existing bank facility and parties to the Contracts listed on the Schedules hereto and that such consents and waivers have not been obtained. To the extent required at Closing, Buyer shall obtain the consent of each of its lenders required under the terms of its existing bank facility. Buyer agrees that Seller shall not have any liability whatsoever to Buyer arising out of or relating to the failure to obtain any consents or waivers that are not set forth on Schedule 8.1 or because of the termination of any Contract as a result thereof. Prior to the Closing, Seller shall, and shall cause the Company, the Subsidiary and the Seller Entities to, cooperate with Buyer, upon the request of Buyer, in any reasonable manner in connection with Buyer obtaining any such consents and waivers; provided, however, that such cooperation shall not include any requirement of Seller or any of its Affiliates to expend money (other than the Company, the Subsidiary and the Seller Entities to the extent that Buyer funds any cash expenditures in advance) commence, defend or participate in any litigation or offer or grant any accommodation (financial or otherwise) to any third party. Prior to and after the Closing Date, Buyer shall cooperate with Seller to terminate or otherwise release Seller and its Affiliates from any guarantees, obligations and liabilities under the contracts and agreements set forth on Schedule 11.3.

Section 8.2 Cooperation. Buyer and Seller shall cooperate with each other, and shall cause their officers, employees, agents, auditors and representatives to cooperate with each other, for a period of 180 calendar days after the Closing to ensure the orderly transition of the Company and the Subsidiary from Seller to Buyer and to minimize any disruption to the respective businesses of Seller, Seller Entities, Buyer, the Company and the Subsidiary that might result from the transactions contemplated hereby. After the

Closing, upon reasonable written notice, Buyer and Seller shall furnish or cause to be furnished to each other and their employees, counsel, auditors and representatives access, during normal business hours, to such information and assistance relating to the Company, the Subsidiary, the International Business and the Domestic Hall Surgical Business as is reasonably necessary for financial reporting and accounting matters, the preparation and filing of any Tax returns, reports or forms or the defense of any Tax claim or assessment. Each party shall reimburse the other for reasonable out-of-pocket costs and expenses incurred in assisting the other pursuant to this Section 8.2. Neither party shall be required by this Section 8.2 to take any action that would unreasonably interfere with the conduct of its business or unreasonably disrupt its normal operations (or, in the case of Buyer, the business or operations of the Company or the Subsidiary).

Section 8.3 Publicity. Seller and Buyer agree that, from the date hereof through the Closing Date, no public release or announcement concerning the transactions contemplated hereby shall be issued by either party without the prior consent of the other party (which consent shall not be unreasonably withheld), except as such release or announcement may be required by law or the rules or regulations of any United States or foreign securities exchange, in which case the party required to make the release or announcement shall allow the other party reasonable time (to the extent allowable) to comment on such release or announcement in advance of such issuance.

Section 8.4 Best Efforts. Subject to the terms and conditions of this Agreement (including the provisions set forth in Sections 8.1 and 8.5), each party shall use its best efforts to cause the Closing to occur. Without limiting the foregoing or the provisions set forth in Section 8.5, Buyer and Seller shall use their respective best efforts to cause the Closing to occur on or prior to December 31, 1997 or as soon as practicable thereafter. Each of Seller and Buyer shall not, and shall not permit any of their respective Affiliates to, take any action that would, or that could reasonably be expected to, result in any of the conditions to the purchase and sale of the Shares set forth in Article 3 not being satisfied.

Section 8.5 Antitrust Notification and Other Regulatory Filings. Each of Seller and Buyer shall as promptly as practicable, but in no event later than the close of business on November 28, 1997, file with the United States Federal Trade Commission (the "FTC") and the

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United States Department of Justice (the "DOJ") the notification and report form, if any, required for the transactions contemplated hereby. Any such notification and report form and supplemental information shall be in substantial compliance with the requirements of the HSR Act. Each of Buyer and Seller shall furnish to the other such necessary information and reasonable assistance as the other may request in connection with its preparation of any filing or submission which is necessary under the HSR Act. Seller and Buyer shall keep each other apprised of the status of any communications with, and any inquiries or requests for additional information from, the FTC and the DOJ and shall comply with any such inquiry or request as promptly as practicable. Each of Seller and Buyer shall use its best efforts to obtain any clearance required under the HSR Act for the purchase and sale of the Shares and the Other Assets. Seller and Buyer shall also cooperate to make any required regulatory filings with any state or outside the United States as promptly as practicable after the execution and delivery of this Agreement.

Section 8.6 Records. (a) As soon as practicable on or after the Closing Date, Seller shall deliver or cause to be delivered to Buyer all material original agreements, documents, books, records and files, including records and files stored on computer disks or tapes or any other storage medium (collectively, "Records"), if any, in the possession of Seller and its subsidiaries (other than the Company and the Subsidiary) relating to the business and operations of the Company and the Subsidiary to the extent not then in the possession of the Company and the Subsidiary, subject to the following exceptions:

(i) Buyer recognizes that certain Records may contain incidental information relating to the Company, the Subsidiary, the International Business or the Domestic Hall Surgical Business or may relate primarily to Subsidiary or divisions of Seller other than the Company and the Subsidiary, and that Seller may retain such Records and shall provide copies of the relevant portions thereof to Buyer;

(ii) Seller may retain all Records prepared solely in connection with the sale of the Shares, including bids received from other parties and analyses relating to the Company and the Subsidiary;

(iii) Seller may retain any Tax returns, reports or forms, and Buyer shall be provided with copies of such returns, reports or forms only to the extent that they

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relate to the Company's and the Subsidiary's separate returns or separate Tax liability; and

(iv) Seller may retain (but shall provide copies to Buyer of)

all distribution agreements related to the International Business and the Domestic Hall Surgical Business.

(b) After the Closing, upon reasonable written notice, Buyer and Seller agree to furnish or cause to be furnished to each other and their representatives, employees, counsel and accountants access, during normal business hours, to such information (including Records pertinent to the Company and the Subsidiary) and assistance relating to the Company and the Subsidiary as is reasonably necessary for financial reporting and accounting matters, the preparation and filing of any Tax returns, returns or forms or the defense of any Tax claim or assessment; provided, however, that such access does not unreasonably disrupt the normal operations of Seller, Buyer, the Company or the Subsidiary.

Section 8.7 Distribution Arrangements and Additional Support Services.

(a) On the Closing Date, the Company and Zimmer shall enter into the Transition Distribution Services Agreement substantially in the form of Exhibit G (the "Transition Distribution Services Agreement" and the Distribution Agreement substantially in the form of Exhibit H (the "Distribution Agreement").

(b) In addition to the distribution services provided by Zimmer and its subsidiaries for the International Business and the Domestic Hall Surgical Business, Seller and its Affiliates (including Zimmer) provide the Company and the Subsidiary with certain support services ("Additional Support Services"). The Additional Support Services include cash management, credit and accounts receivable, payroll and human resources, legal, tax and benefit plan administration. Buyer acknowledges that all Additional Support Services not continued pursuant to the Transition Distribution Services Agreement or the Distribution Agreement will be terminated as of the Closing Date.

Section 8.8 Manufacturing Agreement. Seller and Buyer agree that Zimmer and the Company, on the Closing Date, shall execute and deliver a manufacturing agreement substantially in the form of Exhibit I (the "Manufacturing Agreement") and a Cross-Licensing Agreement substantially in the form of Exhibit J (the "Cross Licensing Agreement").

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Section 8.9 Convatec Agreement. Seller and Buyer agree to negotiate in good faith, prior to the Closing, and to execute and deliver an agreement with respect to E.R. Squibb & Sons, Inc. (d/b/a Convatec) containing the terms and conditions set forth on Exhibit K, and otherwise in form and substance reasonably satisfactory to Seller and Buyer.

Section 8.10 Certain Liabilities. Effective as of the Closing, Buyer hereby assumes and agrees to pay, perform and discharge when due any obligations of Zimmer or its Affiliates under the distribution agreements set forth on Schedule 8.10 to repurchase inventory or otherwise make a payment in connection with the International Business or the Domestic Hall Surgical Business. The obligations set forth on Schedule 8.10 shall not be included in the calculation of Closing Working Capital.

ARTICLE IX

EMPLOYEE AND RELATED MATTERS

Section 9.1 Employee Matters. The Company and the Subsidiary shall be responsible for all employee benefits-related claims of each of the following groups of current or former employees of the Company, or the Subsidiary: active employees, employees on leave of absence and all current or former employees on short or long-term disability (collectively, the "Continued Employees"), except as otherwise provided in this Article.

Section 9.2 Continuation of Comparable Benefit Plans. For not less than two years following the Closing Date (the "Continuation Period"), Buyer shall maintain, or shall cause the Company and the Subsidiary to maintain, (to the extent permitted by law) compensation and employee benefit plans and arrangements (other than any plans and arrangements based on equity securities

or any equivalent thereof) and prerequisites for the Continued Employees that, in the aggregate, are substantially comparable to those provided pursuant to the compensation and employee benefit plans and arrangements and prerequisites in effect on the date hereof as set forth in Schedule 4.14. Following the Continuation Period, Buyer shall maintain, or cause the Company and the Subsidiary to maintain, compensation and employee benefit plans and arrangements and prerequisites for employees of the Company and the Subsidiary that, in the aggregate, are substantially similar to those provided to similarly situated employees of Buyer. Continued Employees' service with Seller and its Affiliates shall be credited for

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all purposes under the plans established after the Closing Date.

Section 9.3 Pension Plan. (a) Effective as of the Closing, Buyer shall have in effect a defined benefit plan ("Buyer's Plan") intended to be qualified pursuant to Section 401(a) of the Code providing benefits to Continued Employees substantially identical in all material respects (except for such changes as may be required by law) to those provided under the Bristol-Myers Squibb Company Retirement Income Plan ("Seller's Plan") as of the date hereof. Each Continued Employee participating in Seller's Plan as of the Closing shall become a participant in Buyer's Plan as of the Closing. Continued Employees shall receive credit for all service with Seller and its Affiliates for purposes of eligibility, vesting and benefit accrual under Buyer's Plan.

(b) At such time as Seller is reasonably satisfied that Buyer's Plan meets the requirements for qualification under Section 401(a) of the Code, Seller shall cause to be transferred to Buyer's Plan cash or property acceptable to Buyer equal to the actuarial present values of the accrued benefit liabilities as of the Closing for Continued Employees (the "Accrued Liability"), calculated by using the actuarial assumptions used by the actuaries for Seller's Plan and specified in the most recent actuarial valuation for funding purposes furnished to Seller by the actuaries, plus interest from the Closing to the day before such transfer at the rate equal to that credited by The Northern Trust Company on its Government STIF fund, calculated on the basis of the actual number of calendar days elapsed over 365. The Accrued Liability shall be adjusted to reflect payments made to Continued Employees from Seller's Plan during the period beginning on the Closing Date and ending on the date the assets are transferred to the trust maintained under Buyer's Plan ("Pension Transition Period"). Such calculation shall be made initially by the actuarial firm employed by Seller and shall be reviewed by the actuarial firm employed by Buyer. If there is a dispute between the two actuaries, they shall jointly select an actuarial firm of national repute, whose determination shall be final and binding on all parties. In no event shall amounts be transferred from Seller's Plan to Buyer's Plan until Buyer has provided written notice to Seller that it has verified the amount to be transferred. Each party shall pay the cost of its own actuary and the cost of the third firm of actuaries shall be shared equally by Buyer and Seller. Following such transfer of assets, Buyer shall assume all Seller's and its Affiliates' liabilities under Seller's Plan with respect to Continued

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Employees, and Seller and its Affiliates shall have no further liability to Buyer or any Continued Employee with respect thereto. Following such transfer of assets, Buyer shall indemnify and hold harmless Seller and its Affiliates from all costs, expenses or other damages that may result to Seller and its Affiliates from any claim by any Continued Employee for any benefit alleged to be payable under Seller's Plan. Within 60 calendar days after the Closing Date or as soon as practicable thereafter, Seller and Buyer shall make any required governmental filings necessary to effect the asset transfer described herein, including the filing of IRS Form 5310-A.

Section 9.4 401(k) Plan. (a) Effective as of the Closing, Buyer shall

have in effect a profit-sharing plan that includes a qualified cash or deferred arrangement within the meaning of Section 401(k) of the Code ("Buyer's 401(k) Plan") that will provide benefits to Continued Employees substantially identical in all material respects (except for such changes as may be required by law) to those provided by the Bristol-Myers Squibb Company Savings and Investment Program ("Seller's 401(k) Plan") as of the date hereof. Each Continued Employee participating in Seller's 401(k) Plan as of the Closing shall become a participant in Buyer's 401(k) Plan as of the Closing. Continued Employees shall receive credit for all service with Seller and its Affiliates for purposes of eligibility and vesting under Buyer's 401(k) Plan.

(b) At such time as Seller is reasonably satisfied that Buyer's 401(k) Plan meets the requirements for qualification under Section 401(a) of the Code, Seller shall cause cash or property acceptable to Buyer to be transferred to Buyer's 401(k) Plan in an amount equal to the account balances of the Continued Employees (including any outstanding loan balances in Seller's 401(k) Plan) as of the valuation date next preceding such transfer. Following such transfer of assets, Buyer shall assume all Seller's and its Affiliates' liabilities under Seller's 401(k) Plan with respect to Continued Employees and Seller and its Affiliates shall have no further liability to Buyer or any Continued Employee with respect thereto. Following such transfer of assets, Buyer shall indemnify and hold harmless Seller and its Affiliates from all costs, expenses or other damages that may result to Seller and its Affiliates from any claim by a Continued Employee for any benefit alleged to be payable under Seller's 401(k) Plan.

Section 9.5 Non-Qualified Plans. (a) Effective as of the Closing Date, Buyer shall have in effect a non-

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qualified defined benefit plan ("Buyer's Non-Qualified DB Plan") and a non-qualified defined contribution plan ("Buyer's Non-Qualified DC Plan") providing benefits to Continued Employees substantially identical in all material respects to those provided under the Benefit Equalization Plan of Bristol-Myers Squibb Company and its Subsidiary or Affiliated Corporations Participating in the Bristol-Myers Squibb Company Retirement Income Plan or the Bristol-Myers Squibb Company Puerto Rico, Inc. Retirement Income Plan ("Sellers Non-Qualified DB Plan") and the Benefit Equalization Plan of Bristol-Myers Squibb Company and its Subsidiary or Affiliated Corporations Participating in the Bristol-Myers Squibb Company Savings and Investment Program ("Seller's Non-Qualified DC Plan"), respectively. Each Continued Employee participating in Sellers' Non-Qualified DB Plan or Seller's Non-Qualified DC Plan shall become a participant in Buyer's Non-Qualified DB Plan and Buyer's Non-Qualified DC Plan, respectively, as of the Closing. Continued Employees shall receive credit for all service with Seller and its Affiliates for purposes of eligibility, vesting and, as applicable, benefit accrual under Buyer's Non-Qualified DB Plan and Buyer's Non-Qualified DC Plan.

(b) As soon as reasonably feasible after the Closing, Seller shall cause cash or property acceptable to Buyer to be transferred to (i) Buyer's Non-Qualified DB Plan in an amount equal to the actuarial present values of the accrued benefit liabilities for Continued Employees under Seller's Non-Qualified DB Plan as of the Closing, which shall be calculated in the same manner and using the same assumptions as set forth in Section 9.3(b) and (ii) Buyer's Non-Qualified DC Plan in an amount equal to the account balances of the Continued Employees as of the valuation date next preceding such transfer. Following such transfers, Buyer shall assume all Seller's and its Affiliates liabilities under Seller's Non-Qualified DB Plan and Seller's Non-Qualified DC Plan and Seller and its Affiliates shall have no further liability to Buyer or any Continued Employee with respect thereto. Buyer shall indemnify and hold harmless Seller and its Affiliates from all costs, expenses or other damages that may result to Seller and its Affiliates from any claim by a Continued Employee for any benefit alleged to be payable under Seller's Non-Qualified DB Plan or Seller's Non-Qualified DC Plan.

Section 9.6 Medical/Dental Plans. (a) Buyer agrees that Continued Employees and their dependents eligible to participate in Seller's current medical program shall be eligible to participate in the medical and dental plans maintained or established by Buyer or its designee

("Buyer's Health Plans"), effective as of the Closing Date, the terms of which are substantially identical to those set forth on in pages HC-1 through HC-38 of the Your Benefits Booklet provided to Buyer. Any and all waiting periods and pre-existing condition clauses shall be waived under Buyer's Health Plans with respect to Continued Employees and their eligible dependents. In addition, Buyer shall cause Buyer's Health Plans to recognize any out-of-pocket medical and dental expenses incurred by Continued Employees and their eligible dependents prior to the Closing Date and during the calendar year in which such Closing Date occurs for purposes of determining their deductibles and out-of-pocket maximums under Buyer's Health Plans. During the Continuation Period, the cost to a Continued Employee under Buyer's Health Plans shall be not more than the cost to such Employee under Seller's Standard Comprehensive Medical Plan and under Seller's Comprehensive Dental Plan.

(b) Buyer agrees to provide or cause to be provided under Buyer's Health Plans to Continued Employees (other than Continued Employees who are, as of the Closing Date, eligible to retire from the Company) who retire after the Closing Date and their dependents, the health care benefits and coverage that are substantially identical to those set forth in the Comprehensive Medical Plan Flex Summary Plan Description for Retirees of Bristol-Myers Squibb Company provided to Buyer.

(c) Seller agrees to retain responsibility under Seller's health plans for medical and dental claims incurred by Continued Employees and their dependents prior to the Closing Date and for retiree medical benefits for Continued Employees who have retired prior to the Closing Date.

(d) Effective as of the Closing Date, Buyer shall cause the Company to have in effect a health care reimbursement account plan, the terms of which are substantially identical to the Health Care Reimbursement Account Plan of Seller as in effect on the Closing Date and which gives full effect to, and continues in effect, salary reduction elections made under such Seller's Plan. Prior to the Closing Date, Seller shall cause the accounts of Continued Employees under Seller's Plan to be segregated into a separate Health Care Reimbursement Account Plan to be maintained by the Company, and such Company Plan shall be assumed by Buyer or its designee on the Closing Date. It is agreed that, subject to the Closing Date occurring on or prior to December 31, 1997, Buyer shall reimburse Seller on a dollar-for-dollar basis for forfeitures of Company

Employee Accounts under such Company Plan relating to the 1997 plan year.

Section 9.7 Short and Long-Term Disability. Buyer agrees to cause the Company to provide coverage effective as of the Closing Date to Continued Employees under Buyer's or its designee's short- and long-term disability plans, the terms of which are substantially identical to those set forth on pages D-1 through D-11 of the Your Benefits Booklet provided to Buyer, at the same cost Continued Employees are paying under Seller's plans as of the Closing Date. Any and all waiting periods and pre-existing condition clauses shall be waived under Buyer's short and long-term disability plans with respect to Continued Employees.

Section 9.8 Life Insurance. (a) Buyer agrees to provide to each Continued Employee life insurance coverage, effective as of the Closing Date, equal to two times such employee's annual eligible compensation (as determined in accordance with Seller's current life insurance plan) and at the same cost Continued Employees are paying under Seller's plans as of the Closing Date. In addition, Buyer agrees to make available to each Continued Employee effective as of the Closing Date, optional life insurance coverage, the terms of which are substantially identical to those set forth on pages S-1 through S-19 of the Your Benefits Booklet provided to Buyer. Any and all waiting periods and proof of

insurability clauses shall be waived with respect to Continued Employees under Buyer's life insurance plans or any other life insurance plans made available to Continued Employees.

(b) Seller agrees to retain responsibility for life insurance claims incurred with respect to employees of the Company or the Subsidiary prior to the Closing Date.

Section 9.9 Severance. Buyer or its designee agrees to adopt, effective as of the Closing Date, and maintain during the Continuation Period, a severance policy covering Continued Employees, which policy shall contain the terms that are substantially identical to those summarized on pages SP-1 through SP-11 of the Your Benefits Booklet provided to Buyer. The Continued Employees shall receive credit for all service with Seller and its Affiliates for the purpose of determining benefits under Buyer's severance plan established pursuant to this Section 9.9.

Section 9.10 Performance Bonuses. Buyer or its designee agrees to make or cause to be made any and all

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payments to Continued Employees pursuant to the performance and incentive plans and related administrative guidelines and procedures (the "Incentive Plans") listed or described on Schedule 4.14, which relate to the fiscal year ending December 31, 1997, and which shall not have been paid to the Continued Employees prior to the Closing Date and which are fully reflected in the Closing Working Capital amount or are otherwise properly accrued. Buyer agrees to calculate and make such payments pursuant to the terms and conditions of the Incentive Plans and in a manner consistent with the Company's past practices and procedures; provided, however, that, notwithstanding any provisions of the Incentive Plans to the contrary, all Continued Employees who are employed by the Company or the Subsidiary on the Closing Date shall be entitled to receive payments pursuant to this Section 9.10, regardless of whether any such Continued Employee's employment shall be terminated for any reason within two years after the Closing Date.

Section 9.11 Outplacement Services. During the Continuation Period, Buyer agrees to provide to each Continued Employee outplacement services consistent with the terms of the Zimmer policy listed or described on Schedule 4.14.

Section 9.12 Relocation Benefits. During the Continuation Period, Buyer agrees to provide to each Continued Employee who is considered an exempt employee for purposes of the Fair Labor Standards Act (a) relocation benefits consistent with those listed or described on Schedule 4.14 and (b) move back benefits listed on Schedule 4.14 for any Continued Employee terminated within 24 months of his or her relocation by Seller.

Section 9.13 Vacation Benefits. Buyer agrees to recognize all accrued and unused vacation as of the Closing Date of the Continued Employees.

Section 9.14 Non-U.S. Employees. Exhibit 9.14-A to Schedule 9.14 lists certain employees of Seller, Zimmer or Zimmer's Affiliates who provide services outside the United States to the Company or the Subsidiary ("Non-U.S. Employees"). Buyer shall have the right to offer, or to have the Company and the Subsidiary offer, employment to some or all of the Non-U.S. Employees. To the extent reasonably practicable, any such offer shall be made contemporaneously with termination of the Transition and Distribution Services Agreement for the jurisdiction in which such Non-U.S. Employee is employed. Each such Non-U.S. Employee who accepts such offer of employment shall be

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referred to as an "International Employee". Subject to applicable law, the

principles applicable to Continued Employees in this Article IX shall be applied on a good faith basis to each such International Employee. Notwithstanding anything to the contrary contained herein, Buyer shall be responsible for all benefits-related claims of the International Employees incurred on or after the date of their employment by Buyer, the Company, the Subsidiary or any of their Affiliates on the same basis as set forth in Section 9.1. In addition, Buyer agrees to reimburse Seller, Zimmer or a Zimmer Affiliate for fifty percent of any severance benefits paid by Seller, Zimmer or a Zimmer Affiliate attributable to the actual or constructive termination on or after the Closing Date by Seller, Zimmer or a Zimmer Affiliate of any or all of the Non-U.S. Employees.

ARTICLE X

FURTHER ASSURANCES

Section 10.1 Further Assurances. From time to time, as and when requested by either party hereto, the other party shall execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further or other actions (subject to the provisions of Sections 8.1, 8.4 and 8.5), as such other party may reasonably deem necessary or desirable to consummate the transactions contemplated by this Agreement.

ARTICLE XI

INDEMNIFICATION

Section 11.1 Tax Indemnification. (a) Seller shall indemnify Buyer and its Affiliates (including the Company and the Subsidiary) and each of their respective officers, directors, employees, stockholders, agents and representatives and hold them harmless from (i) all liability for Taxes of the Company and the Subsidiary for the Pre-Closing Tax Period (other than any such Tax for which Buyer is required to indemnify Seller pursuant to Section 11.1(b)(ii)), (ii) any Taxes resulting from the election under Section 338(h)(10) of the Code provided for in Section 12.8 and (iii) all liability as a result of Treasury Regulation ss. 1.1502-6(a) or similar provision of

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state, local or foreign law for Taxes of Seller or any other corporation which is or has been affiliated with Seller (other than the Company or the Subsidiary).

(b) Buyer shall, and shall cause the Company and the Subsidiary to, indemnify Seller and its Affiliates and each of their respective officers, directors, employees, stockholders, agents and representatives and hold them harmless from (i) all liability for Taxes of the Company and the Subsidiary for any taxable period ending after the Closing Date (except to the extent such taxable period began before the Closing Date, in which case Buyer's indemnity will cover only that portion of any such Taxes that are not for the Pre-Closing Tax Period) and (ii) any Tax resulting from any action (except for the election under Section 338(h)(10) of the Code provided for in Section 12.8) taken by the Company, Buyer or any Affiliates of Buyer after the Closing on the Closing Date other than in the ordinary course of business.

(c) In the case of any taxable period that includes (but does not end on) the Closing Date (a "Straddle Period"):

(i) real, personal and intangible property Taxes ("Property Taxes") of the Company and the Subsidiary allocable to the Pre-Closing Tax Period shall be equal to the amount of such Property Taxes for the entire Straddle Period multiplied by a fraction, the numerator of which is the number of calendar days during the Straddle Period that are in the Pre-Closing Tax Period and the denominator of which is the number of calendar days in the Straddle Period; and

(ii) the Taxes of the Company and the Subsidiary (other than

Property Taxes) allocable to the Pre- Closing Tax Period shall be computed as if such taxable period ended as of the close of business on the Closing Date.

Seller's indemnity obligation in respect of Taxes for a Straddle Period shall initially be effected by its payment to Buyer of the excess of (i) such Taxes for the Pre-Closing Tax Period over (ii) the amount of such Taxes paid by Seller or any of its Affiliates (other than the Company or the Subsidiary) at any time plus the amount of such Taxes paid by the Company or the Subsidiary on or prior to the Closing Date. Seller shall initially pay such excess to Buyer within fifteen business days after receipt of written notice from Buyer that payment of such amounts to the appropriate

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taxing authority is due, but in no case earlier than two business days before such payment is due to the appropriate taxing authority. If the amount of such Taxes paid by Seller or any of its Affiliates (other than the Company or the Subsidiary) at any time plus the amount of such Taxes paid by the Company or the Subsidiary on or prior to the Closing Date exceeds the amount payable by Seller pursuant to the preceding sentence, Buyer shall pay to Seller the amount of such excess (i) in the case of Property Taxes, at the Closing (the "Closing Tax Adjustment Amount") and (ii) in all other cases, no later than two business days before payment for such Tax is due to the appropriate taxing authority. The payments to be made pursuant to this paragraph by Seller or Buyer with respect to a Straddle Period shall be appropriately adjusted to reflect any final determination (which shall include the execution of Form 870-AD or successor form) with respect to Straddle Period Taxes.

Section 11.2 Other Indemnification by Seller. (a) Except as relates to Taxes, for which the sole indemnification is provided in Section 11.1, Seller shall indemnify Buyer, its Affiliates (including the Company and the Subsidiary) and each of their respective officers, directors, employees, stockholders, agents and representatives against and hold them harmless from any loss, liability, claim, damage or expense (including reasonable legal fees and expenses) suffered or incurred by any such indemnified party to the extent arising from (i) any breach of any representation or warranty of Seller which survives the Closing contained in this Agreement or in any certificate delivered pursuant hereto and (ii) any breach of any covenant of Seller contained in this Agreement; provided, however, that Seller shall not have any liability under clauses (i) and (ii) above unless the aggregate of all losses, liabilities, costs and expenses relating thereto (except those related to a breach of the representations or warranties contained in Section 4.1, the first sentence of Section 4.3(a) and Section 4.5, for which there shall be no minimum) for which Seller would, but for this proviso, be liable exceeds on a cumulative basis an amount equal to \$3,000,000, and then only to the extent of any such excess; provided further, however, that Seller shall not have any liability under clauses (i) and (ii) above for any individual items where the loss, liability, cost or expense relating thereto (except those related to a breach of the representations or warranties contained in Section 4.1, the first sentence of Section 4.3 and Section 4.5, for which there shall be no minimum) is less than \$25,000 and such items shall not be aggregated for purposes of the first

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proviso to this Section 11.2; and provided further, however, that Seller's liability under clauses (i) and (ii) above shall in no event exceed \$185,000,000 (except in the case of a breach of the representations and warranties contained in Section 4.1, the first sentence of Section 4.3(a) and Section 4.5, for which Seller's liability under clause (i) above in respect of such breach together with Seller's liability under clauses (i) and (ii) above in the aggregate shall in no event exceed the Cash Purchase Price); and provided further, however, that Seller shall not have any liability under this Section 11.2 to the extent the liability or obligation arises as a result of any action taken or omitted to be taken by Buyer or any of its Affiliates. In no event

shall Seller be obligated to indemnify Buyer or any other person with respect to any matter to the extent that such matter was reflected in the calculation of the adjustment to the Cash Purchase Price, if any, pursuant to Section 2.2 or the calculation of the adjustment to the Non-U.S. Inventory Purchase Price, if any, pursuant to Section 2.3.

(b) Buyer further acknowledges and agrees that, should the Closing occur, its sole and exclusive remedy with respect to any and all claims relating to this Agreement, the transactions contemplated hereby, the Company and the Subsidiary and their respective assets, liabilities and business (other than claims of, or causes of action arising from, fraud or willful and knowing breach) shall be pursuant to the indemnification provisions set forth in this Section 11 or pursuant to the indemnification provisions stated in the other Transaction Agreements, as applicable. In furtherance of the foregoing, Buyer hereby waives, from and after the Closing, to the fullest extent permitted under applicable law, any and all rights, claims and causes of action (other than claims of, or causes of action arising from, fraud or willful and knowing breach) it, the Company or the Subsidiary may have against Seller and its Affiliates arising under or based upon any Federal, state, local or foreign statute, law, ordinance, rule or regulation or otherwise (except pursuant to the indemnification provisions set forth in this Section 11).

Section 11.3 Other Indemnification by Buyer. (a) Except as relates to Taxes, for which the sole indemnification is provided in Section 11.1, Buyer shall, and shall cause the Company and the Subsidiary to, indemnify Seller, its Affiliates and each of their respective officers, directors, employees, stockholders, agents and representatives against and hold them harmless from any loss, liability, claim, damage or expense (including reason-

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able legal fees and expenses) suffered or incurred by any such indemnified party to the extent arising from (i) any breach of any representation or warranty of Buyer which survives the Closing contained in this Agreement or in any certificate delivered pursuant hereto, (ii) any breach of any covenant of Buyer contained in this Agreement, (iii) any guarantee, obligation or liability under the contracts or agreements set forth on Schedule 11.3, (iv) all obligations and liabilities of whatever kind and nature, primary or secondary, direct or indirect, absolute or contingent, known or unknown, whether or not accrued, whether arising before on or after the Closing Date, of the Company or the Subsidiary, including any such obligations or liabilities contained in the Contracts or any agreement, lease, license, permit, plan or commitment that, because it fails to meet the relevant threshold amount or term, is not included within the definition of Contracts, or the Benefit Plans set forth in Schedule 4.14 or any plan, fund, program, policy, contract or arrangement described in Section 4.14 but not required to be set forth in Schedule 4.14 (collectively, the "Plans") (in each case other than items for which indemnification is provided under Section 11.2) and (v) any discontinuance, suspension or modification on or after the Closing Date of any Plan.

(b) Seller further acknowledges and agrees that, should the Closing occur, its sole and exclusive remedy with respect to any and all claims relating to this Agreement and the transactions contemplated hereby (other than claims of, or causes of action arising from, fraud or willful and knowing breach) shall be pursuant to the indemnification provisions set forth in this Section 11 or pursuant to the indemnification provisions stated in the other Transaction Agreements, as applicable. In furtherance of the foregoing, Seller hereby waives, from and after the Closing, to the fullest extent permitted under applicable law, any and all rights, claims and causes of action (other than claims of, or causes of action arising from, fraud or willful and knowing breach) it, may have against Buyer and its Affiliates arising under or based upon any Federal, state, local or foreign statute, law, ordinance, rule or regulation or otherwise (except pursuant to the indemnification provisions set forth in this Section 11).

Section 11.4 Cooperation. Buyer and Seller shall cooperate with each other with respect to resolving any claim or liability with respect to which one party is obligated to indemnify the other party hereunder including by making commercially reasonable efforts to mitigate or resolve any such claim or liability.

Section 11.5 Losses Net of Insurance, etc. The amount of any loss, liability, claim, damage, expense or Tax for which indemnification is provided under this Section 11 shall be net of any amounts recovered or recoverable by the indemnified party under insurance policies with respect to such loss, liability, claim, damage, expense or Tax (collectively, a "Loss") and shall be (a) increased to take account of any net Tax cost actually realized by the indemnified party arising from the receipt of indemnity payments hereunder (grossed up for such increase) and (b) reduced to take account of any net Tax benefit (excluding as a result of any basis adjustment) actually realized by the indemnified party arising from the incurrence or payment of any such Loss. In computing the amount of any such Tax cost or Tax benefit, the indemnified party shall be deemed to recognize all other items of income, gain, loss, deduction or credit before recognizing any item arising from the receipt of any indemnity payment hereunder or the incurrence or payment of any indemnified Loss. Any indemnity payment under this Agreement shall be treated as an adjustment to the Purchase Price for Tax purposes, unless a final determination (which shall include the execution of a Form 870-AD or successor form) with respect to the indemnified party or any of its Affiliates causes any such payment not to be treated as an adjustment to the Purchase Price for United States Federal income Tax purposes.

Section 11.6 Termination of Indemnification. The obligations to indemnify and hold harmless a party hereto (a) pursuant to Section 11.1, shall terminate at the time the applicable statutes of limitations with respect to the Tax liabilities in question expire (giving effect to any extension thereof), (b) pursuant to Sections 11.2(a) (i) and 11.3(a), shall terminate when the applicable representation or warranty terminates pursuant to Article XIV and (c) pursuant to the other clauses of Sections 11.2 and 11.3 shall not terminate; provided, however, that as to clauses (a) and (b) above such obligations to indemnify and hold harmless shall not terminate with respect to any item as to which the person to be indemnified or the related party thereto shall have, before the expiration of the applicable period, previously made a claim by delivering a notice of such claim (stating in reasonable detail the basis of such claim) to the indemnifying party.

Section 11.7 Procedures Relating to Indemnification for Third Party Claims. In order for a party (the "indemnified party") to be entitled to any indemnification provided for under this Agreement (other than indemnification for a Tax Claim under Section 11.1

which shall be governed by Section 11.9) in respect of, arising out of or involving a claim or demand made by any person against the indemnified party (a "Third Party Claim"), such indemnified party must notify the indemnifying party in writing, and in reasonable detail, of the Third Party Claim within 10 business days after receipt by such indemnified party of written notice of the Third Party Claim; provided, however, that failure to give such notification shall not affect the indemnification provided hereunder except to the extent the indemnifying party shall have been actually prejudiced as a result of such failure (except that the indemnifying party shall not be liable for any expenses incurred during the period in which the indemnified party failed to give such notice). Thereafter, the indemnified party shall deliver to the indemnifying party, promptly after the indemnified party's receipt thereof, copies of all notices and documents (including court papers) received by the indemnified party relating to the Third Party Claim.

If a Third Party Claim is made against an indemnified party, the indemnifying party shall be entitled to participate in the defense thereof and, if it so chooses and acknowledges its obligation to indemnify the indemnified party therefor, to assume the defense thereof with counsel selected by the indemnifying party; provided that such counsel is not reasonably objected to by

the indemnified party. Should the indemnifying party so elect to assume the defense of a Third Party Claim, the indemnifying party shall not be liable to the indemnified party for legal expenses subsequently incurred by the indemnified party in connection with the defense thereof. If the indemnifying party assumes such defense, the indemnified party shall have the right to participate in the defense thereof and to employ counsel (not reasonably objected to by the indemnifying party), at its own expense, separate from the counsel employed by the indemnifying party, it being understood that the indemnifying party shall control such defense. The indemnifying party shall be liable for the fees and expenses of counsel employed by the indemnified party for any period during which the indemnifying party has failed to assume the defense thereof (other than during the period prior to the time the indemnified party shall have given notice of the Third Party Claim as provided above).

If the indemnifying party so elects to assume the defense of any Third Party Claim, all of the indemnified parties shall cooperate with the indemnifying party in the defense or prosecution thereof. Such cooperation shall include the retention and (upon the indemnifying party's

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request) the provision to the indemnifying party of records and information which are reasonably relevant to such Third Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Whether or not the indemnifying party shall have assumed the defense of a Third Party Claim, neither the indemnified party nor the indemnifying party shall admit any liability with respect to, or settle, compromise or discharge, such Third Party Claim without the other party's prior written consent (which consent shall not be unreasonably withheld).

Section 11.8 Procedures Relating to Indemnification for Other Claims (Other than Tax Claims under Section 11.1). In the event any indemnified party should have a claim against any indemnifying party under Section 11.2 or 11.3 that does not involve a Third Party Claim being asserted against or sought to be collected from such indemnified party, the indemnified party shall deliver notice of such claim with reasonable promptness to the indemnifying party. The failure by any indemnified party so to notify the indemnifying party shall not relieve the indemnifying party from any liability which it may have to such indemnified party under Section 11.2 or 11.3, except to the extent that the indemnifying party demonstrates that it has been materially prejudiced by such failure.

Section 11.9 Procedures Relating to Indemnification of Tax Claims. (a) If a claim shall be made by any taxing authority, which, if successful, might result in an indemnity payment to Buyer, one of its Affiliates or any of their respective officers, directors, employees, stockholders, agents or representatives pursuant to Section 11.1 (a "Tax Claim"), Buyer shall promptly notify Seller in writing of such Tax Claim. If notice of a Tax Claim is not given to Seller within a sufficient period of time to allow Seller to effectively contest such Tax Claim, or in reasonable detail to apprise Seller of the nature of the Tax Claim, in each case taking into account the facts and circumstances with respect to such Tax Claim, Seller shall not be liable to Buyer, any of its Affiliates or any of their respective officers, directors, employees, stock holders, agents or representatives to the extent that Seller's position is actually prejudiced as a result thereof.

(b) With respect to any Tax Claim (other than a Tax Claim relating solely to Taxes of the Company or the Subsidiary for a Straddle Period), Seller shall control all proceedings taken in connection with such Tax Claim (includ-

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ing selection of counsel) and, without limiting the foregoing, may in its sole discretion pursue or forego any and all administrative appeals, proceedings,

hearings and conferences with any taxing authority with respect thereto, and may, in its sole discretion, either pay the Tax claimed and sue for a refund where applicable law permits such refund suits or contest the Tax Claim in any permissible manner; provided, however, that, unless the Tax Claim is one with respect to federal income Taxes, to the extent a Tax Claim is reasonably expected to adversely affect the liability of Buyer, the Company or the Subsidiary for Taxes for a post-Closing Tax period, Buyer shall be entitled to participate in the defense of such Tax Claim at its own expense. Seller and Buyer shall jointly control all proceedings taken in connection with any Tax Claim relating solely to Taxes of the Company or the Subsidiary for a Straddle Period.

(c) Buyer, the Company, the Subsidiary and each of their respective Affiliates shall cooperate with Seller in contesting any Tax Claim, which cooperation shall include, without limitation, the retention and (upon Seller's request) the provision to Seller of records and information which are reasonably relevant to such Tax Claim, and making employees available on a mutually convenient basis to provide additional information or explanation of any material provided hereunder or to testify at proceedings relating to such Tax Claim; provided, however, that Seller shall reimburse Buyer for the reasonable expense of making such employees available to testify.

(d) In no case shall Buyer, the Company, the Subsidiary or any of their respective officers, directors, employees, stockholders, agents or representatives settle or otherwise compromise any Tax Claim without Seller's prior written consent. Neither party shall settle a Tax Claim relating solely to Taxes of the Company or the Subsidiary for a Straddle Period without the other party's prior written consent.

ARTICLE XII

TAX MATTERS

Section 12.1 Responsibility for Preparation and Filing of Tax Returns and Amendments. (a) For any taxable period of the Company or the Subsidiary that includes (but does not end on) the Closing Date, Buyer shall timely prepare and file with the appropriate authorities all Tax

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returns, reports and forms required to be filed and shall pay all Taxes due with respect to such returns, reports and forms; provided that Seller shall reimburse Buyer (in accordance with the procedures set forth in Section 11.1) for any amount owed by Seller pursuant to Section 11.1 with respect to the taxable periods covered by such returns, reports or forms. To the extent such Returns relate to the Company or the Subsidiary, Buyer shall furnish such Returns to Seller for its approval (which approval shall not be unreasonably delayed or withheld) at least 10 calendar days prior to the due date for filing such returns.

(b) For any taxable period of the Company or the Subsidiary that ends on or before the Closing Date, Seller shall timely prepare and file with the appropriate authorities all Tax returns, reports and forms required to be filed, and shall pay all Taxes due with respect to such returns, reports and forms. To the extent that they relate to the Company and the Subsidiary, all such returns shall be prepared on a basis consistent with the past practice of the Company (or the Subsidiary, as the case may be) and in a manner that does not distort taxable income (e.g., by deferring income or accelerating deductions). Buyer and Seller agree to cause the Company and the Subsidiary to file all Tax returns, reports and forms for the period including the Closing Date on the basis that the relevant taxable period ended as of the close of business on the Closing Date, unless the relevant taxing authority will not accept a return, report or form filed on that basis.

(c) Seller shall be responsible for filing any amended consolidated, combined or unitary Tax returns for taxable years ending on or prior to the Closing Date. For those jurisdictions in which separate Tax returns are filed by the Company or the Subsidiary, any required amended returns shall be prepared by Seller and furnished to the Company or the Subsidiary, as the case may be, for

signature and filing at least 30 calendar days prior to the due date for filing such returns. To the extent that they relate to the Company and the Subsidiary, and subject to applicable Tax law, all such amended returns shall be prepared on a basis consistent with the past practice of the Company (or the Subsidiary, as the case may be) and in a manner that is not reasonably expected to adversely affect the liability of Buyer, the Company or the Subsidiary for Taxes for a post-Closing Tax period.

Section 12.2 Cooperation. Each of Seller, the Company, the Subsidiary and Buyer shall reasonably cooperate, and shall cause their respective Affiliates,

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officers, employees, agents, auditors and representatives reasonably to cooperate, in preparing and filing all returns, reports and forms relating to Taxes, including maintaining and making available to each other all records necessary in connection with Taxes and in resolving all disputes and audits with respect to all taxable periods relating to Taxes. Buyer and Seller recognize that Seller and its Affiliates will need access, from time to time, after the Closing Date, to certain accounting and Tax records and information held by the Company and the Subsidiary to the extent such records and information pertain to events occurring prior to the Closing Date; therefore, Buyer agrees, and agrees to cause the Company and the Subsidiary, (a) to use its best efforts to properly retain and maintain such records until such time as Seller agrees that such retention and maintenance is no longer necessary, and (b) to allow Seller and its agents and representatives (and agents or representatives of any of its Affiliates), at times and dates mutually acceptable to the parties, to inspect, review and make copies of such records as Seller may deem necessary or appropriate from time to time, such activities to be conducted during normal business hours and at Seller's expense.

Section 12.3 Refunds and Credits. Any refunds or credits of Taxes of the Company or the Subsidiary for any taxable period ending on or before the Closing Date shall be for the account of Seller. Any refunds or credits of Taxes of the Company or the Subsidiary for any taxable period beginning after the Closing Date shall be for the account of Buyer. Any refunds or credits of Taxes of the Company or the Subsidiary for any Straddle Period shall be equitably apportioned between Seller and Buyer. Buyer shall, if Seller so requests and at Seller's expense, cause the Company or the Subsidiary to file for and obtain any refunds or credits to which Seller is entitled under this Section 12.3. Buyer shall permit Seller to control the prosecution of any such refund claim and, where deemed appropriate by Seller, shall cause the Company and the Subsidiary to authorize by appropriate powers of attorney such persons as Seller shall designate to represent the Company or the Subsidiary with respect to such refund claim. Buyer shall cause the Company and the Subsidiary to forward to Seller any such refund within 10 calendar days after the refund is received (or reimburse Seller for any such credit within 10 calendar days after the credit is allowed or applied against other Tax liability); provided, however, that any such amounts payable to Seller shall be net of any Tax cost (such Tax cost to be reduced by the amount of any Tax benefit related or attributable to the refund payment)

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to Buyer, the Company or the Subsidiary, as the case may be, attributable to the receipt of such refund and/or the payment of such amounts to Seller. Seller and Buyer shall treat any payments under the preceding sentence that Seller shall receive pursuant to this Section 12.3 as an adjustment to the Purchase Price for United States Federal income tax purposes, unless a final determination (which shall include the execution of a Form 870-AD or successor form) with respect to Buyer or any of its Affiliates causes any such payment not to be treated as an adjustment to the Purchase Price. Notwithstanding the foregoing, the control of the prosecution of a claim for refund of Taxes paid pursuant to a deficiency assessed subsequent to the Closing Date as a result of an audit shall be

governed by the provisions of Section 11.9.

Section 12.4 Transfer Taxes. All transfer, documentary, sales, use, value added, registration and other such Taxes (including all applicable real estate transfer or gains Taxes) and related fees (including any penalties, interest and additions to Tax) incurred in connection with this Agreement and the transactions contemplated hereby shall be paid 50% by Buyer and 50% by Seller, and Seller and Buyer shall cooperate in issuing all applicable government uniform invoices and timely making all filings, returns, reports and forms as may be required to comply with the provisions of such Tax laws.

Section 12.5 FIRPTA Certificate. Seller shall deliver to Buyer at the Closing a certificate in form and substance satisfactory to Buyer, duly executed and acknowledged, certifying any facts that would exempt the transactions contemplated hereby from withholding pursuant to the provisions of the Foreign Investment in Real Property Tax Act.

Section 12.6 Buyer Activity on Closing Date. On the Closing Date, Buyer shall cause the Company and the Subsidiary to conduct its business in the ordinary course in substantially the same manner as presently conducted and on the Closing Date shall not permit the Company or the Subsidiary to effect any extraordinary transactions (other than any such transactions expressly required by applicable law or by this Agreement) that could result in Tax liability to the Company or the Subsidiary in excess of Tax liability associated with the conduct of its business in the ordinary course.

Section 12.7 Buyer Activity Post-Closing. Buyer shall not, with respect to any Pre-Closing Tax Period,

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(a) file any amended tax return with respect to the Company or the Subsidiary;
(b) carry back any loss or other Tax attribute of the Company or the Subsidiary;
or (c) take any position with respect to Taxes of the Company or the Subsidiary that would have the effect of shifting income to a Pre-Closing Tax Period unless, in each case, Seller shall have consented in writing to such action by Buyer.

Section 12.8 338 Elections. (i) Buyer shall timely make an election under Section 338(g) of the Code (and any comparable election under state or local Tax law), (ii) Buyer and Seller shall join in making an election under Section 338(h)(10) of the Code and any comparable election under state or local Tax law with respect thereto and (iii) Buyer and Seller shall in good faith cooperate in the completion and timely filing of any such elections in accordance with the provisions of Treasury Regulation ss. 1.338(h)(10)-1 (or any comparable provisions of state or local Tax law) or any successor provision. For purposes of executing any such elections, Buyer and Seller (and any of their Affiliates as necessary) shall jointly execute (i) IRS Form 8023-A and all attachments required to be filed therewith pursuant to applicable Treasury Regulations and (ii) any other forms required to be filed under state or local Tax law with respect to such elections, as soon as practical, but in no event later than 30 days before the date each such form is required to be filed. In connection with such elections, Seller and Buyer shall in good faith agree upon a valuation of the assets of the Company and the Subsidiary, and neither Seller nor Buyer (nor any of their respective Affiliates) shall take any position on any Tax Return or with any taxing authority that is inconsistent with the agreed valuation.

ARTICLE XIII

TERMINATION

Section 13.1 Termination. Anything contained herein to the contrary notwithstanding, this Agreement may be terminated and the transactions contemplated hereby abandoned at any time prior to the Closing Date:

- (a) by mutual written consent of Seller and Buyer;
- (b) by Seller if any of the conditions set forth in Section 3.2

shall have become incapable of fulfillment, and shall not have been waived by Seller;

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(c) by Buyer if any of the conditions set forth in Section 3.1 shall have become incapable of fulfillment, and shall not have been waived by Buyer;

(d) by either party hereto, if the Closing does not occur on or prior to March 31, 1998; or

(e) by either party hereto, if the Board of Directors of Seller does not approve or ratify the execution and delivery of this Agreement at its meeting on December 2, 1997.

provided, however, that the party seeking termination pursuant to clause (b), (c) or (d) is not in breach in any material respect of any of its representations, warranties, covenants or agreements contained in this Agreement.

Section 13.2 Return of Confidential Information. If the transactions contemplated by this Agreement are terminated as provided herein:

(a) Buyer shall return all documents and other material received from Seller, the Company, the Subsidiary or any other Affiliate of Seller relating to the transactions contemplated hereby, whether so obtained before or after the execution hereof, to Seller; and

(b) all confidential information received by Buyer with respect to the businesses of Seller and its Affiliates (including the Company and the Subsidiary) shall be treated in accordance with the Confidentiality Agreement, which shall remain in full force and effect notwithstanding the termination of this Agreement.

Section 13.3 Consequences of Termination. In the event of termination by Seller or Buyer pursuant to Article XIII, written notice thereof shall forthwith be given to the other party and the transactions contemplated by this Agreement shall be terminated, without further action by either party. If this Agreement is terminated and the transactions contemplated hereby are abandoned as described in this Article XIII, this Agreement shall become void and of no further force or effect, except for the provisions of (a) Section 7.1 relating to the obligation of Buyer and Seller to keep confidential certain information and data obtained by it, (b) Section 15.3 relating to certain expenses, (c) Section 8.3 relating to publicity, (d) Section 15.9 relating to finder's fees and broker's fees and (e) this Article XIII. Nothing in this Article XIII

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shall be deemed to release either party from any liability for any breach by such party of the terms and provisions of this Agreement or to impair the right of either party to compel specific performance by the other party of its obligations under this Agreement.

ARTICLE XIV

SURVIVAL OF REPRESENTATIONS

Section 14.1 Survival of Representations. The representations and warranties in this Agreement and in any certificate delivered pursuant hereto (in each case other than the representations and warranties relating to Taxes) shall survive the Closing solely for purposes of Sections 11.2 and 11.3 and shall terminate at the close of business on December 31, 1999, except that (a)

the representations and warranties contained in Section 4.1, the first sentence of Section 4.3(a) and Section 4.5 shall remain in full force and effect indefinitely, (b) the representations and warranties contained in Section 4.13 shall remain in full force and effect until the third anniversary of the Closing Date and (c) the representations and warranties contained in Section 4.16(b) shall remain in full force and effect until the fifth anniversary of the Closing Date. Representations and warranties relating to Taxes shall not survive the Closing.

ARTICLE XV

MISCELLANEOUS

Section 15.1 Assignment. This Agreement and the rights and obligations hereunder shall not be assignable or transferable by Buyer or Seller (including by operation of law in connection with a merger, or sale of substantially all the assets, of Buyer or Seller) without the prior written consent of the other party hereto; provided, however, that Buyer may assign its right to purchase the Shares and the Other Assets hereunder to a wholly owned subsidiary of Buyer without the prior written consent of Seller; provided further, however, that no assignment shall limit or affect the assignor's obligations hereunder. Any attempted assignment in violation of this Section 15.1 shall be void.

Section 15.2 No Third-Party Beneficiaries. Except as provided in Section 9.2, 9.6, 9.7, 9.8, 9.9, 9.10,

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9.11, 9.12, 9.13 and 9.14 and Article XI, this Agreement is for the sole benefit of the parties hereto and their permitted assigns and nothing herein expressed or implied shall give or be construed to give to any person, other than the parties hereto and such assigns, any legal or equitable rights hereunder.

Section 15.3 Expenses. Whether or not the transactions contemplated hereby are consummated, and except as otherwise specifically provided in this Agreement, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs or expenses.

Section 15.4 Amendments. No amendment, modification or waiver in respect of this Agreement shall be effective unless it shall be in writing and signed by both parties hereto.

Section 15.5 Notices. All notices or other communications required or permitted to be given hereunder shall be in writing and shall be delivered by hand, sent by telecopy or sent, postage prepaid, by registered, certified or express mail or reputable overnight courier service and shall be deemed given when so delivered by hand or telecopied, or if mailed, three calendar days after mailing (one business day in the case of express mail or overnight courier service), as follows:

(a) if to Buyer,

CONMED Corporation
310 Broad Street
Utica, New York 13501

Attention: Joseph J. Corasanti, Esq.

with a copy to:

Sullivan & Cromwell
125 Broad Street
New York, NY 10004

Attention: Robert W. Downes; and

(b) if to Seller,

Bristol-Myers Squibb Company
345 Park Avenue
New York, NY 10019-7475

Attention: General Counsel

with a copy to:

Cravath, Swaine & Moore
Worldwide Plaza
825 Eighth Avenue
New York, New York 10019

Attention: Susan Webster, Esq.

Section 15.6 Interpretation; Exhibits and Schedules; Definitions. (a) The headings contained in this Agreement, in any Exhibit or Schedule hereto and in the table of contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any matter set forth in any provision, subprovision, section or subsection of the Schedules hereto shall be deemed set forth for all purposes of the Schedules to the extent relevant. All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any Schedule or Exhibit but not otherwise defined therein, shall have the meaning as defined in this Agreement.

(b) For all purposes hereof:

"Affiliate" means, with respect to any specified person, any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person; and for the purposes of this definition, "control" when used with respect to any specified person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"including" means including, without limitation.

"Material Adverse Effect" means, with respect the Company, a material adverse effect on the business,

assets, results of operations or financial condition of the Company and the Subsidiary, taken as a whole (including the International Business and the Domestic Hall Surgical Business).

"person" means any individual, firm, corporation, partnership, limited liability company, trust, joint venture, Governmental Entity or other entity.

"Prime Rate" means the rate of interest from time to time publicly announced by Citibank, N.A. in its New York office as its prime or base rate, calculated on the basis of the actual number of calendar days elapsed over 365.

(c) The following terms have the meanings given such terms in the Sections set forth below:

Term

Section

Accounting Firm	2.2(a)
Accrued Liability	9.3(b)
Accumulated Funding Deficiency	4.14(c)
Additional Support Services	8.7(b)
Adjusted Cash Purchase Price	2.2(b)
Affiliate	15.7(b)
Applicable Laws	4.16(a)
Balance Sheet	4.7(a)
Benefit Plans	4.14(a)
Buyer	Preamble
Buyer Freight Charges	2.3
Buyer's 401(k) Plan	9.4(a)
Buyer's Plan	9.3(a)
Buyer's Health Plans	9.6(a)
Buyer's Non-Qualified DB Plan	9.5(a)
Buyer's Non-Qualified DC Plan	9.5(a)
Cash Purchase Price	1.1(a)
Closing	2.1
Closing Date	2.1
Closing Date Amount	2.1
Closing Tax Adjustment Amount	11.1(c)
Closing Working Capital	2.2(a)
Code	4.8(a)
Commitment Letter	3.1(g)
Company	Preamble
Competitive Business	5.5(d)
Confidentiality Agreement	7.1
Continuation Period	9.2
Continued Employees	9.1
Contracts	4.12

control	15.7(b)
controlled	15.7(b)
controlling	15.7(b)
Convatec Agreement	8.9
Cross Licensing Agreement	8.8
Current Liabilities	2.2(c)
Current Assets	2.2(c)
Defined Benefit Pension Plan	4.14(f)
Distribution Agreement	8.7
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Section 15.7 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the parties and delivered to the other party.

Section 15.8 Entire Agreement. This Agreement, the other Transaction Documents and the Confidentiality Agreement contain the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings relating to such subject matter. Neither party shall be liable or bound to any other party in any manner by any representations, warranties or covenants relating to such subject matter except as specifically set

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forth herein, in the other Transaction Documents or in the Confidentiality Agreement.

Section 15.9 Fees. Each party hereto hereby represents and warrants that (a) the only brokers or finders that have acted for such party in connection with this Agreement or the transactions contemplated hereby or that may be entitled to any brokerage fee, finder's fee or commission in respect thereof are Morgan Stanley & Co. Incorporated with respect to Seller and Smith Barney Inc. with respect to Buyer and (b) each party shall pay all fees or commissions which may be payable to the firm so named with respect to such party.

Section 15.10 Severability. If any provision of this Agreement (or any portion thereof) or the application of any such provision (or any portion thereof) to any person or circumstance shall be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision hereof (or the remaining portion thereof) or the application of such provision to any other persons or circumstances.

Section 15.11 Consent to Jurisdiction. Each of Buyer and Seller irrevocably submits to the exclusive jurisdiction of (a) the Supreme Court of the State of New York, New York County, and (b) the United States District Court for the Southern District of New York, for the purposes of any suit, action or other proceeding arising out of this Agreement, the other Transaction Documents or any transaction contemplated hereby. Each of Buyer and Seller agrees to commence any action, suit or proceeding relating hereto either in the United States District Court for the Southern District of New York or if such suit, action or other proceeding may not be brought in such court for jurisdictional reasons, in the Supreme Court of the State of New York, New York County. Each of Buyer and Seller further agrees that service of any process, summons, notice or document by U.S. registered mail to such party's respective address set forth above shall be effective service of process for any action, suit or proceeding in New York with respect to any matters to which it has submitted to jurisdiction in this Section 15.11. Each of Buyer and Seller irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in (i) the Supreme Court of the State of New York, New York County, or (ii) the United States District Court for the Southern District of New York, and

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hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

Section 15.12 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 or any of the other Transaction Documents. 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 that foregoing waiver and (b) acknowledges that it and the other parties hereto have been induced to enter into this Agreement and the other Transaction Documents, as applicable, by, among other things, the mutual waivers and certifications in this Section 15.12.

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SECTION 15.13 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO THE CONFLICTS OF LAW PRINCIPLES OF SUCH STATE.

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

BRISTOL-MYERS SQUIBB COMPANY,

by _____
Name:
Title:

CONMED CORPORATION,

by _____
Name:
Title:

AMENDMENT dated as of December 31, 1997 (this "Amendment"), between BRISTOL-MYERS SQUIBB COMPANY, a Delaware corporation ("Seller"), and CONMED CORPORATION, a New York corporation ("Buyer"), to the Stock and Asset Purchase Agreement, dated as of November 26, 1997 (the "Stock and Asset Purchase Agreement"), between Seller and Buyer.

WHEREAS Seller and Buyer have entered into the Stock and Asset Purchase Agreement, a Letter Agreement dated as of December 31, 1997 (the "Disclosure Schedule Letter Agreement"), amending the Disclosure Schedule to the Stock and Asset Purchase Agreement, and a Letter Agreement dated as of December 31, 1997 (the "Tax Letter Agreement"), with respect to certain tax issues; and

WHEREAS Seller and Buyer mutually desire to make certain other amendments to the Stock and Asset Purchase Agreement.

NOW THEREFORE, for good and valuable consideration, the sufficiency of which is hereby acknowledged, Seller and Buyer agree as follows:

Section 1. Allocation of Purchase Price. (a) Schedule 1.1(c) to the Disclosure Schedule to the Stock and Asset Purchase Agreement is hereby amended in its entirety to read as set forth on Exhibit A hereto.

(b) Section 1.1(c) of the Stock and Asset Purchase Agreement is hereby amended by deleting the words "or Section 2.4".

Section 2. Closing; Purchase Price Adjustment. (a) The third sentence of Section 2.1 of the Stock and Asset Purchase Agreement is hereby amended to read in its entirety as set forth on Exhibit B hereto.

(b) Section 2.2(b) of the Stock and Asset Purchase Agreement is hereby amended to read in its entirety as set forth on Exhibit C hereto.

(c) The third sentence of Section 2.3(a) of the Stock and Asset Purchase Agreement is hereby amended to read in its entirety as set forth on Exhibit D hereto.

(d) Section 2.3(d) of the Stock and Asset Purchase Agreement is hereby amended to read in its entirety as set forth on Exhibit E hereto.

(e) The words "Closing Date Amount" in the second sentence of Section 4.3(a) are hereby deleted and replaced in their entirety with the words "consideration set forth in Sections 2.1(a) and (b)."

Section 3. Covenant Not to Compete. Section 5.5(a) of the Stock and Asset Purchase Agreement is hereby amended to read in its entirety as set forth on Exhibit F hereto.

Section 4. Employee Matters. (a) Section 9.1 of the Stock and Asset Purchase Agreement is hereby amended to read in its entirety as set forth on Exhibit G hereto.

(b) Article IX of the Stock and Asset Purchase Agreement is hereby amended by adding a new Section 9.15 to such Article IX which shall read as set forth on Exhibit H hereto, and the Disclosure Schedule to the Stock and Asset Purchase Agreement is hereby amended by adding a new Schedule 9.15 which shall read as set forth on the Schedule 9.15 attached to Exhibit H hereto.

Section 5. Entire Agreement. Section 15.8 of the Stock and Asset Purchase Agreement is hereby amended to read in its entirety as set forth on

Exhibit I hereto.

Section 6. Representations and Warranties. Each party hereto represents and warrants to the other party that this Amendment and the Stock and Asset Purchase Agreement as amended hereby have been duly authorized, executed and delivered by such party and constitute such party's legal, valid and binding obligation, enforceable against such party in accordance with its terms.

Section 7. Interpretation; Definitions. The headings contained in this Amendment are for reference purposes only and shall not affect in any way the meaning or interpretation of this Amendment. All Exhibits annexed hereto or referred to herein are hereby incorporated in and made a part of this Amendment as if set forth in full herein. Any capitalized terms used but not otherwise defined herein shall have the meaning as defined in the Stock and Asset Purchase Agreement.

Section 8. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the parties and delivered to the other party.

Section 9. Stock and Asset Purchase Agreement. Except as specifically amended hereby, the Stock and Asset Purchase Agreement shall continue in full force and effect in accordance with the provisions thereof as in existence on the date hereof. After the date hereof, any reference to the Stock and Asset Purchase Agreement in such Stock and Asset Purchase Agreement, in any Transaction Document and in any other document shall mean the Stock and Asset Purchase Agreement as amended hereby and as amended by the Disclosure Schedule Letter Agreement and the Tax Letter Agreement.

Section 10. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO THE CONFLICTS OF LAW PRINCIPLES OF SUCH STATE.

[THIS SPACE LEFT INTENTIONALLY BLANK]

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

BRISTOL-MYERS SQUIBB COMPANY,

by _____
Name:
Title:

CONMED CORPORATION,

by _____
Name:
Title:

EXHIBIT A

Schedule 1.1(c)
Allocation of Purchase Price

The amount of the Purchase Price allocated to the Non-U.S. Inventory sold by each Seller Entity pursuant to Section 1.1(c) shall equal the transfer price of such Non-U.S. Inventory determined under Section 2.2(a) of the Transition and Distribution Services Agreement and Section 2.2(a) of the Distribution Agreement, after giving effect to any adjustments to the Non-U.S. Inventory Purchase Price under Section 2.2(b) of the Transition Distribution and Services Agreement.

The amount of the Purchase Price allocated to the sale by Bristol-Myers Squibb KK of the goodwill associated with its business of selling Linvatec products within Japan is \$17,245,000.

The amount of the Purchase Price allocated to the sale by Zimmer of Canada Limited of the goodwill associated with its business of selling Linvatec products within Canada is \$9,004,000.

The amount of the Purchase Price allocated to the sale by Zimmer Limited of the goodwill associated with its business of selling Linvatec products within England is \$6,559,000.

EXHIBIT B

At the Closing, (a) Buyer shall deliver to Seller, by wire transfer to a bank account designated in writing by Seller at least two business days prior to the Closing Date, immediately available funds in an amount equal to the sum of (i) the Cash Purchase Price and (ii) the Closing Tax Adjustment Amount plus or minus (iii) an estimate, prepared by Seller, containing sufficient detail to describe the basis therefore and the calculation thereof and delivered to Buyer at least three business days prior to the Closing Date, of any adjustment to the Cash Purchase Price under Section 2.2 (the Cash Purchase Price plus or minus such estimate of any adjustment under Section 2.2 being hereinafter called the "Working Capital Closing Date Amount") plus or minus (iv) the amount by which an estimate, prepared by Seller and delivered to Buyer at least one business day prior to the Closing Date, of the Non-U.S. Inventory Purchase Price (such estimate, the "Estimated Non-U.S. Inventory Purchase Price") is greater than, or less than, as the case may be, \$11,027,000; (b) Buyer shall execute and deliver to Seller the Warrant; (c) Seller shall deliver or cause to be delivered to Buyer certificates representing the Shares, duly endorsed in blank or accompanied by stock powers duly endorsed in blank in proper form for transfer, with appropriate transfer stamps, if any, affixed; and (d) Seller (acting as agent for the Seller Entities) shall deliver or cause to be delivered to Buyer such appropriately executed instruments of sale, assignment, transfer and conveyance in form and substance reasonably satisfactory to Buyer and its counsel evidencing and effecting the sale, assignment, and transfer to Buyer of the Other Assets (it being understood that such instruments shall not require the Seller Entities to make any additional representations, warranties or covenants, expressed or implied, not contained in this Agreement).

EXHIBIT C

The Cash Purchase Price shall be increased by the amount by which Closing Working Capital exceeds \$38,571,000 (the "WC Amount"), and the Cash Purchase Price shall be decreased by the amount by which Closing Working Capital is less

than the WC Amount (the Cash Purchase Price as so increased or decreased shall hereinafter be referred to as the "Adjusted Cash Purchase Price"). If the Working Capital Closing Date Amount is less than the Adjusted Cash Purchase Price, Buyer shall, and if the Working Capital Closing Date Amount is more than the Adjusted Cash Purchase Price, Seller shall, within 10 business days after the Statement becomes final and binding on the parties, make payment by wire transfer in immediately available funds of the amount of such difference, together with interest thereon from and including the Closing Date to but excluding the actual date of payment at the Prime Rate.

EXHIBIT D

Within 60 calendar days after the Closing Date, Seller shall prepare and deliver to Buyer a statement (the "Non-U.S. Inventory Statement") setting forth (i) the actual amount of the Non-U.S. Inventory Purchase Price with a breakdown of such amount for Zimmer Pty. Ltd. and Zimmer New Zealand Limited by product category (i.e., Hall(R) Surgical large bone products versus all other products) on the Closing Date and (ii) a calculation of the transfer prices under Section 2.2 of the Transition Distribution and Services Agreement or Section 2.2 of the Distribution Agreement, as applicable, for the products represented by the Non-U.S. Inventory Purchase Price.

EXHIBIT E

(d) If the Estimated Non-U.S. Inventory Purchase Price exceeds the Non-U.S. Inventory Purchase Price, Seller shall, and if the Estimated Non-U.S. Inventory Purchase Price is less than the Non-U.S. Inventory Purchase Price, Buyer shall, within 10 business days after the Non-U.S. Inventory Statement becomes final and binding on the parties, make payment by wire transfer in immediately available funds the amount of such difference, together with interest thereon from and including the Closing Date to but excluding the actual date of payment at the Prime Rate.

EXHIBIT F

Section 5.5 Covenant Not To Compete. (a) Seller, for and on behalf of itself and its subsidiaries, agrees that, for a period of three years after the Closing Date (or, with respect to the Company's and the Subsidiary's Hall(R) Surgical large bone products being distributed under the Distribution Agreement, the longer of (i) three years after the Closing Date and (ii) two years after any termination of the Distribution Agreement by either party thereto, but in no event longer than five years after the Closing Date), they shall not own, manage, operate, control or otherwise engage in any Competitive Business; provided, however, that nothing herein shall be construed to prevent Seller or any of its Affiliates from any of the following: (A) acquiring any Person engaged in any Competitive Business (other than any Person primarily engaged in a Competitive Business) or any interest in any such Person and thereafter owning, managing, operating or controlling such Person or otherwise engaging in any business engaged in by such Person, (B) owning, managing, operating or controlling Zimmer or any of its subsidiaries or otherwise engaging in any business currently engaged in by Zimmer or any of its subsidiaries, other than the International Business and the Domestic Hall(R) Surgical Business, (C) engaging in transactions pursuant to the Manufacturing Agreement, the Transition Distribution and Services Agreement or the Distribution Agreement, (D) owning up to five percent (5%) of the voting equity securities or any non-voting equity or

debt securities of any Person whose securities are publicly traded on a national securities exchange or in the over-the-counter market (it being understood, however, that this Agreement shall not prohibit or in any way be deemed to be inconsistent with the ownership or exercise by Seller of the Warrant or the Warrant Shares (as defined in the Warrant)) or (E) manufacturing or selling the current MicroMill(R) branded products (capital equipment and related disposables), upgrades and improvements of MicroMill(R) branded products and any acetabular reamers. Notwithstanding anything to the contrary contained herein, (i) to the extent that the Company discontinues manufacturing and selling any product being distributed under the Distribution Agreement that otherwise would be restricted hereunder, Seller and its subsidiaries shall no longer be restricted in any manner under this Agreement with respect to such product and (ii) to the extent that Seller and its subsidiaries are restricted under this Section 5.5(a) from engaging in any Competitive Business with respect to the Company's and the Subsidiary's Hall(R) Surgical large bone products at any time after the third anniversary of the Closing Date, Seller and its subsidiaries shall only be so restricted from engaging in any such Competitive Business in the geographic areas in which Zimmer or any of its Affiliates are then distributing the Company's or the Subsidiary's Hall(R)

surgical large bone products under the Distribution Agreement and shall not be restricted or in any way prohibited from engaging in any such Competitive Business in any other geographic areas after such third anniversary.

EXHIBIT G

Section 9.1 Employee Matters. The Company and the Subsidiary shall be responsible for all employee benefits-related claims of the following individual and each of the following groups of current or former employees of the Company, or the Subsidiary: Gene Warzecha, active employees, employees on leave of absence and all current or former employees on short-term disability (collectively, the "Continued Employees"), except as otherwise provided in this Article.

EXHIBIT H

Section 9.15 Long-Term Disability. For each calendar year ending after the Closing Date, Buyer shall pay to Seller an amount equal to the sum of the LTD Liability Amounts for each of the individuals listed on Schedule 9.15 (each an "LTD Recipient") with respect to such calendar year. Such reimbursement shall be made within 10 business days after Buyer's receipt of an invoice from Seller setting forth such LTD Liability Amounts (including a reasonably detailed calculation of such amounts) by wire transfer of immediately available funds to an account designated in writing by Seller to Buyer. The "LTD Liability Amount" for each LTD Recipient for any calendar year shall be equal to the sum of (i) the total long-term disability payments made by Seller to or in respect of such individual for such calendar year under the Bristol-Myers Squibb Company Long Term Disability Income Plan and the Bristol-Myers Squibb Company Long Term Disability Income Plan for Highly Compensated Employees, in each case as such plan is in effect on the Closing Date, and (ii) an amount equal to 40% of the amount calculated in the preceding subsection (i).

Schedule 9.15

Employee	Social Security No.
Patricia Kemp	354-42-3266
Dennis Iossi	503-38-1715
Gregory DeLeon	559-53-6152
Annie Mahoney	043-30-5186
Anna Anthony	133-34-5469
Evelyn Sheely	264-60-8285
Betty Barbutt	436-52-1189
Marlene Mollett	298-30-4480
Kelly Lopopolo	079-58-3914
William Alexander	410-58-4715
Lynn Nmigues	438-80-6605
Alicia Guillen	561-64-4154

EXHIBIT I

Section 15.8 Entire Agreement. This Agreement, the other Transaction Documents, the Confidentiality Agreement, the Letter Agreement dated as of December 31, 1997 (the "Disclosure Schedule Letter Agreement"), between Seller and Buyer amending the Disclosure Schedule to this Agreement and the Letter Agreement dated as of December 31, 1997 (the "Tax Letter Agreement"), between Seller and Buyer with respect to certain tax issues contain the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings relating to such subject matter. Neither party shall be liable or bound to any other party in any manner by any representations, warranties or covenants relating to such subject matter except as specifically set forth herein, in the other Transaction Documents in the Confidentiality Agreement, in the Disclosure Schedule Letter Agreement and in the Tax Letter Agreement.

NEITHER THE WARRANTS REPRESENTED BY THIS WARRANT CERTIFICATE NOR THE COMMON STOCK, PAR VALUE \$0.01 PER SHARE, OF CONMED CORPORATION FOR WHICH THE WARRANTS REPRESENTED BY THIS WARRANT CERTIFICATE ARE EXERCISABLE MAY BE OFFERED OR SOLD ABSENT REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND ANY APPLICABLE STATE SECURITIES LAWS OR AN EXEMPTION FROM THOSE REGISTRATION REQUIREMENTS. ACCORDINGLY, THE HOLDER OF THIS WARRANT CERTIFICATE SHALL NOT BE ENTITLED TO TRANSFER OR EXERCISE SUCH HOLDER'S WARRANTS AT ANY TIME UNLESS, AT THE TIME OF SUCH TRANSFER OR EXERCISE, (1) A REGISTRATION STATEMENT UNDER THE ACT RELATING TO THE WARRANTS OR THE WARRANT SHARES, AS THE CASE MAY BE, HAS BEEN FILED WITH, AND DECLARED EFFECTIVE BY, THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), AND NO STOP ORDER SUSPENDING THE EFFECTIVENESS OF SUCH REGISTRATION STATEMENT HAS BEEN ISSUED BY THE SEC, OR (2) THE TRANSFER OF THE WARRANTS REPRESENTED BY THIS CERTIFICATE OR THE ISSUANCE OF THE WARRANT SHARES IS PERMITTED PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT.

CONMED CORPORATION

Warrant to Purchase Common Stock

CONMED CORPORATION, a New York corporation (the "Company"), hereby certifies that, for value received, Bristol-Myers Squibb Company, a Delaware corporation, the registered holder hereof, or its registered and permitted assigns, is entitled, subject to the terms set forth below, to purchase from the Company upon surrender of this Warrant Certificate, at any time or times on or after the date hereof but not after 5:00 P.M., New York City time, on the Expiration Date (as defined herein), One Million (1,000,000) validly issued, fully paid and nonassessable shares (the "Warrant Shares") of Common Stock (as defined herein) of the Company at an initial Warrant Exercise Price of \$34.23 per share in cash (as adjusted and readjusted from time to time as provided in Section 4 of this Warrant Certificate).

DEFINITIONS

Section 1. (a) Definitions. The following words and terms as used in this Warrant Certificate shall have the following meanings:

"Affiliate" means, with respect to a Person, any other Person that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person.

"Business Day" means a day other than a Saturday, a Sunday, a day on which banking institutions in The City of New York are authorized or obligated by law or required by executive order to be closed, or a day when the New York Stock Exchange or NASDAQ National Market System is closed.

"Closing Price" means, for each Business Day, with respect to the Common Stock or any other security the last reported sale price regular way on the principal national securities exchange on which the Common Stock (or such other security) is listed or admitted for trading, or, if the Common Stock (or such other security) is not so listed or admitted for trading on a national securities exchange, on the NASDAQ National Market System or, if the Common Stock (or such other security) is not quoted on the NASDAQ National Market System, the average of the closing bid and asked prices in the over-the-counter market as furnished by any New York Stock Exchange member firm selected from time to time by the Company for that purpose or, if the Common Stock (or such other security) is not traded in the over-the-counter market, the Fair Market Value per share of the Common Stock (or such other security) as determined by the Board of Directors of the Company in good faith.

"Common Stock", when used with reference to stock of the Company, means all shares now or hereafter authorized of any class of the common equity of the Company and stock of any other class into which such shares may hereafter have been changed and other rights or securities convertible into or exchangeable or exercisable for shares of Common Stock.

"Convertible Securities" mean any securities issued by the Company which are convertible into or exchangeable for, directly or indirectly, shares of Common Stock.

"Current Market Value" per share of Common Stock or any other security at any date means, on any date of determination, the average of the Closing Prices of the Common Stock (or such security) for the 20 consecutive Business Days selected by the Board of Directors of the Company commencing no more than 30 Business Days before and ending no later than the day before the day in question.

"Expiration Date" means December 31, 2007 or such later date as provided in Section 7.

"Holder" means any Person owning of record a Warrant Certificate.

"Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind.

"Stock Purchase Agreement" means the Stock and Asset Purchase Agreement, dated as of November 26, 1997, between Bristol-Myers Squibb Company and the Company, as the same may be amended, modified or supplemented from time to time.

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"Warrant Exercise Price" shall initially be \$34.23 per share and shall be adjusted and readjusted from time to time as provided in Section 4 of this Warrant Certificate.

(b) Other Definitional Provisions.

(i) Except as otherwise specified herein, all references herein (A) to any Person other than the Company, shall be deemed to include such Person's permitted successors and assigns, (B) to the Company, shall be deemed to include the Company's successors and (C) to any applicable law defined or referred to herein, shall be deemed references to such applicable law as the same may have been or may be amended or supplemented from time to time.

(ii) When used in this Warrant Certificate, the words "herein", "hereof" and "hereunder", and words of similar import, shall refer to this Warrant Certificate as a whole and not to any provision of this Warrant Certificate, and the words "Section", "Schedule" and "Exhibit" shall refer to Sections of, and Schedules and Exhibits to, this Warrant Certificate, in each case unless otherwise specified.

(iii) Whenever the context so requires, the neuter gender includes the masculine or feminine, and the singular number includes the plural, and vice versa.

Section 2. Exercise of Warrant Certificate. Subject to the terms and conditions hereof, this Warrant Certificate may be exercised, in whole or in part, at any time during normal business hours on or after the opening of business on the date hereof but not after 5:00 P.M., New York City Time, on the Expiration Date. The rights represented by this Warrant Certificate may be exercised by the Holder hereof, in whole or from time to time in part (except that this Warrant Certificate shall not be exercisable as to a fractional share), by (i) delivery of a written notice in the form of the Subscription Notice attached as Exhibit A, which notice shall specify the number of Warrant Shares to be purchased, (ii) payment to the Company of an amount equal to the Warrant Exercise Price multiplied by the number of Warrant Shares as to which this Warrant Certificate is being exercised in cash or by check, for the number of Warrant Shares as to which this Warrant Certificate shall have been exercised, (iii) the surrender of this Warrant Certificate, properly endorsed, at the principal office of the Company in Utica, New York (or at such other

agency or office in the United States of the Company as the Company may designate by notice to the Holder hereof), and (iv) if the Warrant Shares issuable upon the exercise of the rights represented by this Warrant Certificate have not been registered under the Securities Act of 1933 (the "Securities Act"), delivery to the Company by such Holder of an opinion of counsel experienced in such matters to the effect that such issuance may be effected without registration under the Securities Act. In the event of any exercise of the rights represented by this Warrant Certificate, a certificate

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or certificates for the Warrant Shares so purchased, registered in the name of, or as directed by, the Holder hereof, shall be delivered to, or as directed by, such Holder within a reasonable time, not exceeding 10 days, after such rights shall have been exercised. Unless the rights represented by this Warrant Certificate shall have expired or have been fully exercised, the Company shall issue a new Warrant Certificate to the Holder thereof identical in all respects to this Warrant Certificate except it shall represent rights to purchase the number of Warrant Shares purchasable immediately prior to such exercise under this Warrant Certificate, less the number of Warrant Shares with respect to which this Warrant Certificate was exercised. Upon completion of the Subscription Notice attached as Exhibit A, the Person in whose name any certificate for Warrant Shares is issued upon exercise of this Warrant Certificate shall for all purposes be deemed to have become the Holder of such Warrant Shares immediately prior to the close of business on the date on which this Warrant Certificate was surrendered and payment of the amount due in respect of such exercise was made, irrespective of the date of delivery of such share certificate, except that, if the date of such surrender and payment is a date when the stock transfer books of the Company are properly closed, such person shall be deemed to have become the Holder of such Warrant Shares at the opening of business on the next succeeding date on which the stock transfer books are open; provided that such transfer books, unless otherwise required by law, shall not be closed at any one time for a period of longer than 5 consecutive Business Days.

Section 3. Covenants as to Common Stock. The Company covenants and agrees that all Warrant Shares which may be issued upon the exercise of the rights represented by this Warrant Certificate will, upon issuance, be validly issued, fully paid and nonassessable by the Company, free of preemptive rights and free from all taxes, liens, charges and security interests with respect to the issue thereof. The Company further covenants and agrees that during the period within which the rights represented by this Warrant Certificate may be exercised, the Company will at all times have authorized and reserved a sufficient number of shares of Common Stock to provide for the exercise of the rights then represented by this Warrant Certificate and that the par value of said shares will at all times be less than the applicable Warrant Exercise Price.

If any shares of Common Stock reserved or to be reserved to provide for the exercise of the rights then represented by this Warrant Certificate require registration with or approval of any governmental authority under any federal or state law before such shares may be validly issued, then the Company covenants that it will in good faith and as soon as reasonably practicable endeavor to secure such registration or approval, as the case may be.

Section 4. Adjustments. The number of Warrant Shares that may be purchased upon the exercise of this Warrant Certificate (the "Exercise Rate") and the Warrant Exercise Price will be subject to adjustment from time to time upon the

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occurrence of the events enumerated in Section 4(a). Where, as a result of the adjustments set forth below, the term "Common Stock" refers to more than one class of securities, the adjustment provisions of this Section 4 shall be equitably applied to achieve as nearly as practicable the intended result as evidenced by the text of the adjustment provisions.

(a) Specific Adjustments.

(i) If at any time after the date hereof, the Company:

- (1) pays a dividend or makes a distribution on its Common Stock in shares of its Common Stock;
- (2) subdivides its outstanding shares of Common Stock into a larger number of shares;
- (3) combines its outstanding shares of Common Stock into a smaller number of shares;
- (4) increases or decreases the number of shares of Common Stock outstanding by reclassification of its Common Stock;
- (5) distributes to all holders of its Common Stock any of its assets, debt securities or capital stock or any rights, options or warrants to purchase assets, debt securities or capital stock of the Company (including distributions of cash, but excluding (A) distributions of capital stock referred to in clauses (1), (2), (3) and (4) above and distributions of rights, options or warrants referred to in clause (6) below, (B) the issuance of any rights issued under a stockholders rights plan adopted by the Company's Board of Directors and (C) cash dividends or other cash distributions, individually or in the aggregate, not materially in excess of the amount established under any regular cash dividend policy established hereafter by the Company (materially for purposes of this clause being intended to connote per share significance in proportion to the Current Market Value per share at the date in question)); or
- (6) distributes or issues rights, options or warrants to all holders of its Common Stock (other than the issuance of any rights issued under a stockholders rights plan adopted by the Board of Directors) entitling them to purchase shares of Common Stock at a price per

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share less than the Current Market Value per share as of the record date for such issuance;

then, (ii) in the case of:

- (1) an event described in any of clauses (i)(1), (2), (3) and (4) above, (i) the number of shares of Common Stock for which this Warrant Certificate is exercisable shall be adjusted to equal (A) the number of shares of Common Stock for which this Warrant Certificate is exercisable immediately before the occurrence of any such event, (B) multiplied by a fraction, (aa) the numerator of which is the total number of shares of Common Stock outstanding immediately after the occurrence of such event, and (bb) the denominator of which is the total number of shares of Common Stock outstanding immediately before the occurrence of such event, and (2) the Warrant Exercise Price shall be adjusted to equal (A) the Warrant Exercise Price immediately before the occurrence of any such event, (B) multiplied by a fraction, (aa) the numerator of which is the number of shares of Common Stock for which this Warrant Certificate is exercisable immediately before the adjustment, and (bb) the denominator of which is the number of shares

of Common Stock for which this Warrant Certificate is exercisable immediately after the adjustment; and

(2) an event described in clause (i)(5) above, (i) the number of shares of Common Stock for which this Warrant Certificate is exercisable shall be adjusted to equal (A) the number of shares of Common Stock for which this Warrant Certificate is exercisable immediately before the occurrence of any such event, (B) multiplied by a fraction, (aa) the numerator of which shall be the Current Market Value per share of Common Stock on the record date for the dividend or distribution, and (bb) the denominator of which shall be the Current Market Value of Common Stock on the record date for the dividend or distribution minus the amount allocable to one share of Common Stock of any such cash so distributed and the fair value (as determined in good faith by the Board of Directors of the Company and evidenced by a board resolution, a copy of which shall be delivered to all Holders upon request of any Holder) of any and all such shares of capital stock, assets, debt securities, rights, options or warrants so distributed, and (ii) the Warrant Exercise Price shall be adjusted to equal (A) the Warrant Exercise Price in effect immediately before the occurrence of any such event, (B) multiplied by a fraction, (aa) the numerator of which is the number of shares of Common Stock for which this Warrant Certificate is exercisable immediately before the adjustment, and (bb) the denominator of which is the number of shares for which this Warrant Certificate is exercisable immediately after the adjustment; and

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(3) an event described in clause (i)(6) above, (i) the number of shares of Common Stock for which this Warrant Certificate is exercisable shall be adjusted to equal (A) the number of shares of Common Stock for which this Warrant Certificate was exercisable immediately before any such issuance, (B) multiplied by a fraction, (aa) the numerator of which is the number of shares of Common Stock outstanding on the date of issuance of such rights, options or warrants plus the number of additional shares of Common Stock offered for subscription or purchase, and (bb) the denominator of which shall be the number of shares of Common Stock outstanding on the date of issuance of such rights, options or warrants plus the total number of shares of Common Stock which the aggregate consideration expected to be received by the Company (assuming the exercise or conversion of all such rights, options or warrants) would purchase at the then Current Market Value per share of Common Stock, and (ii) the Warrant Exercise Price shall be adjusted so that it equals (A) the Warrant Exercise Price in effect immediately before such issuance, (B) multiplied by a fraction, (aa) the numerator of which is the number of shares of Common Stock for which this Warrant Certificate is exercisable immediately before such adjustment and (bb) the denominator of which is the number of shares of Common Stock for which this Warrant Certificate is exercisable immediately after such adjustment. Upon the expiration of any rights, options or warrants which resulted in adjustments pursuant to this Section 4(a)(ii)(3), if any thereof shall not have been exercised, the number of Warrant Shares and the Warrant Exercise Price shall be readjusted as if (Y) the only additional shares of Common Stock offered for subscription or purchase were the shares of Common Stock, if any, actually issued upon the exercise of such rights, options or warrants and (Z) the total number of shares of Common Stock which the aggregate consideration expected to be received by the Company would purchase at the Current Market Value per share of Common Stock used in clause (i)(B)(bb) above were the total number of shares of Common Stock which the aggregate consideration actually received by the Company would have purchased at the Current Market Value per share of Common Stock on the record date for such distribution or issuance; provided, however, that no such readjustment shall have the effect of decreasing the number of Warrant Shares purchasable upon the exercise of this Warrant Certificate or increase the Warrant Exercise Price by an amount in excess of the amount of the respective adjustment initially made in

respect of the issuance of such rights, options or warrants.

The adjustments referred to above shall become effective immediately after the record date therefor in the case of a dividend or distribution described in clauses (i) (1) or (5), and immediately after the effective date in the case of a subdivision, combination, classification, issuance or other event described in clauses (i) (2), (3), (4) or (6).

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Notwithstanding any other provision hereof, the Warrant Exercise Price with respect to the issuance of any Warrant Share shall not be less than \$.01 per share.

(iii) The adjustments described in Section 4(a) (ii) above shall be made successively whenever any event listed in Section 4(a) (i) above occurs.

(b) When No Adjustment Required. To the extent this Warrant Certificate becomes convertible or exercisable into cash pursuant to Section 4(d), no adjustment need be made thereafter as to the cash. Interest shall not accrue on the cash.

(c) Notice of Certain Transactions. If: (i) the Company takes any action that would require an adjustment in the Exercise Rate and the Warrant Exercise Price pursuant to subsection (a) of this Section 4, or (ii) the Company takes any action that would require a Supplemental Agreement pursuant to subsection (d) of this Section 4, the Company shall mail to Holders a notice stating the record date for any dividend, distribution or rights or the effective date of any issuance, subdivision, combination, reclassification, consolidation, merger, transfer, lease, liquidation or dissolution and shall briefly indicate the expected effect of such action on the Common Stock and on the number and kind (or the means of computing the number and kind) of any other shares of stock and on the other property, if any, and the number (or the means of computing the number) of shares of Common Stock and other property, if any, issuable upon exercise of this Warrant Certificate and the Warrant Exercise Price (or the means of computing the Warrant Exercise Price) after giving effect to any adjustment pursuant to Section 4(a) which will be required as a result of such action. The Company shall mail the notice at least 10 days before such date. Failure to mail the notice or any defect in it shall not affect the validity of the transaction.

(d) Consolidation, Merger or Reorganization of the Company. If the Company consolidates or merges with or into, or transfers or leases all or substantially all its assets to, any Person, upon consummation of such transaction this Warrant Certificate shall automatically become exercisable for the kind and amount of securities, cash or other assets which the Holder hereof would have owned immediately after the consolidation, merger, transfer or lease if the Holder hereof had exercised this Warrant Certificate immediately before the effective date of the transaction and assuming such Holder, as a holder of Common Stock of the Company, failed to exercise its rights of election, if any, as to the kind or amount of securities, cash and other assets receivable upon such consolidation, merger, transfer or lease (provided that if the kind or amount of securities, cash and other assets receivable upon such consolidation, merger, sale, transfer or lease is not the same for each share of Common Stock of the Company held immediately prior to such consolidation, merger, transfer or lease by other than a constituent person or an Affiliate thereof and in respect of which such rights of election shall have not been exercised ("non-electing share"), then for the purpose of this Section

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4 the kind and amount of securities, cash and other assets receivable upon such consolidation, merger, sale or transfer by each non-electing share shall be deemed to be the kind and amount so receivable per share by a plurality of the non-electing shares). Concurrently with the consummation of such transaction, the entity formed by or surviving any such consolidation or merger if other than the Company, or the Person to which such sale or conveyance shall have been made, shall enter into a Supplemental Agreement (as defined in Section 19) so providing and further providing for adjustments in the future which shall be as nearly equivalent as may be practical to the adjustments provided for in this Section 4.

If the issuer of securities deliverable upon exercise of this Warrant Certificate under the Supplemental Agreement is an Affiliate of the formed, surviving, transferee or lessee corporation, that issuer shall join in the Supplemental Agreement.

Notwithstanding the first paragraph of this subsection (d), in the case of any merger, reverse stock split, or other transaction in which the publicly held Common Stock, if any, shall be converted into the right to receive a consideration consisting solely of cash, (x) the right to exercise this Warrant Certificate for Warrant Shares shall terminate and (y) each Holder, without having to take any other action than the surrendering of this Warrant Certificate to the Company, shall receive an amount equal to the amount (if any) by which the price per share payable to, or which would be received by, any public holder of Common Stock in connection with such transaction exceeds the Warrant Exercise Price effective at that time.

If this subsection (d) applies, subsection (a) of this Section 4 shall not apply.

(e) When Issuance or Payment May Be Deferred. In any case in which Section 4(a) shall require that an adjustment in the Exercise Rate and Warrant Exercise Price be made effective as of a record date or other effective date for a specified event, the Company may elect to defer until immediately after the occurrence of such event (i) issuing to the Holder of any Warrant exercised after such record date or other effective date the Warrant Shares and other capital stock of the Company, if any, issuable upon such exercise over and above the Warrant Shares and other capital stock of the Company, if any, issuable upon such exercise on the basis of the Exercise Rate and Warrant Exercise Price effective immediately prior to such record date or other effective date and (ii) paying to such Holder any amount in cash in lieu of a fractional share pursuant to Section 12 hereof; provided, however, that the Company shall deliver to such Holder a due bill or other appropriate instrument evidencing such Holder's right to receive such additional Warrant Shares, other capital stock and cash upon the occurrence of the event requiring such adjustment.

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(f) Notice of Adjustment. Whenever the Exercise Price of the number of shares of Common Stock and other property, if any, issuable upon exercise of the Warrants is adjusted, as herein provided, the Company shall deliver to the Holder hereof a certificate of a firm of independent accountants selected by the Board (who may be the regular accountants employed by the Company) setting forth, in reasonable detail, the event requiring the adjustment and the method by which such adjustment was calculated (including a description of the basis on which (i) the Board determined the fair value of any evidences of indebtedness, other securities or property or warrants, options or other subscription or purchase rights and (ii) the Current Market Value of the Common Stock was determined, if either of such determinations was required), and specifying the Exercise Price and the number of shares of Common Stock issuable upon exercise of this Warrant Certificate after giving effect to such adjustment.

Section 5. Notice of Certain Events. In case at any time:

(a) the Company shall pay any dividend upon, or make any distribution in respect of, its Common Stock in shares of Common Stock;

(b) the Company shall propose to register any of its Common Stock under the Securities Act in connection with a public offering of such Common Stock (other than with respect to a registration statement filed on Form S-4, Form S-8 or such other similar form then in effect under the Securities Act);

(c) there shall be any capital reorganization, or reclassification of the capital stock, of the Company, or consolidation or merger of the Company with or into, or sale of all or substantially all of its assets to, another corporation;

(d) there shall be a voluntary or involuntary dissolution, liquidation or winding up of the Company; or

(e) the Company shall propose to make a tender offer or exchange offer with respect to Common Stock;

then, in any one or more of said cases, the Company shall give notice to the Holder hereof of the date on which (i) the books of the Company shall close or a record shall be taken for such dividend, distribution or subscription rights, or (ii) such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up shall take place, as the case may be, and shall briefly indicate the expected effect of such action on the Common Stock and on the number and kind (or the means of computing the number and kind) of any other shares of stock and on the other property, if any, and the number (or the means of computing the number) of shares of Common Stock and other property, if any, issuable upon exercise of this Warrant Certificate and the Warrant

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Exercise Price (or the means of computing the Warrant Exercise Price) after giving effect to any adjustment pursuant to Section 4(a) or 4(e), as the case may be, which will be required as a result of such action. Such notice shall be given not less than ten (10) days prior to the record date or the date on which the transfer books of the Company are to be closed in respect thereto in the case of an action specified in clause (i) and at least twenty (20) days prior to the action in question in the case of an action specified in clause (ii).

Section 6. No Change in Warrant Certificate Terms on Adjustment. Irrespective of any adjustment in the Exercise Rate and the Warrant Exercise Price, this Warrant Certificate, whether theretofore or thereafter issued or reissued, may continue to express the same price and number of shares as are stated herein and the Exercise Rate and the Warrant Exercise Price shall be deemed to have been so adjusted.

Section 7. Registration Rights. The Company covenants and agrees as follows:

(a) Definitions. For purposes of this Section 7:

(i) The terms "register," "registered," and "registration" refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document;

(ii) The term "Registrable Securities" means (A) the Warrant Shares and (B) any shares of Common Stock issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of this Warrant Certificate or the Warrant Shares, in each case held by the Securities Holder (as defined below);

(iii) The number of shares of "Registrable Securities then outstanding" shall be determined by the number of shares of Common Stock outstanding which are, and the number of shares of Common Stock issuable pursuant to the then exercisable or convertible securities which upon issuance would be, Registrable Securities; and

(iv) The term "Securities Holder" means any holder of Registrable Securities.

(b) Demand Registration.

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(i) If at any time prior to the earlier of (x) December 31, 2007 (as such date may be extended pursuant to subsection (iv)) and (y) the date on which the Securities Holders have effectively registered and sold all of the Registrable Securities (such earlier time referred to as the "Registration Expiration Date"), the Company shall receive a written request from the Securities Holders of at least 25% of the Registrable Securities then outstanding that the Company file a registration statement under the Securities Act covering such number of Registrable Securities specified by them, then the Company shall, subject to the limitations of this Section 7(b), use its reasonable best efforts consistent with the terms contained in this Section 7 to effect the registration under the Securities Act of all Registrable Securities which such Securities Holders request to be registered within 120 days of the receipt of such request or as soon as reasonably practicable thereafter.

(ii) If the Securities Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they will so advise the Company as a part of their request made pursuant to this Section 7(b). The Securities Holders shall (together with the Company as provided in subsection 7(d)(iv)) enter into an underwriting agreement in customary form with an underwriter or underwriters selected by the Securities Holders, with the consent of the Company, which shall not be unreasonably withheld. The Company and holders of shares other than Registrable Securities who hold registration rights granted to them by the Company may participate in any offering hereunder, at the expense of the Company or such other Persons, to the extent permitted by law and as may be limited by the next succeeding sentence. Each of the holders of shares other than Registrable Securities may register shares of Common Stock pro rata in accordance with its respective ownership interest in the Company, provided, that all of the Registrable Securities for which a demand has been made shall be registered and sold before any other shares of Common Stock may be sold. Notwithstanding any other provision of this Section 7(b), if the managing underwriter advises in writing the holders of shares other than Registrable Securities having such registration rights that marketing factors require a limitation of the number of shares to be underwritten, then all Registrable Securities for which a demand for registration has been made shall be included in the registration before any share of such holder are included and the number of shares, if any, of each of such holders shall be so limited pro rata based on a fraction, the numerator of which shall be the number of shares which such holder of shares other than Registrable Securities could have registered but for such limitation, and the denominator of which shall be the total number of shares which all such holders of shares other than Registrable Securities could have registered but for such limitation. The Company shall not grant registration rights to any other holders of securities of the Company that conflict with this Warrant Certificate.

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(iii) The Company is obligated to effect two such registrations of Registrable Securities pursuant to this Section 7(b), the first of which of

which shall be at the Company's expense and the second of which shall be at the Securities Holder's expense.

(iv) Notwithstanding the foregoing, the Company shall not be obligated to effect a demand registration requested pursuant to this Section 7(b) (A) within 120 days after effectiveness of a registration pursuant to demand registration rights in respect of the Registrable Securities or another Person having such rights or (B) within 120 days after effectiveness of a registration referred to in Section 7(c); provided, that (a) the 120-day period referred to in this sentence shall be reduced to the extent that the Company or any of the Company's directors and officers are subject to a shorter "lock-up" period (in which event such time period shall be such shorter time period) and (b) this subsection 7(b)(iv) does not affect the rights of the Securities Holders pursuant to Section 7(c) and provided further that, if a Securities Holder is delayed from effecting a demand registration pursuant to clause (A) or (B) of this subsection 7(b)(iv) for a time period which includes December 31, 2007, the Expiration Date and the Registration Expiration Date shall be automatically extended to a date that is 120 days after the expiration of such 180-day period.

(c) Company Registration. If the Company at any time proposes to register any of its Common Stock under Securities Act in connection with a public offering of its securities solely for cash proceeds payable to the Company or any shareholder other than a Securities Holder (other than with respect to a registration statement filed on Form S-4, Form S-8 or such other similar form then in effect under the Securities Act), the Company shall, at each such time, promptly give the Securities Holders written notice of such registration. Upon the written request of any Securities Holder mailed within 10 days after the giving of such notice by the Company, the Company shall, subject to the provision of Section 7(g), cause to be registered under the Securities Act all of the Registrable Securities that such Securities Holder has requested to be registered. If a Securities Holder elects to register any Registrable Securities pursuant to this Section 7(c) and the registration pursuant to this Section 7(c) constitutes an underwritten offering, such Securities Holder shall participate in such underwritten offering pursuant to such registration statement on the same terms and conditions as the most favorable terms and conditions upon which the Company or any owner of shares of Common Stock shall be selling shares registered in such registration statement; provided however, if the managing underwriter of the public offering of shares of Common Stock proposed to be registered by the Company advises any Securities Holders in writing that marketing factors requires a limitation of the number of shares of Common Stock to be underwritten, then the number of shares of Registrable Securities of all Securities Holders electing to exercise participation rights under this subsection (c) and the number of shares of Common Stock of the Company to be sold by any shareholder previously having been granted registration rights by the Company other than a Securities Holder in such

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underwriting shall be limited pro rata, based on a fraction, the numerator of which shall be the number of shares of Registrable Securities that such Securities Holder shall have requested to be registered under this subsection (c) or, in the case of such other shareholder, the number of shares of Common Stock that such other shareholder shall have proposed to register but for such limitation and the denominator of which shall be the total number of shares of Common Stock that would have been registered by all such other shareholders and the Securities Holders but for such limitation. Notwithstanding the foregoing, in the case of an offering of Common Stock by the Company, if the Company decides to withdraw such offering, it shall be under no obligation to register any Registrable Securities.

(d) Registration Procedure. Whenever required under this Section 7 to effect the registration of any Registrable Securities, the Company shall, as soon as reasonably practicable:

(i) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its reasonable best efforts to cause such registration statement to become and remain effective for such period,

not exceeding six months, as may be necessary for the selling Securities Holders to dispose of the Registrable Securities being offered for sale;

(ii) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act;

(iii) Furnish to the Securities Holders covered by such registration statement such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request, in order to facilitate the disposition of the Registrable Securities owned by them;

(iv) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. Each selling Securities Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement;

(v) Notify each Securities Holder covered by such registration statement, at any time when prospectus relating thereto covered by such registration statement is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration

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statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(vi) Furnish to the Securities Holders, on the date that such Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Section 7, if such securities are being sold through underwriters, (A) an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, and (B) a letter dated such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters;

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

(viii) use its reasonable best efforts to cause all such Registrable Securities to be listed on any securities exchange on which the Common Stock is then listed, if such Registrable Securities are not already so listed and if such listing is then permitted under the rules of such exchange, and to provide a transfer agent and registrar for such Registrable Securities covered by such registration statement no later than the effective date of such registration statement.

(e) Furnish Information. The Securities Holders shall promptly furnish

to the Company in writing such reasonable information regarding themselves, the Registrable Securities held by them, and the intended method of disposition of such Securities as shall be required to effect the registration of the Registrable Securities.

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(f) Expenses of Registrations. Except as provided in Section 7(b), all expenses, other than underwriting and brokerage discounts and commissions, relating to Registrable Securities incurred in connection with registration, filing or qualification pursuant to Section 7(b) or 7(c) of this Warrant Certificate, including (without limitation) all registration, filing and qualification fees, printers' bills, accounting fees, and the fees and disbursements of counsel for the Company and the Securities Holders, to the extent permitted by applicable law, shall be borne by the Company.

(g) Underwriting Requirements. In connection with any offering involving an underwriting of shares of Common Stock being issued by the Company, the Company shall not be required under Section 7(c) of this Warrant Certificate to include any Registrable Securities in such underwriting, unless the Securities Holders accept the terms of the underwriting as agreed upon between the Company and the underwriters selected by it.

(h) Indemnification and Contribution. In the event any Registrable Securities are included in a registration statement under this Section 7:

(i) To the extent permitted by law, the Company will indemnify and hold harmless each Securities Holder, the officers and directors of each Securities Holder, any underwriter (as defined in the Securities Act) for such Securities Holder, and each Person, if any, who controls such Securities Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages or liabilities (joint or several) (or actions in respect thereof) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; and the Company will reimburse each such Securities Holder, officer or director, underwriter or controlling Person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this subsection 7(h)(i) shall not apply to any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, preliminary prospectus or final prospectus or any amendment or supplement thereto in reliance upon and in conformity with information furnished by such Securities Holder;

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(ii) To the extent permitted by law, the Securities Holders will indemnify and hold harmless the Company, the officers and directors of the Company, any underwriter (as defined in the Securities Act) for the Company, and each Person, if any, who controls the Company or underwriter

within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages or liabilities (joint or several) (or actions in respect thereof) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; and the Securities Holders will reimburse the Company, each such officer or director, underwriter or controlling Person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this subsection 7(h)(ii) shall apply only to any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, preliminary prospectus or final prospectus or any amendment or supplement thereto in reliance upon and in conformity with information furnished in writing by the Securities Holder for use in connection with such registration;

(iii) If the indemnification provided for hereunder is unavailable to or insufficient to hold harmless each indemnified party in respect of any losses, claims, damages or liabilities (joint or several) (or actions in respect thereof) referred to herein, then the Company, or the Securities Holders, as the case may be, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the Company, on the one hand, and the Securities Holders, on the other, in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations, including relative benefit. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, on the one hand, or such Securities Holder, on the other, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

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The Company and the Securities Holders agree that it would not be just and equitable if contribution pursuant to this subsection (iii) were determined by pro rata allocation (even if the Securities Holders were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable consideration referred to above in this subsection (iii). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (iii) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (iii), no indemnified party shall be required to contribute any amount in excess of the amount by which the total amount received by it as a result of the sale of its shares in connection with any registration effected pursuant to this Section 7 exceeds the amount of any damage which such indemnified party has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. The obligations of the indemnified parties to contribute are several in proportion to their respective numbers of shares being sold and not joint; and

(iv) Promptly after receipt by an indemnified party under this Section 7(h) of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 7(h), deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate in and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly notified, to assume the defense thereof with counsel mutually satisfactory to the parties. An indemnified party shall have the right to retain its own counsel. However, the fees and expenses of such counsel shall be at the expense of the indemnified party, unless (A) the employment of such counsel has been specifically authorized in writing by the indemnifying party, (B) the indemnifying party has failed to assume the defense and employ counsel, or (C) the named parties to any such action (including any impleaded parties) include both the indemnified party and the indemnifying party, and the indemnified party shall have been advised by such counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party (in which case the indemnifying party shall not have the right to assume the defense of such action on behalf of such indemnified party, it being understood, however, that the indemnifying party shall not, in connection with any one such action or separate but substantially similar or related actions in the same

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jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys for all indemnified parties). The failure to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party under this Section 7.

(i) Suspension. Each Securities Holder agrees that, upon receipt of any (i) notice from the Company of the receipt of an order suspending the effectiveness of any registration statement or the happening of any event of the kind described in Section 7(d)(v) hereof or (ii) notice from the Company that it is in possession of material information that has not been disclosed to the public and the Company reasonably deems it to be advisable not to disclose such information in a registration statement (in each case, such notice being hereinafter referred to as a "Suspension Notice"), such Securities Holder will forthwith discontinue disposition of Registrable Securities pursuant to any registration statement and shall not be entitled to the benefits provided under (A) Section 7(b) hereof or (B) Section 7(h) hereof with respect to any sales made by it in contravention of this paragraph, until such Securities Holder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 7(d) or a notice in accordance with Section 17 hereof that any order suspending the effectiveness of any registration statement has been withdrawn, or, in the case of (ii) above, until further notice from the Company that disposition of Registrable Securities may resume, provided that (i) the Company shall not be permitted to give more than three (3) Suspension Notices that collectively shall not suspend the effectiveness of any registration statement for in excess of ninety (90) days in each case in any 365-day period and (ii) any Suspension Notice must be based upon a good faith determination of the Board of Directors of the Company that such Notice is necessary and, if so directed by the Company, such Securities Holder will deliver to the Company (at the expense of the Company) all copies in its possession, other than permanent file copies then in such Securities Holder's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice. If the Company shall give any such notice to suspend the disposition of Registrable Securities pursuant to any registration statement, the Company shall extend the period during which such registration statement shall be maintained effective pursuant to Section 7(d)(i) of this Agreement by the number of days during the period from and including the date of the giving of such notice to and including the date when the Securities Holders shall have received copies of the supplemented or amended prospectus necessary to resume such dispositions or received notice that any order suspending dispositions of the Registrable Securities has been withdrawn.

Section 8. Option of the Company to Redeem the Warrant Certificate. Upon the exercise of this Warrant Certificate, or any portion thereof, by any Holder, the Company shall have the right to redeem this Warrant Certificate, or such portion thereof,

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out of funds legally available therefor for a period of 30 days after the Company's receipt of the Subscription Notice. The redemption price for this Warrant Certificate or any portion thereof shall be equal to the aggregate Current Market Value of the Warrant Shares underlying this Warrant Certificate, or such portion being repurchased less the aggregate Warrant Exercise Price for such Warrant Shares and other capital stock, if any (but in no event shall such price be less than \$0). Current Market Value shall be determined as of the date of redemption.

Section 9. Taxes. The Company shall not be required to pay any tax or taxes attributable to the initial issuance of the Warrant Shares or any transfer involved in the issue or delivery of any certificates for Warrant Shares of Common Stock in a name other than that of the Holder hereof or upon any transfer of this Warrant Certificate.

Section 10. Warrant Holder Not Deemed a Shareholder. No Holder, as such, of this Warrant Certificate shall be entitled to vote or receive dividends or be deemed the holder of shares of capital stock of the Company for any purpose, nor shall anything contained in this Warrant Certificate be construed to confer upon the Holder hereof, as such, any of the rights of a shareholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance of record to the Holder of the Warrant Shares which he is then entitled to receive upon the due exercise of this Warrant Certificate.

Section 11. No Limitation on Corporation Action. Subject to the Company's covenants in Section 3 and the application of the adjustments set forth in Section 4, no provisions of this Warrant Certificate and no right or option granted or conferred hereunder shall in any way limit, affect or abridge the exercise by the Company of any of its corporate rights or powers to recapitalize, amend its Certificate of Incorporation, reorganize, consolidate or merge with or into another corporation, or to transfer all or any part of its property or assets, or the exercise of any other of its corporate rights and powers.

Section 12. Fractional Interests. The Company shall not be required to issue fractional shares of Common Stock on the exercise of this Warrant Certificate, although it may do so in its sole discretion. If more than one Warrant Certificate shall be presented for exercise in full at the same time by the same Holder, the number of full Warrant Shares which shall be issuable upon the exercise thereof shall be computed on the basis of the aggregate number of shares of Common Stock purchasable on exercise of the Warrant Certificates so presented. If any fraction of a share of Common Stock would, except for the provisions of this Section 12, be issuable upon the exercise of any such Warrant Certificates, the Company shall pay to the Holder an amount in cash equal to the

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Current Market Value per share of Common Stock, as determined on the day immediately preceding the date the Warrant Certificate is presented for exercise, multiplied by such fraction, computed to the nearest whole cent.

Section 13. Transfer; Opinions of Counsel.

(a) This Warrant Certificate shall not be sold, assigned, transferred, pledged or otherwise disposed of without the consent of the Company, which shall not be unreasonably withheld.

(b) If any sale, assignment, transfer or other disposition may in the opinion of counsel to the Company be effected only with registration under the Securities Act, such Holder shall not be entitled to so transfer this Warrant Certificate unless (x) the Company elects to file a registration statement relating to such proposed transfer and such registration statement has become effective under the Securities Act or (y) the provisions of Section 7 hereof apply.

Section 14. Exchange of Warrant Certificate. This Warrant Certificate is exchangeable upon the surrender hereof by the Holder at such office or agency of the Company, for one or more new Warrant Certificates of like tenor representing in the aggregate the right to subscribe for and purchase the number of shares of Common Stock which may be subscribed for and purchased hereunder from time to time after giving effect to all the provisions hereof, each of such new Warrant Certificates to represent the right to subscribe for and purchase such number of shares as shall be designated by said Holder at the time of such surrender.

Section 15. Lost, Stolen, Mutilated or Destroyed Warrant Certificate. If this Warrant Certificate is lost, stolen, mutilated or destroyed, the Company shall, on such terms as to indemnity or otherwise as it may in its discretion reasonably impose (which shall, in the case of a mutilated Warrant Certificate, include the surrender thereof), issue a new Warrant Certificate of like denomination and tenor as the Warrant Certificate so lost, stolen, mutilated or destroyed. Any such new Warrant Certificate shall constitute an original contractual obligation of the Company, whether or not the allegedly lost, stolen, mutilated or destroyed Warrant Certificate shall be at any time enforceable by anyone.

Section 16. Representation of Holder. The Holder hereof, by the acceptance hereof, represents that it is acquiring this Warrant Certificate for its own account for investment and not with a view to, or sale in connection with, any distribution hereof or of any of the shares of Common Stock or other securities issuable upon the exercise thereof, nor with any present intention of distributing any of the same.

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Section 17. Notice. All notices and other communications under this Warrant Certificate shall (a) be in writing (which shall include communications by facsimile), (b) be (i) sent by registered or certified mail, postage prepaid, return receipt requested, by facsimile, or (ii) delivered by hand, (c) be given at the following respective addresses and facsimile and telephone numbers and to the attention of the following Persons:

- (i) if to the Company, to it at:

CONMED Corporation
310 Broad Street
Utica, New York 13501

Telephone No.: (315) 797-8375
Facsimile No.: (315) 797-0321

Attention: Eugene R. Corasanti
President

with a copy to

Sullivan & Cromwell
125 Broad Street

New York, New York 10004

Telephone No.: (212) 558-4000
Facsimile No.: (212) 558-3588

Attention: Robert W. Downes, Esq.

(ii) if to the Holder, to it at:

Bristol-Myers Squibb Company
345 Park Avenue
New York, New York 10019

Telephone No.: (212) 546-4460
Facsimile No.: (212) 546-4020

Attention: General Counsel

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with a copy to:

Cravath, Swaine & Moore
Worldwide Plaza
825 Eighth Avenue
New York, New York 10019

Telephone No.: (212) 474-1000
Facsimile No.: (212) 474-3700

Attention: Susan Webster, Esq.

or at such other address or facsimile or telephone number or to the attention of such other person as the party to whom such information pertains may hereafter specify for the purpose in a notice to the other specifically captioned "Notice of Change of Address", and (d) be effective or deemed delivered or furnished (i) if given by mail, on the fifth Business Day after such communication is deposited in the mail, addressed as above provided, (ii) if given by facsimile, when such communication is transmitted to the appropriate number determined as above provided in this Section 17 and the appropriate answer-back is received or receipt is otherwise acknowledged, (iii) if given by hand delivery, when left at the address of the addressee addressed as above provided, and (iv) if given by telephone, when communicated to the person or to the holder of the office specified as the person or officeholder to whose attention communications are to be given, except that notices of a change of address, facsimile or telephone number, shall not be deemed furnished, until received.

Section 18. Miscellaneous. This Warrant Certificate and any term hereof may be changed, waived, discharged, or terminated only by an instrument in writing signed by the party or Holder against which enforcement of such change, waiver, discharge or termination is sought. The headings in this Warrant Certificate are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

Section 19. Supplements and Amendments. The Company by entering into a supplemental agreement (a "Supplemental Agreement") signed by the Company may amend the terms of this Warrant Certificate; provided that any amendment which would adversely affect the interests of the Holders must be approved by Holders of a majority of the then outstanding Warrants. A copy of any Supplemental Agreement shall be mailed by the Company to each Holder within 30 days of its effective date. The consent of each Holder affected shall be required for any amendment pursuant to which the Exercise Rate would be decreased and the Warrant Exercise Price would be increased (other than in connection with a waiver of any provisions of Section 4 hereof).

SECTION 20. GOVERNING LAW. THIS WARRANT CERTIFICATE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK (OTHER THAN ITS LAW WITH RESPECT TO CONFLICT OF LAWS), INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

Section 21. Severability. The invalidity of any portion hereof shall not affect the validity, force or effect of the remaining portions hereof.

Section 22. Date. The date of this Warrant Certificate is December 31, 1997. This Warrant Certificate, in all events, shall be wholly void and of no effect after 5:00 p.m., New York City Time, on the Expiration Date, except that notwithstanding any other provisions hereof, the provisions of Sections 7 and 13 shall continue in full force and effect after such date as to a Warrant Share or other securities issued upon the exercise of this Warrant Certificate.

Section 23. Agreement to Be Bound. The Holder hereof, by the acceptance hereof, and each transferee of this Warrant Certificate (pursuant to Section 13 hereof) or holder of Warrant Shares subject to the benefits of this Warrant Certificate, by each such Person's receipt thereof, agrees to be bound by the terms and provisions of this Warrant Certificate.

IN WITNESS WHEREOF, the Company has caused this Warrant Certificate to be executed by its duly authorized officers and its corporate seal to be hereunto affixed as of the ___ day of _____, 19__.

CONMED CORPORATION

By: _____
Eugene R. Corasanti
President

Subscription Notice

(To Be Executed Upon Exercise of Warrant Certificate)

The undersigned here irrevocably elects to exercise the right, represented by this Warrant Certificate, to receive _____ shares of Common Stock and hereby tenders payment for such shares to the order of CONMED Corporation in the amount of \$_____ in accordance with the terms hereof.

The undersigned requests that a certificate for such shares be registered in the name of _____, whose address is _____ and that such shares be delivered to _____ whose address is _____.

If said number of shares is less than all of the shares of Common Stock purchasable hereunder, the undersigned requests that a new Warrant Certificate representing the remaining balance of such shares be registered in the name of _____, whose address is _____, and that such Warrant Certificate be delivered to _____, whose address is _____.

(Signature)

Date: _____

By acceptance of _____ shares of Common Stock of CONMED Corporation represented by the Warrant Certificate, the undersigned registered holder agrees to be bound by all of the provisions of the Warrant Certificate.

Name:
Title:

Date: _____

\$450,000,000

CREDIT AGREEMENT

AMONG

CONMED CORPORATION,
AS BORROWER

THE SEVERAL LENDERS
FROM TIME TO TIME PARTIES HERETO,

CHASE SECURITIES INC.,
AS ARRANGER AND AS SYNDICATION AGENT

SALOMON BROTHERS HOLDING COMPANY, INC,
AS DOCUMENTATION AGENT

AND

THE CHASE MANHATTAN BANK,
AS ADMINISTRATIVE AGENT

DATED AS OF DECEMBER 29, 1997

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A Pricing Grid

SCHEDULES

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1.1A Commitments; Lending Offices and Addresses
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4.1(b) Guarantee Obligations of CONMED
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EXHIBITS:

A Form of Guarantee and Collateral Agreement
B Form of Compliance Certificate
C Form of Closing Certificate
D Form of Assignment and Acceptance
E-1 Form of Legal Opinion of Sullivan & Cromwell
E-2 Form of Legal Opinion of General Counsel
E-3 Form of Legal Opinion of Holland & Knight
F-1 Form of Term Note
F-2 Form of Revolving Credit Note
G Form of Prepayment Option Notice
H Form of Exemption Certificate

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CREDIT AGREEMENT, dated as of December 29, 1997, among CONMED CORPORATION, a New York corporation (the "Borrower"), the several banks and other financial institutions or entities from time to time parties to this Agreement (the "Lenders"), CHASE SECURITIES INC., as arranger and syndication agent (in such capacity, the "Syndication Agent"), SALOMON BROTHERS HOLDING COMPANY, INC, as documentation agent (in such capacity, the "Documentation Agent"), and THE CHASE MANHATTAN BANK, as administrative agent (in such capacity, the "Administrative Agent").

W I T N E S S E T H:

WHEREAS, the Borrower intends to acquire 100% of the capital stock of Linvatec Corporation, a Florida corporation ("Linvatec"), and a wholly owned

subsidiary of Bristol-Myers Squibb Company ("BMS"), and certain assets of affiliates of Linvatec related to the sale of Linvatec's products, for a cash purchase price of approximately \$370,000,000 (the "Acquisition"). References herein to the "Acquisition" shall include the financings described herein and all other transactions related to the Acquisition;

WHEREAS, to finance the Acquisition and the working capital needs of the Borrower and its subsidiaries, the Lenders are willing to make credit facilities available to the Borrower upon and subject to the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the agreements hereinafter set forth, the parties hereto hereby agree as follows:

ARTICLE I. DEFINITIONS

SECTION 1.1 Defined Terms. As used in this Agreement, the terms listed in this Section 1.1 shall have the respective meanings set forth in this Section 1.1.

"ABR Loans": Loans the rate of interest applicable to which is based upon the Alternate Base Rate.

"Acquisition": as defined in the recitals hereto.

"Acquisition Agreement": the Stock and Asset Purchase Agreement between BMS and the Borrower dated as of November 26, 1997, as amended, supplemented or otherwise modified from time to time.

"Acquisition Documentation": collectively, the Acquisition Agreement, the Warrant and all schedules, exhibits, annexes and amendments thereto and all side letters

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and agreements affecting the terms thereof or entered into in connection therewith, in each case, as amended, supplemented or otherwise modified from time to time.

"Adjustment Date": as defined in the Pricing Grid.

"Administrative Agent": as defined in the preamble hereto.

"Affiliate": as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"Agents": collectively, the Documentation Agent and the Administrative Agent.

"Aggregate Exposure": with respect to any Lender, an amount equal to (a) until the Closing Date, the aggregate amount of such Lender's Commitments and (b) thereafter, the sum of (i) the aggregate unpaid principal amount of such Lender's Term Loans and (ii) the amount of such Lender's Revolving Credit Commitment or, if the Revolving Credit Commitments have been terminated, the amount of such Lender's Revolving Extensions of Credit.

"Aggregate Exposure Percentage": with respect to any Lender, the ratio (expressed as a percentage) of such Lender's Aggregate Exposure to the Aggregate Exposure of all Lenders.

"Agreement": this Credit Agreement, as amended, supplemented or otherwise modified from time to time.

"Alternate Base Rate": for any day, a rate per annum equal to the greatest 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 New York City (the Prime Rate not being intended to be the lowest rate of interest charged by the Administrative Agent in connection with extensions of credit to debtors). Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective as of the opening of business on the effective day of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

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"Applicable Margin": for each Type of Loan, the rate per annum set forth under the relevant column heading below:

	Alternate Base Rate Loans -----	Eurodollar Loans -----
Revolving Credit Loans	.75%	2.00%
Tranche A Term Loans	.75%	2.00%
Tranche B Term Loans	1.00%	2.25%

provided, that (i) until such time as the Borrower shall have issued the Senior Subordinated Notes in accordance with the terms of this Agreement the Applicable Margins provided above with respect to the Revolving Credit Loans, the Tranche A Term Loans and the Tranche B Term Loans shall be increased by 25 basis points and (ii) on and after the first Adjustment Date occurring after the completion of four full fiscal quarters of the Borrower after the Closing Date, the Applicable Margin with respect to Revolving Credit Loans, Tranche A Term Loans and Tranche B Term Loans will be determined pursuant to the Pricing Grid.

"Application": an application, in such form as the Issuing Lender may reasonably specify from time to time, requesting the Issuing Lender to issue a Letter of Credit.

"Asset Sale": any Disposition of Property or series of related Dispositions of Property (excluding any such Disposition permitted by clause (a), (b), (c), (d), (e), (g), (h), (i), (j), (k) or (l) of Section 7.5) which yields net proceeds to the Borrower or any of its Subsidiaries (valued at the initial principal amount thereof in the case of non-cash proceeds consisting of notes or other debt securities and valued at fair market value in the case of other non-cash proceeds) in excess of \$50,000.

"Assignee": as defined in Section 10.6(c).

"Assignment and Acceptance": as defined in Section 10.6(c).

"Assignor": as defined in Section 10.6(c).

"Available Revolving Credit Commitment": as to any Revolving Credit Lender at any time, an amount equal to the excess, if any, of (a) such Lender's Revolving Credit Commitment over (b) such Lender's Revolving Extensions of Credit.

"Benefitted Lender": as defined in Section 10.7(a).

"BMS": as defined in the recitals hereto.

"Board": the Board of Governors of the Federal Reserve System of the United States (or any successor).

"Borrower": as defined in the preamble hereto.

"Borrowing Date": any Business Day specified by the Borrower as a date on which the Borrower requests the relevant Lenders to make Loans hereunder.

"Business": as defined in Section 4.17(b).

"Business Day": (i) for all purposes other than as covered by clause (ii) below, a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close and (ii) with respect to all notices and determinations in connection with, and payments of principal and interest on, Eurodollar Loans, any day which is a Business Day described in clause (i) and which is also a day for trading by and between banks in Dollar deposits in the London interbank eurodollar market.

"Capital Expenditures": for any period, with respect to any Person, the aggregate of all expenditures by such Person and its Subsidiaries for the acquisition or leasing (pursuant to a capital lease) of fixed or capital assets or additions to equipment (including replacements, capitalized repairs and improvements during such period) which should be capitalized under GAAP on a consolidated balance sheet of such Person and its Subsidiaries.

"Capital Lease Obligations": as to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

"Capital Stock": any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

"Cash Equivalents": (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case

maturing within one year from the date of acquisition; (b) certificates of deposit, time deposits, eurodollar time deposits or overnight bank deposits having maturities of six months or less from the date of acquisition issued by any Lender or by any commercial bank organized under the laws of the

United States or any state thereof having combined capital and surplus of not less than \$500,000,000; (c) commercial paper of an issuer rated at least A-1 by Standard & Poor's Ratings Services ("S&P") or P-1 by Moody's Investors Service, Inc. ("Moody's"), or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within six months from the date of acquisition; (d) repurchase obligations of any Lender or of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days with respect to securities issued or fully guaranteed or insured by the United States government; (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A by Moody's; (f) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (b) of this definition; or (g) shares of money market mutual or similar funds which invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition.

"Chattel Paper": as defined in the Guarantee and Collateral Agreement.

"Closing Date": the date on which the conditions precedent set forth in Section 5.1 shall have been satisfied, which date is December 31, 1997.

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Collateral": all Property of the Loan Parties, now owned or hereafter acquired, upon which a Lien is purported to be created by any Security Document.

"Commitment": as to any Lender, the sum of the Tranche A Term Loan Commitment, the Tranche B Term Loan Commitment and the Revolving Credit Commitment of such Lender.

"Commitment Fee Rate": .50% per annum; provided, that on and after the first Adjustment Date occurring after the completion of four full fiscal quarters of the Borrower after the Closing Date, the Commitment Fee Rate will be determined pursuant to the Pricing Grid.

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"Commonly Controlled Entity": an entity, whether or not incorporated, which is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group which includes the Borrower and which is treated as a single employer under Section 414 of the Code.

"Compliance Certificate": a certificate duly executed by a Responsible Officer substantially in the form of Exhibit B.

"Confidential Information Memorandum": the Confidential Information Memorandum dated December 1997 and furnished to the Lenders.

"Consolidated EBITDA": for any period, Consolidated Net Income for such period plus, without duplication and to the extent reflected as a charge in the statement of such Consolidated Net Income for such period, the sum of (a) income tax expense, (b) interest expense, amortization or writeoff of debt discount and debt issuance costs and commissions, discounts and other fees and charges associated with Indebtedness (including the Loans), (c) depreciation and amortization expense, (d) amortization of intangibles (including, but not limited to, goodwill) and organization costs, (e) any

extraordinary, unusual or non-recurring expenses or losses (including the extraordinary facility consolidation charge of approximately \$2,300,000 for the 1997 fiscal year end and, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, losses on sales of assets outside of the ordinary course of business) and (f) any other non-cash charges, and minus, to the extent included in the statement of such Consolidated Net Income for such period, the sum of (a) interest income, (b) any extraordinary, unusual or non-recurring income or gains (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, gains on the sales of assets outside of the ordinary course of business) and (c) any other non-cash income, all as determined on a consolidated basis.

"Consolidated Fixed Charge Coverage Ratio": for any period, the ratio of (a) Consolidated EBITDA for such period less the aggregate amount actually paid by the Borrower and its Subsidiaries in cash during such period on account of Capital Expenditures to (b) Consolidated Fixed Charges for such period.

"Consolidated Fixed Charges": for any period, the sum (without duplication) of (a) Consolidated Interest Expense for such period and (b) scheduled payments made during such period on account of principal of Funded Debt of the Borrower or any of its Subsidiaries (including scheduled principal payments in respect of the Term Loans and excluding any prepayment as a result of the issuance of the Senior Subordinated Notes).

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"Consolidated Interest Coverage Ratio": for any period, the ratio of (a) Consolidated EBITDA for such period to (b) Consolidated Interest Expense for such period.

"Consolidated Interest Expense": for any period, total interest expense (including that attributable to Capital Lease Obligations) of the Borrower and its Subsidiaries for such period with respect to all outstanding Indebtedness of the Borrower and its Subsidiaries (including, without limitation, all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and net costs (or gains) under Interest Rate Protection Agreements to the extent such net costs (or gains) are allocable to such period in accordance with GAAP).

"Consolidated Leverage Ratio": as at the last day of any period of four consecutive fiscal quarters, the ratio of (a) Consolidated Total Debt on such day to (b) Consolidated EBITDA for such period; provided that for purposes of calculating Consolidated EBITDA of the Borrower and its Subsidiaries for any period, the Consolidated EBITDA of any Person acquired by the Borrower or its Subsidiaries during such period shall be included on a pro forma basis for such period (assuming the consummation of each such acquisition and the incurrence or assumption of any Indebtedness in connection therewith occurred on the first day of such period) if the consolidated balance sheet of such acquired Person and its consolidated Subsidiaries as at the end of the period preceding the acquisition of such Person and the related consolidated statements of income and stockholders' equity and of cash flows for the period in respect of which Consolidated EBITDA is to be calculated (i) have been previously provided to the Administrative Agent and the Lenders and (ii) either (A) have been reported on without a qualification arising out of the scope of the audit by independent certified public accountants of nationally recognized standing or (B) have been found acceptable by the Administrative Agent.

"Consolidated Net Income": for any period, the consolidated net income (or loss) of the Borrower and its Subsidiaries, determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded (a) the income (or deficit) of any Person accrued prior to the

date it becomes a Subsidiary of the Borrower or is merged into or consolidated with the Borrower or any of its Subsidiaries, (b) the income (or deficit) of any Person (other than a Subsidiary of the Borrower) in which the Borrower or any of its Subsidiaries has an ownership interest, except to the extent that any such income is actually received by the Borrower or such Subsidiary in the form of dividends or similar distributions and (c) the undistributed earnings of any Subsidiary of the Borrower to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is prohibited by the terms of any Contractual Obligation (other than under any Loan Document) or Requirement of Law applicable to such Subsidiary.

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"Consolidated Net Worth": at any date, all amounts which would, in accordance with GAAP, be included on a consolidated balance sheet of the Borrower and its Subsidiaries under stockholders' equity at such date; provided that any net non-cash adjustments to such amounts after the Closing Date resulting from foreign currency transactions, unfunded pension liabilities or unrealized gains or losses in respect of securities shall be included to the extent such adjustments exceed \$2,000,000 as of the end of any fiscal quarter.

"Consolidated Total Debt": at any date, the aggregate principal amount of all Funded Debt of the Borrower and its Subsidiaries at such date, determined on a consolidated basis in accordance with GAAP.

"Continuing Directors": the directors of the Borrower on the Closing Date, after giving effect to the Acquisition and the other transactions contemplated hereby, and each other director, if, in each case, such other director's nomination for election to the board of directors of the Borrower is recommended by at least 66-2/3% of the then Continuing Directors.

"Contractual Obligation": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its Property is bound.

"Default": any of the events specified in Article 8, whether or not any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"Disposition": with respect to any Property, any sale, lease, sale and leaseback, assignment, conveyance, transfer or other disposition thereof; and the terms "Dispose" and "Disposed of" shall have correlative meanings.

"Documentation Agent": as defined in the preamble hereto.

"Dollars" and "\$": dollars in lawful currency of the United States.

"Domestic Subsidiary": any Subsidiary of the Borrower organized under the laws of any jurisdiction within the United States.

"Environmental Laws": any and all foreign, Federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, legally binding requirements of any Governmental Authority or other Requirements of Law (including common law) regulating, relating to or imposing liability or standards of conduct concerning the protection of human health or the environment, as now or may at any time hereafter be in effect.

"Equipment": as defined in the Guarantee and Collateral Agreement.

"ERISA": the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Eurocurrency Reserve Requirements": for any day as applied to a Eurodollar Loan, the aggregate (without duplication) of the maximum rates (expressed as a decimal fraction) of reserve requirements in effect on such day (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board or other Governmental Authority having jurisdiction with respect thereto) dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board) maintained by a member bank of the Federal Reserve System.

"Eurodollar Base Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, the rate per annum determined on the basis of the rate for deposits in Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on Page 3750 of the Telerate screen as of 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on Page 3750 of the Telerate Service (or otherwise on such service), the "Eurodollar Base Rate" for purposes of this definition shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Administrative Agent or, in the absence of such availability, by reference to the rate at which the Administrative Agent is offered Dollar deposits at or about 11:00 A.M., New York City time, two Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where its eurodollar and foreign currency and exchange operations are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein.

"Eurodollar Loans": Loans the rate of interest applicable to which is based upon the Eurodollar Rate.

"Eurodollar Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100th of 1%):

$$\frac{\text{Eurodollar Base Rate}}{\text{1.00 - Eurocurrency Reserve Requirements}}$$

"Eurodollar Tranche": the collective reference to Eurodollar Loans the then current Interest Periods with respect to all of which begin on the same date and end on

the same later date (whether or not such Loans shall originally have been made on the same day).

"Event of Default": any of the events specified in Article 8, provided that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"Excess Cash Flow": for any fiscal year of the Borrower, the excess, if any, of (a) the sum, without duplication, of (i) Consolidated Net Income for such fiscal year, (ii) an amount equal to the amount of all non-cash

charges (including depreciation and amortization, in each case on an after-tax basis) deducted in arriving at such Consolidated Net Income, (iii) an amount equal to the aggregate net non-cash loss (on an after-tax basis) on the Disposition of Property by the Borrower and its Subsidiaries during such fiscal year (other than sales of inventory in the ordinary course of business), to the extent deducted in arriving at such Consolidated Net Income and (iv) the increase during such fiscal year (if any) in deferred tax liabilities and the decrease during such fiscal year (if any) in deferred tax assets, in each case, of the Borrower and its Subsidiaries (including non-cash charges in the deferred tax account of the Borrower as a result of purchase accounting) less (b) the sum, without duplication, of (i) an amount equal to the amount of all non-cash credits included in arriving at such Consolidated Net Income, (ii) the aggregate amount actually paid by the Borrower and its Subsidiaries in cash during such fiscal year on account of Capital Expenditures (excluding the principal amount of Indebtedness incurred in connection with such expenditures and any such expenditures financed with the proceeds of any Reinvestment Deferred Amount), (iii) the aggregate amount of all prepayments of Revolving Credit Loans during such fiscal year to the extent accompanying permanent optional reductions of the Revolving Credit Commitments and all optional prepayments of the Term Loans during such fiscal year, (iv) the aggregate amount of all regularly scheduled principal payments of Funded Debt (including, without limitation, the Term Loans) of the Borrower and its Subsidiaries made during such fiscal year (other than in respect of any revolving credit facility to the extent there is not an equivalent permanent reduction in commitments thereunder), (v) an amount equal to the aggregate net non-cash gain on the Disposition of Property by the Borrower and its Subsidiaries during such fiscal year (other than sales of inventory in the ordinary course of business), to the extent included in arriving at such Consolidated Net Income, (vi) an amount equal to the aggregate net cash gain on any Asset Sale or Recovery Event by the Borrower and its Subsidiaries during such fiscal year to the extent the Net Cash Proceeds thereof are applied pursuant to Section 2.10(b), (vii) the decrease during such fiscal year (if any) in deferred tax liabilities and the increase during such fiscal year (if any) in deferred tax assets, in each case, of the Borrower and its Subsidiaries (including non-cash charges in the deferred tax account of the Borrower as a result of purchase accounting), and (viii) the consolidated net income for such fiscal year of any Foreign Subsidiary to the extent repatriating such consolidated net income to the United States would, in the reasonable

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judgment of the Borrower, result in material adverse tax consequences to the Borrower and its Subsidiaries.

"Excess Cash Flow Application Date": as defined in Section 2.10(c).

"Exchange Offer": the exchange offer in respect of the Senior Subordinated Notes permitted by the definition thereof.

"Excluded Foreign Subsidiaries": any Foreign Subsidiary in respect of which either (i) the pledge of all of the Capital Stock of such Subsidiary as Collateral or (ii) the guaranteeing by such Subsidiary of the Obligations, would, in the good faith judgment of the Borrower, result in adverse tax consequences to the Borrower.

"Facility": each of (a) the Tranche A Term Loan Commitments and the Tranche A Term Loans made thereunder (the "Tranche A Term Loan Facility"), (b) the Tranche B Term Loan Commitments and the Tranche B Term Loans made thereunder (the "Tranche B Term Loan Facility") and (c) the Revolving Credit Commitments and the extensions of credit made thereunder (the "Revolving Credit Facility").

"Federal Funds Effective Rate": 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.

"Foreign Subsidiary": any Subsidiary of the Borrower that is not a Domestic Subsidiary.

"Funded Debt": as to any Person, all Indebtedness of such Person of the types described in clauses (a)-(e) of the definition of Indebtedness.

"Funding Office": the office of the Administrative Agent set forth in Section 10.2.

"GAAP": generally accepted accounting principles applicable in the United States for reporting entities domiciled in the United States as in effect from time to time, except that for purposes of Section 7.1, GAAP shall be determined on the basis of such principles in effect on the date hereof and consistent with those used in the preparation of the most recent audited financial statements delivered pursuant to Section 4.1(b).

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"Governmental Authority": any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of government (including, without limitation, any securities exchange or self-regulatory organization).

"Guarantee and Collateral Agreement": the Guarantee and Collateral Agreement to be executed and delivered by the Borrower and each Subsidiary Guarantor, substantially in the form of Exhibit A, as the same may be amended, supplemented or otherwise modified from time to time.

"Guarantee Obligation": as to any Person (the "guaranteeing person"), any obligation of (a) the guaranteeing person or (b) another Person (including, without limitation, any bank under any letter of credit) to induce the creation of which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase Property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in

good faith.

"Indebtedness": of any Person at any date, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of Property or services (other than current trade payables incurred in the ordinary course of such Person's business, and overdue trade payables incurred in the ordinary course of such Person's business to the extent the amount or

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validity thereof is currently being contested in good faith by appropriate procedures and reserves in conformity with GAAP with respect thereto have been provided on the books of the Borrower or its Subsidiaries, as the case may be), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to Property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such Property), (e) all Capital Lease Obligations of such Person (the amount of which shall be calculated without regard to imputed interest), (f) all obligations of such Person, contingent or otherwise, as an account party under acceptance, letter of credit or similar facilities, (g) all obligations of such Person, contingent or otherwise, to purchase, redeem, retire or otherwise acquire for value any Capital Stock (other than common stock) of such Person, (h) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (g) above to the extent quantified as liabilities, contingent obligations or like term in accordance with GAAP on the balance sheet (including notes thereto) of such Person; (i) all obligations of the kind referred to in clauses (a) through (h) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on Property (including, without limitation, accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation, (but only to the extent of the fair market value of such Property) (j) for purposes of Article 8(e), all obligations of such Person in respect of Interest Rate Protection Agreements and (k) the liquidation value of any preferred Capital Stock of such Person or its Subsidiaries held by any Person other than such Person and its Wholly Owned Subsidiaries.

"Insolvency": with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"Insolvent": pertaining to a condition of Insolvency.

"Instrument": as defined in the Guarantee and Collateral Agreement.

"Intellectual Property": the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, technology, know-how and processes, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"Interest Payment Date": (a) as to any ABR Loan, the last day of each March, June, September and December to occur while such Loan is outstanding and the final

maturity date of such Loan, (b) as to any Eurodollar Loan having an Interest Period of three months or less, the last day of such Interest Period, (c) as to any Eurodollar Loan having an Interest Period longer than three months, each day which is three months, or a whole multiple thereof, after the first day of such Interest Period and the last day of such Interest Period and (d) as to any Loan (other than any Revolving Credit Loan that is a ABR Loan), the date of any repayment or prepayment made in respect thereof.

"Interest Period": as to any Eurodollar Loan, (a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and (b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one, two, three or six, as selected by the Borrower by irrevocable notice to the Administrative Agent not less than three Business Days prior to the last day of the then current Interest Period with respect thereto; provided that all of the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) any Interest Period that would otherwise extend beyond the Revolving Credit Termination Date or beyond the date final payment is due on the Tranche A Term Loans or the Tranche B Term Loans, as the case may be, shall end on the Revolving Credit Termination Date or such due date, as applicable;

(iii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month; and

(iv) the Borrower shall use reasonable efforts to select Interest Periods so as not to require a payment or prepayment of any Eurodollar Loan during an Interest Period for such Loan.

"Interest Rate Protection Agreement": any interest rate protection agreement, interest rate futures contract, interest rate option, interest rate cap or other interest rate hedge arrangement, to or under which the Borrower or any of its Subsidiaries is a party

or a beneficiary on the date hereof or becomes a party or a beneficiary after the date hereof.

"Inventory": as defined in the Guarantee and Collateral Agreement.

"Issuing Lender": The Chase Manhattan Bank, in its capacity as issuer of any Letter of Credit.

"L/C Commitment": \$10,000,000.

"L/C Fee Payment Date": the last day of each March, June, September and

December and the Revolving Credit Termination Date.

"L/C Obligations": at any time, an amount equal to the sum of (a) the aggregate then undrawn and unexpired amount of the then outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit which have not then been reimbursed pursuant to Section 3.5.

"L/C Participants": collectively, all the Revolving Credit Lenders other than the Issuing Lender.

"Lenders": as defined in the preamble hereto.

"Letters of Credit": as defined in Section 3.1(a).

"Lien": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement and any capital lease having substantially the same economic effect as any of the foregoing).

"Linvatec": as defined in the recitals hereto.

"Loan": any loan made by any Lender pursuant to this Agreement.

"Loan Documents": this Agreement, the Security Documents, the Applications and the Notes.

"Loan Parties": the Borrower and each Subsidiary of the Borrower which is a party to a Loan Document.

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"Majority Facility Lenders": with respect to any Facility, the holders of more than 50% of the aggregate unpaid principal amount of the Term Loans or the Total Revolving Extensions of Credit, as the case may be, outstanding under such Facility (or, in the case of the Revolving Credit Facility, prior to any termination of the Revolving Credit Commitments, the holders of more than 50% of the Total Revolving Credit Commitments).

"Majority Revolving Credit Facility Lenders": the Majority Facility Lenders in respect of the Revolving Credit Facility.

"Material Adverse Effect": a material adverse effect on (a) the Acquisition, (b) the business, results of operations, assets or financial position of the Borrower and its Subsidiaries (including, without limitation, Linvatec and its Subsidiaries) taken as a whole, (c) the validity or enforceability of this Agreement or any of the other Loan Documents or the rights or remedies of the Agents or the Lenders hereunder or thereunder or (d) the ability of the Borrower to perform any of its obligations under this Agreement.

"Materials of Environmental Concern": any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, defined or to the extent regulated as such in or under any applicable Environmental Law, including, without limitation, asbestos, polychlorinated biphenyls and urea-formaldehyde insulation.

"Multiemployer Plan": a Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Cash Proceeds": (a) in connection with any Asset Sale or any Recovery Event, the proceeds thereof in the form of cash and Cash Equivalents (including any such proceeds received by way of deferred

payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but only as and when received) of such Asset Sale or Recovery Event, net of attorneys' fees, accountants' fees, investment banking fees, amounts required to be applied to the repayment of Indebtedness secured by a Lien expressly permitted hereunder on any asset which is the subject of such Asset Sale or Recovery Event (other than any Lien pursuant to a Security Document) and other customary fees and expenses actually incurred in connection therewith and net of taxes paid or reasonably estimated to be payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements) and (b) in connection with any issuance or sale of equity securities or debt securities or instruments or the incurrence of loans, the cash proceeds received from such issuance or incurrence, net of attorneys' fees, investment banking fees, accountants' fees, underwriting discounts and commissions and other customary fees and expenses actually incurred in connection therewith.

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"Non-Excluded Taxes": as defined in Section 2.18(a).

"Non-U.S. Lender": as defined in Section 2.18(d).

"Notes": collectively, any promissory note evidencing Loans.

"Obligations": the unpaid principal of and interest on (including, without limitation, interest accruing after the maturity of the Loans and Reimbursement Obligations and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Loans and all other obligations and liabilities of the Borrower to the Administrative Agent or to any Lender (or, in the case of Interest Rate Protection Agreements, any affiliate of any Lender), whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, any other Loan Document, the Letters of Credit, any Interest Rate Protection Agreement entered into with any Lender or any affiliate of any Lender or any other document made, delivered or given in connection herewith or therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including, without limitation, all fees, charges and disbursements of counsel to the Administrative Agent or to any Lender that are required to be paid by the Borrower pursuant hereto) or otherwise.

"Other Taxes": any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"Participant": as defined in Section 10.6(b).

"Payment Office": the office of the Administrative Agent set forth in Section 10.2.

"PBGC": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

"Permitted Business Acquisition": any acquisition of all or substantially all the assets of, or shares or other equity interests in, a Person or division or line of business of a Person (or any subsequent investment made in a previously acquired Permitted Business Acquisition) if immediately after giving effect thereto: (a) no Default or Event of Default shall have occurred and be continuing or would result therefrom, (b) all transactions related thereto shall be consummated in accordance with applicable

laws in all material respects, (c) any acquired or newly formed corporation, partnership, association or other business entity shall be a domestic Wholly Owned Subsidiary and all actions required to be taken, if any, with respect to such acquired or newly formed Subsidiary under Section 6.10 shall have been taken and (d)(i) the Borrower and the Subsidiaries shall be in compliance, on a pro forma basis after giving effect to such acquisition or formation, with the covenants contained in Section 7.1 recomputed as at the last day of the most recently ended fiscal quarter of the Borrower and the Subsidiaries as if such acquisition and related financings or other transactions had occurred on the first day of each relevant period for testing such compliance, and, if the amount of such investment of series of related investments exceeds \$10,000,000, then the Borrower shall have delivered to the Administrative Agent an officers' certificate to such effect, together with all relevant financial information for such Subsidiary or assets, and (ii) any acquired or newly formed Subsidiary shall not be liable for any Indebtedness (except for Indebtedness permitted by Section 7.2).

"Person": an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan": at a particular time, any employee benefit plan which is covered by ERISA and in respect of which the Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Prepayment Option Notice": as defined in Section 2.16(d).

"Pricing Grid": the pricing grid attached hereto as Annex A.

"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 New York City (the Prime Rate not being intended to be the lowest rate of interest charged by the Administrative Agent in connection with extensions of credit to debtors). Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective as of the opening of business on the effective day of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Pro Forma Balance Sheet": as defined in Section 4.1(a).

"Projections": as defined in Section 6.2(c).

"Properties": as defined in Section 4.17(a).

"Property": any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible, including, without limitation, Capital Stock.

"Recovery Event": any settlement of or payment in respect of any

property or casualty insurance claim or any condemnation proceeding relating to any asset of the Borrower or any of its Subsidiaries (excluding, for the avoidance of doubt, the proceeds of business interruption insurance for lost revenues).

"Register": as defined in Section 10.6(d).

"Regulation G": Regulation G of the Board as in effect from time to time.

"Regulation U": Regulation U of the Board as in effect from time to time.

"Reimbursement Obligation": the obligation of the Borrower to reimburse the Issuing Lender pursuant to Section 3.5 for amounts drawn under Letters of Credit.

"Reinvestment Deferred Amount": with respect to any Reinvestment Event, the aggregate Net Cash Proceeds received by the Borrower or any of its Subsidiaries in connection therewith which are not applied to prepay the Term Loans or reduce the Revolving Credit Commitments pursuant to Section 2.10(b) as a result of the delivery of a Reinvestment Notice.

"Reinvestment Event": any Asset Sale or Recovery Event in respect of which the Borrower has delivered a Reinvestment Notice.

"Reinvestment Notice": a written notice executed by a Responsible Officer stating that no Default or Event of Default has occurred and is continuing and that the Borrower (directly or indirectly through a Subsidiary), in good faith intends and expects to use all or a specified portion of the Net Cash Proceeds of an Asset Sale or Recovery Event to make an investment that is a reasonable substitute for the assets in respect of which such Recovery Event occurred within twelve months from the date of receipt of such Net Cash Proceeds (provided that if the affected assets constituted Collateral such investment assets shall also constitute Collateral).

"Reinvestment Prepayment Amount": with respect to any Reinvestment Event, the Reinvestment Deferred Amount relating thereto less any amount expended prior to the relevant Reinvestment Prepayment Date to make an investment that is a reasonable substitute for the assets in respect of which a Recovery Event has occurred.

"Reinvestment Prepayment Date": with respect to any Reinvestment Event, the earlier of (a) the date occurring twelve months after such Reinvestment Event and (b)

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the date on which the Borrower shall have determined not to, or shall have otherwise ceased to, acquire assets useful in the Borrower's business with all or any portion of the relevant Reinvestment Deferred Amount.

"Reorganization": with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

"Reportable Event": any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the thirty day notice period is waived under regulations promulgated under Title IV of ERISA.

"Required Lenders": the holders of more than 50% of (a) until the Closing Date, the Commitments and (b) thereafter, the sum of (i) the aggregate unpaid principal amount of the Term Loans and (ii) the Total Revolving Credit Commitments or, if the Revolving Credit Commitments have been terminated, the Total Revolving Extensions of Credit.

"Required Prepayment Lenders": the Majority Facility Lenders in respect of each Facility.

"Requirement of Law": as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

"Responsible Officer": the chief executive officer, president, chief financial officer, treasurer, controller (or other officer satisfactory to the Lenders) of the Borrower, but in any event, with respect to financial matters, the chief financial officer, treasurer, controller (or other officer satisfactory to the Lenders) of the Borrower.

"Revolving Credit Commitment": as to any Lender, the obligation of such Lender, if any, to make Revolving Credit Loans and participate in Letters of Credit, in an aggregate principal and/or face amount not to exceed the amount set forth under the heading "Revolving Credit Commitment" opposite such Lender's name on Schedule 1.1A or in the Assignment and Acceptance pursuant to which such Revolving Credit Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof. The original amount of the Total Revolving Credit Commitments is \$100,000,000.

"Revolving Credit Commitment Period": the period from and including the Closing Date to the Revolving Credit Termination Date.

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"Revolving Credit Lender": each Lender which has a Revolving Credit Commitment or which has made Revolving Credit Loans.

"Revolving Credit Loans": as defined in Section 2.4(a).

"Revolving Credit Percentage": as to any Revolving Credit Lender at any time, the percentage which such Lender's Revolving Credit Commitment then constitutes of the Total Revolving Credit Commitments (or, at any time after the Revolving Credit Commitments shall have expired or terminated, the percentage which the aggregate principal amount of such Lender's Revolving Credit Loans then outstanding constitutes of the aggregate principal amount of the Revolving Credit Loans then outstanding).

"Revolving Credit Termination Date": the earlier of (a) the Scheduled Revolving Credit Termination Date and (b) the date on which the Tranche A Term Loans shall be paid in full.

"Revolving Extensions of Credit": as to any Revolving Credit Lender at any time, an amount equal to the sum of (a) the aggregate principal amount of all Revolving Credit Loans made by such Lender then outstanding, and (b) such Lender's Revolving Credit Percentage of the L/C Obligations then outstanding.

"Scheduled Revolving Credit Termination Date": December 30, 2002.

"SEC": the Securities and Exchange Commission (or successors thereto or an analogous Governmental Authority).

"Security Documents": the collective reference to the Guarantee and Collateral Agreement and all other security documents hereafter delivered to the Administrative Agent granting a Lien on any Property of any Person to secure the obligations and liabilities of any Loan Party under any Loan Document.

"Senior Subordinated Note Indenture": the Indenture or Indentures to be entered into in connection with the issuance of the Senior Subordinated

Notes, together with all instruments and other agreements entered into by the Borrower or such Subsidiaries in connection therewith, as the same may be amended, supplemented or otherwise modified from time to time in accordance with Section 7.9.

"Senior Subordinated Notes": collectively, (i) as defined in Section 6.11, (ii) unsecured senior subordinated notes of the Borrower registered under the Securities Act of 1933, as amended, with terms identical in all material respects to those initially issued and exchanged therefor, or (iii) any refinancing of such senior subordinated notes of the Borrower on terms and conditions which either (A) comply with the

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requirements of Section 7.9(b) or (B) are otherwise reasonably satisfactory to the Required Lenders.

"Single Employer Plan": any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

"Solvent": when used with respect to any Person, means that, as of any date of determination, (a) the amount of the "present fair saleable value" of the assets of such Person will, as of such date, exceed the amount of all "liabilities of such Person, contingent or otherwise", as of such date, as such quoted terms are determined in accordance with applicable federal and state laws governing determinations of the insolvency of debtors, (b) the present fair saleable value of the assets of such Person will, as of such date, be greater than the amount that will be required to pay the liability of such Person on its debts as such debts become absolute and matured, (c) such Person will not have, as of such date, an unreasonably small amount of capital with which to conduct its business, and (d) such Person will be able to pay its debts as they mature. For purposes of this definition, (i) "debt" means liability on a "claim", and (ii) "claim" means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, undisputed, secured or unsecured.

"Specified Change of Control": a "Change of Control" as defined in the Senior Subordinated Note Indenture.

"Subsidiary": as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

"Subsidiary Guarantor": each Subsidiary of the Borrower other than any Excluded Foreign Subsidiary.

"Syndication Agent": as defined in the preamble hereto.

"Term Loan Lenders": collectively, the Tranche A Term Loan Lenders and the Tranche B Term Loan Lenders.

"Term Loans": collectively, the Tranche A Term Loans and Tranche B Term Loans.

"Total Revolving Credit Commitments": at any time, the aggregate amount of the Revolving Credit Commitments at such time.

"Total Revolving Extensions of Credit": at any time, the aggregate amount of the Revolving Extensions of Credit of the Revolving Credit Lenders at such time.

"Tranche A Term Loan": as defined in Section 2.1.

"Tranche A Term Loan Commitment": as to any Lender, the obligation of such Lender, if any, to make a Tranche A Term Loan to the Borrower hereunder in a principal amount not to exceed the amount set forth under the heading "Tranche A Term Loan Commitment" opposite such Lender's name on Schedule 1.1A or in the Assignment and Acceptance pursuant to which such Tranche A Term Loan Lender became a party hereto. The original aggregate amount of the Tranche A Term Loan Commitments is \$210,000,000.

"Tranche A Term Loan Lender": each Lender which has a Tranche A Term Loan Commitment or which has made a Tranche A Term Loan.

"Tranche A Term Loan Percentage": as to any Tranche A Term Loan Lender at any time, the percentage which such Lender's Tranche A Term Loan Commitment then constitutes of the aggregate Tranche A Term Loan Commitments (or, at any time after the Closing Date, the percentage which the aggregate principal amount of such Lender's Tranche A Term Loans then outstanding constitutes of the aggregate principal amount of the Tranche A Term Loans then outstanding).

"Tranche B Term Loan": as defined in Section 2.1.

"Tranche B Term Loan Commitment": as to Tranche B Term Loan Lender, the obligation of such Lender, if any, to make a Tranche B Term Loan to the Borrower hereunder in a principal amount not to exceed the amount set forth under the heading "Tranche B Term Loan Commitment" opposite such Lender's name on Schedule 1.1A or in the Assignment and Acceptance pursuant to which such Tranche B Term Loan Lender became a party hereto. The original aggregate amount of the Tranche B Term Loan Commitments is \$140,000,000.

"Tranche B Term Loan Lender": each Lender which has a Tranche B Term Loan Commitment or which has made a Tranche B Term Loan.

"Tranche B Term Loan Percentage": as to any Lender at any time, the percentage which such Lender's Tranche B Term Loan Commitment then constitutes of the aggregate Tranche B Term Loan Commitments (or, at any time after the Closing Date, the percentage which the aggregate principal amount of such Lender's Tranche B Term Loans then outstanding constitutes of the aggregate principal amount of the Tranche B Term Loans then outstanding).

"Transferee": as defined in Section 10.15.

"Type": as to any Loan, its nature as a ABR Loan or a Eurodollar Loan.

"Uniform Customs": the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, as the same may be amended from time to time.

"United States": the United States of America.

"Warrant": as defined in the Acquisition Documentation.

"Wholly Owned Foreign Subsidiary": any Foreign Subsidiary that is a Wholly Owned Subsidiary.

"Wholly Owned Subsidiary": as to any Person, any other Person all of the Capital Stock of which (other than (i) a nominal number of shares held by foreign nationals to the extent required by local law or (ii) directors' qualifying shares required by law) is owned by such Person directly and/or through other Wholly Owned Subsidiaries.

"Wholly Owned Subsidiary Guarantor": any Subsidiary Guarantor that is a Wholly Owned Subsidiary of the Borrower.

SECTION 1.2 Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto.

(b) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, accounting terms relating to the Borrower and its Subsidiaries not defined in Section 1.1 and accounting terms partly defined in

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Section 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP.

(c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Article, Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

ARTICLE II. AMOUNT AND TERMS OF COMMITMENTS

SECTION 2.1 Term Loan Commitments. Subject to the terms and conditions hereof, (a) each Tranche A Term Loan Lender severally agrees to make a term loan (a "Tranche A Term Loan") to the Borrower on the Closing Date in an amount not to exceed the amount of the Tranche A Term Loan Commitment of such Lender, and (b) each Tranche B Term Loan Lender severally agrees to make a term loan (a "Tranche B Term Loan") to the Borrower on the Closing Date in an amount not to exceed the amount of the Tranche B Term Loan Commitment of such Lender. The Term Loans may from time to time be Eurodollar Loans or ABR Loans, as determined by the Borrower and notified to the Administrative Agent in accordance with Sections 2.2 and 2.11.

SECTION 2.2 Procedure for Term Loan Borrowing. The Borrower shall give the Administrative Agent irrevocable notice (which notice must be received by the Administrative Agent prior to 10:00 A.M., New York City time, on the Closing Date) requesting that the Term Loan Lenders make the Term Loans on the Closing Date and specifying the amount to be borrowed. The Term Loans made on the Closing Date shall initially be ABR Loans, and no Term Loan may be converted into or continued as a Eurodollar Loan having an Interest Period in excess of one month prior to the date which is 60 days after the Closing Date. Upon receipt of such notice the Administrative Agent shall promptly notify each Term Loan Lender thereof. Not later than 12:00 Noon, New York City time, on the

Closing Date each Term Loan Lender shall make available to the Administrative Agent at the Funding Office an amount in immediately available funds equal to the Term Loan or Term Loans to be made by such Lender. The Administrative Agent shall make available to the Borrower the aggregate of the amounts made available to the Administrative Agent by the Term Loan Lenders in immediately available funds.

SECTION 2.3 Repayment of Term Loans. (a) The Tranche A Term Loan of each Tranche A Lender shall mature in 20 consecutive quarterly installments, commencing on March 31, 1998, each of which shall be in an amount equal to such Lender's Tranche A Term Loan Percentage multiplied by the amount set forth below opposite such installment:

Installment -----	Principal Amount -----
March 31, 1998	\$ 2,500,000
June 30, 1998	2,500,000
September 30, 1998	2,500,000
December 30, 1998	2,500,000
March 31, 1999	8,750,000
June 30, 1999	8,750,000
September 30, 1999	8,750,000
December 30, 1999	8,750,000
March 31, 2000	12,500,000
June 30, 2000	12,500,000
September 30, 2000	12,500,000
December 30, 2000	12,500,000
March 31, 2001	13,750,000
June 30, 2001	13,750,000
September 30, 2001	13,750,000
December 30, 2001	13,750,000
March 31, 2002	15,000,000
June 30, 2002	15,000,000
September 30, 2002	15,000,000
December 30, 2002	15,000,000

(b) The Tranche B Term Loan of each Tranche B Lender shall mature in 28 consecutive quarterly installments, commencing on March 31, 1998, each of which shall be in an amount equal to such Lender's Tranche B Term Loan Percentage multiplied by the amount set forth below opposite such installment:

Installment -----	Principal Amount -----
March 31, 1998	\$ 250,000
June 30, 1998	250,000
September 30, 1998	250,000
December 30, 1998	250,000
March 31, 1999	250,000
June 30, 1999	250,000

September 30, 1999	250,000
December 30, 1999	250,000
March 31, 2000	250,000
June 30, 2000	250,000
September 30, 2000	250,000
December 30, 2000	250,000
March 31, 2001	250,000
June 30, 2001	250,000
September 30, 2001	250,000
December 30, 2001	250,000
March 31, 2002	250,000
June 30, 2002	250,000
September 30, 2002	250,000
December 30, 2002	250,000
March 31, 2003	16,250,000
June 30, 2003	16,250,000
September 30, 2003	16,250,000
December 30, 2003	16,250,000
March 31, 2004	17,500,000
June 30, 2004	17,500,000
September 30, 2004	17,500,000
December 30, 2004	17,500,000

SECTION 2.4 Revolving Credit Commitments. (a) Subject to the terms and conditions hereof, each Revolving Credit Lender severally agrees to make revolving credit loans ("Revolving Credit Loans") to the Borrower from time to time during the Revolving Credit Commitment Period in an aggregate principal amount at any one time outstanding which, when added to such Lender's Revolving Credit Percentage of the L/C Obligations then outstanding does not exceed the amount of such Lender's Revolving Credit Commitment. During the Revolving Credit Commitment Period the Borrower may use the Revolving Credit Commitments by borrowing, prepaying the Revolving Credit Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof. The Revolving Credit Loans may from time to time be Eurodollar Loans or ABR Loans, as determined by the Borrower and notified to the Administrative Agent in accordance with Sections 2.5 and 2.11,

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provided that no Revolving Credit Loan shall be made as a Eurodollar Loan after the day that is one month prior to the Revolving Credit Termination Date.

(b) The Borrower shall repay all outstanding Revolving Credit Loans on the Revolving Credit Termination Date.

SECTION 2.5 Procedure for Revolving Credit Borrowing. The Borrower may borrow under the Revolving Credit Commitments during the Revolving Credit Commitment Period on any Business Day, provided that the Borrower shall give the Administrative Agent irrevocable notice (which notice must be received by the Administrative Agent (a) prior to 12:00 Noon, New York City time, three Business Days prior to the requested Borrowing Date, in the case of Eurodollar Loans, or (b) prior to 10:00 A.M., New York City time, on the requested Borrowing Date, in the case of ABR Loans), specifying (i) the amount and Type of Revolving Credit Loans to be borrowed, (ii) the requested Borrowing Date and (iii) in the case of Eurodollar Loans, the length of the initial Interest Period therefor. Any Revolving Credit Loans made on the Closing Date shall initially be ABR Loans. Each borrowing under the Revolving Credit Commitments shall be in an amount equal to (x) in the case of ABR Loans, \$1,000,000 or a whole multiple thereof (or, if the then aggregate Available Revolving Credit Commitments are less than \$1,000,000, such lesser amount) and (y) in the case of Eurodollar Loans, \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof. Upon receipt of any such notice from the Borrower, the Administrative Agent shall promptly notify each Revolving Credit Lender thereof. Each Revolving Credit Lender will make the amount of its pro rata share of each borrowing available to the Administrative Agent for the account of the Borrower at the Funding Office prior to 12:00 Noon, New York City time, on the Borrowing Date requested by the Borrower in funds immediately available to the Administrative Agent. Such

borrowing will then be made available to the Borrower by the Administrative Agent in like funds as received by the Administrative Agent.

SECTION 2.6 Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of the appropriate Revolving Credit Lender or Term Loan Lender, as the case may be, (i) the then unpaid principal amount of each Revolving Credit Loan of such Revolving Credit Lender on the Revolving Credit Termination Date (or such earlier date on which the Loans become due and payable pursuant to Article 8) and (ii) the principal amount of each Term Loan of such Term Loan Lender in installments according to the amortization schedule set forth in Section 2.3 (or on such earlier date on which the Loans become due and payable pursuant to Article 8). The Borrower hereby further agrees to pay interest on the unpaid principal amount of the Loans from time to time outstanding from the date hereof until payment in full thereof at the rates per annum and on the dates set forth in Section 2.13.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrower to such Lender resulting from each Loan

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of such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(c) The Administrative Agent, on behalf of the Borrower, shall maintain the Register pursuant to Section 10.6(d), and a subaccount therein for each Lender, in which shall be recorded (i) the amount of each Loan made hereunder and any Note evidencing such Loan, the Type thereof and each Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(d) The entries made in the Register and the accounts of each Lender maintained pursuant to Section 2.6(b) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Loans made to such Borrower by such Lender in accordance with the terms of this Agreement.

(e) The Borrower agrees that, upon the request to the Administrative Agent by any Lender, the Borrower will execute and deliver to such Lender a promissory note of the Borrower evidencing any Term Loans or Revolving Credit Loans, as the case may be, of such Lender, substantially in the forms of Exhibit F-1 or F-2, respectively, with appropriate insertions as to date and principal amount.

SECTION 2.7 Commitment Fees, etc. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Revolving Credit Lender a commitment fee for the period from and including the Closing Date to the last day of the Revolving Credit Commitment Period, computed at the Commitment Fee Rate on the average daily amount of the Available Revolving Credit Commitment of such Lender during the period for which payment is made, payable quarterly in arrears on the last day of each March, June, September and December and on the Revolving Credit Termination Date, commencing on the first of such dates to occur after the date hereof.

(b) The Borrower agrees to pay to the Agents the fees in the amounts and on the dates previously agreed to in writing by the Borrower and the Agents.

SECTION 2.8 Termination or Reduction of Revolving Credit Commitments. The Borrower shall have the right, upon not less than three Business Days' notice to the Administrative Agent, to terminate the Revolving Credit

Commitments or, from time to time, to reduce the amount of the Revolving Credit Commitments; provided that no such termination or reduction of Revolving Credit Commitments shall be permitted if, after giving effect thereto and to any prepayments of the Revolving Credit Loans made on the effective date thereof, the

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Total Revolving Extensions of Credit would exceed the Total Revolving Credit Commitments. Any such reduction shall be in an amount equal to \$5,000,000, or a whole multiple of \$1,000,000 in excess thereof, and shall reduce permanently the Revolving Credit Commitments then in effect.

SECTION 2.9 Optional Prepayments. The Borrower may at any time and from time to time prepay the Loans, in whole or in part, without premium or penalty, upon irrevocable notice delivered to the Administrative Agent at least three Business Days prior thereto in the case of Eurodollar Loans and at least one Business Day prior thereto in the case of ABR Loans, which notice shall specify the date and amount of prepayment and whether the prepayment is of Eurodollar Loans or ABR Loans; provided that if a Eurodollar Loan is prepaid on any day other than the last day of the Interest Period applicable thereto, the Borrower shall also pay any amounts owing pursuant to Section 2.19. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with (except in the case of Revolving Credit Loans which are ABR Loans) accrued interest to such date on the amount prepaid. Partial prepayments of Term Loans and Revolving Credit Loans shall be in an aggregate principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof.

SECTION 2.10 Mandatory Prepayments and Commitment Reductions. (a) Unless the Required Prepayment Lenders shall otherwise agree with the Borrower not to require such a prepayment of the Term Loans and the reduction of the Revolving Credit Commitments, if any Capital Stock shall be issued (other than (i) the issuance of Capital Stock pursuant to the Warrant (as defined in the Acquisition Agreement as in effect on the date hereof) and (ii) the issuance by the Borrower of Capital Stock to outside directors, members of management or employees of the Borrower or any Subsidiary in the ordinary course of business the Net Cash Proceeds of which shall not exceed \$5,000,000 in any fiscal year), or Indebtedness incurred, by the Borrower or any of its Subsidiaries (excluding any Indebtedness incurred in accordance with Section 7.2 (other than Section 7.2(g) in respect of the initial issuance of the Senior Subordinated Notes)) an amount equal to 100% of the Net Cash Proceeds thereof shall be applied on the date of such issuance or incurrence toward the prepayment of the Term Loans and the reduction of the Revolving Credit Commitments as set forth in Section 2.10(d).

(b) Unless the Required Prepayment Lenders shall otherwise agree with the Borrower not to require such a prepayment of the Term Loans and the reduction of the Revolving Credit Commitments, if on any date the Borrower or any of its Subsidiaries shall receive Net Cash Proceeds from any Asset Sale or Recovery Event then, unless a Reinvestment Notice shall be delivered in respect thereof, such Net Cash Proceeds shall be applied on such date toward the prepayment of the Term Loans and the reduction of the Revolving Credit Commitments as set forth in Section 2.10(d); provided that, notwithstanding the foregoing, (i) the aggregate Net Cash Proceeds of Asset Sales that may be excluded from the foregoing

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requirements pursuant to a Reinvestment Notice shall not exceed \$5,000,000 in any fiscal year of the Borrower and (ii) on each Reinvestment Prepayment Date, an amount equal to the Reinvestment Prepayment Amount with respect to the relevant Reinvestment Event shall be applied toward the prepayment of the Term Loans and the reduction of the Revolving Credit Commitments as set forth in Section 2.10(d).

(c) Unless the Required Prepayment Lenders shall otherwise agree with the Borrower not to require such a prepayment of the Term Loans and the reduction of the Revolving Credit Commitments, if, for any fiscal year of the Borrower commencing with the fiscal year ending December 31, 1998, there shall be Excess Cash Flow, the Borrower shall, on the relevant Excess Cash Flow Application Date, apply 75% of such Excess Cash Flow toward the prepayment of the Term Loans and the reduction of the Revolving Credit Commitments as set forth in Section 2.10(d). Each such prepayment and commitment reduction shall be made on a date (an "Excess Cash Flow Application Date") no later than five days after the earlier of (i) the date on which the financial statements of the Borrower referred to in Section 6.1(a) for the fiscal year with respect to which such prepayment is made are required to be delivered to the Lenders and (ii) the date such financial statements are actually delivered.

(d) Amounts to be applied in connection with prepayments and Commitment reductions made pursuant to this Section 2.10 shall be applied, first, to the prepayment of the Term Loans and, second, to reduce permanently the Revolving Credit Commitments. Any such reduction of the Revolving Credit Commitments shall be accompanied by prepayment of the Revolving Credit Loans to the extent, if any, that the Total Revolving Extensions of Credit exceed the amount of the Total Revolving Credit Commitments as so reduced, provided that if the aggregate principal amount of Revolving Credit Loans then outstanding is less than the amount of such excess (because L/C Obligations constitute a portion thereof), the Borrower shall, to the extent of the balance of such excess, replace outstanding Letters of Credit and/or deposit an amount in cash in a cash collateral account established with the Administrative Agent for the benefit of the Lenders on terms and conditions satisfactory to the Administrative Agent. The application of any prepayment pursuant to Section 2.10 shall be made, first, to ABR Loans and, second, to Eurodollar Loans. Each prepayment of the Loans under Section 2.10 (except in the case of Revolving Credit Loans that are ABR Loans) shall be accompanied by accrued interest to the date of such prepayment on the amount prepaid.

SECTION 2.11 Conversion and Continuation Options. (a) The Borrower may elect from time to time to convert Eurodollar Loans to ABR Loans by giving the Administrative Agent at least two Business Days' prior irrevocable notice of such election, provided that any such conversion of Eurodollar Loans may only be made on the last day of an Interest Period with respect thereto. The Borrower may elect from time to time to convert ABR Loans to Eurodollar Loans by giving the Administrative Agent at least three Business Days' prior irrevocable notice of such election (which notice shall specify the length of the initial Interest Period therefor), provided that no ABR Loan under a particular Facility may be

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converted into a Eurodollar Loan (i) when any Event of Default has occurred and is continuing and the Administrative Agent or the Majority Facility Lenders in respect of such Facility have determined in its or their sole discretion not to permit such conversions or (ii) after the date that is one month prior to the final scheduled termination or maturity date of such Facility. Upon receipt of any such notice, the Administrative Agent shall promptly notify each relevant Lender thereof.

(b) Any Eurodollar Loan may be continued as such upon the expiration of the then current Interest Period with respect thereto by the Borrower giving irrevocable notice to the Administrative Agent, in accordance with the applicable provisions of the term "Interest Period" set forth in Section 1.1, of the length of the next Interest Period to be applicable to such Loans, provided that no Eurodollar Loan under a particular Facility may be continued as such (i)

when any Event of Default has occurred and is continuing and the Administrative Agent has or the Majority Facility Lenders in respect of such Facility have determined in its or their sole discretion not to permit such continuations or (ii) after the date that is one month prior to the final scheduled termination or maturity date of such Facility, and provided, further, that if the Borrower shall fail to give any required notice as described above in this paragraph or if such continuation is not permitted pursuant to the preceding proviso such Loans shall be automatically converted to ABR Loans on the last day of such then expiring Interest Period. Upon receipt of any such notice, the Administrative Agent shall promptly notify each relevant Lender thereof.

SECTION 2.12 Minimum Amounts and Maximum Number of Eurodollar Tranches. Notwithstanding anything to the contrary in this Agreement, all borrowings, conversions, continuations and optional prepayments of Eurodollar Loans hereunder and all selections of Interest Periods hereunder shall be in such amounts and be made pursuant to such elections so that, (a) after giving effect thereto, the aggregate principal amount of the Eurodollar Loans comprising each Eurodollar Tranche shall be equal to \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof and (b) no more than ten Eurodollar Tranches shall be outstanding at any one time.

SECTION 2.13 Interest Rates and Payment Dates. (a) Each Eurodollar Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such day plus the Applicable Margin.

(b) Each ABR Loan shall bear interest at a rate per annum equal to the Alternate Base Rate plus the Applicable Margin.

(c) (i) If all or a portion of the principal amount of any Loan or Reimbursement Obligation shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), all outstanding Loans and Reimbursement Obligations (whether or not overdue) shall bear interest at a rate per annum which is equal to (x) in the case of the Loans, the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this Section

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2.13 plus 2% or (y) in the case of Reimbursement Obligations, the rate applicable to ABR Loans under the Revolving Credit Facility plus 2%, and (ii) if all or a portion of any interest payable on any Loan or Reimbursement Obligation or any commitment fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum equal to the rate applicable to ABR Loans under the relevant Facility plus 2% (or, in the case of any such other amounts that do not relate to a particular Facility, the Alternate Base Rate plus 4%), in each case, with respect to clauses (i) and (ii) above, from the date of such non-payment until such amount is paid in full (as well after as before judgment).

(d) Interest shall be payable in arrears on each Interest Payment Date, provided that interest accruing pursuant to paragraph (c) of this Section 2.13 shall be payable from time to time on demand.

SECTION 2.14 Computation of Interest and Fees. (a) Interest, fees and commissions payable pursuant hereto shall be calculated on the basis of a 360-day year for the actual days elapsed, except that, with respect to ABR Loans the rate of interest on which is calculated on the basis of the Prime Rate, the interest thereon shall be calculated on the basis of a 365- (or 366-, as the case may be) day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrower and the relevant Lenders of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan resulting from a change in the Alternate Base Rate or the Eurocurrency Reserve Requirements shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify the Borrower and the relevant Lenders of the effective date and the amount of each such change in interest rate.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error. The Administrative Agent shall, at the request of the Borrower, deliver to the Borrower a statement showing the quotations used by the Administrative Agent in determining any interest rate pursuant to Section 2.13(a) and the calculation of any Eurocurrency Reserve Requirements.

SECTION 2.15 Inability to Determine Interest Rate. If prior to the first day of any Interest Period:

(a) the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrower) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period, or

(b) the Administrative Agent shall have received notice from the Majority Facility Lenders in respect of the relevant Facility that the Eurodollar Rate determined

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or to be determined for such Interest Period will not adequately and fairly reflect the cost to such Lenders (as conclusively certified by such Lenders) of making or maintaining their affected Loans during such Interest Period,

the Administrative Agent shall give telecopy or telephonic notice thereof to the Borrower and the relevant Lenders as soon as practicable thereafter. If such notice is given (x) any Eurodollar Loans under the relevant Facility requested to be made on the first day of such Interest Period shall be made as ABR Loans, (y) any Loans under the relevant Facility that were to have been converted on the first day of such Interest Period to Eurodollar Loans shall be continued as ABR Loans and (z) any outstanding Eurodollar Loans under the relevant Facility shall be converted, on the last day of the then current Interest Period, to ABR Loans. Until such notice has been withdrawn by the Administrative Agent, no further Eurodollar Loans under the relevant Facility shall be made or continued as such, nor shall the Borrower have the right to convert Loans under the relevant Facility to Eurodollar Loans.

SECTION 2.16 Pro Rata Treatment and Payments. (a) Each borrowing by the Borrower from the Lenders hereunder, each payment by the Borrower on account of any commitment fee and any reduction of the Commitments of the Lenders shall be made pro rata according to the respective Tranche A Term Loan Percentages, Tranche B Term Loan Percentages or Revolving Credit Percentages, as the case may be, of the relevant Lenders.

(b) Each payment (including each prepayment) by the Borrower on account of principal of and interest on the Term Loans shall be made pro rata according to the respective outstanding principal amounts of the Term Loans then held by the Term Loan Lenders (except as otherwise provided in Section 2.16(d)). The amount of each principal prepayment of the Term Loans shall be applied to reduce the then remaining installments of the Tranche A Term Loans and Tranche B Term Loans as the case may be pro rata based upon the then remaining principal amount thereof. Amounts prepaid on account of the Term Loans may not be reborrowed.

(c) Each payment (including each prepayment) by the Borrower on account of principal of and interest on the Revolving Credit Loans shall be made pro rata according to the respective outstanding principal amounts of the Revolving Credit Loans then held by the Revolving Credit Lenders.

(d) Notwithstanding anything to the contrary in Sections 2.9, 2.10 or 2.16, so long as and to the extent any Tranche A Term Loans are outstanding, except in the case of a mandatory prepayment of the Net Cash Proceeds of Indebtedness incurred pursuant to Section 7.2(g) up to an aggregate principal

amount of \$125,000,000, each Tranche B Term Loan Lender may, at its option, decline up to 100% of the portion of any optional prepayment or mandatory payment applicable to the Tranche B Term Loans of such Lender; accordingly, with respect to the amount of any optional prepayment described in Section 2.9 or mandatory prepayment described in Section 2.10, except in the case of a mandatory prepayment of the Net

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Cash Proceeds of Indebtedness incurred pursuant to Section 7.2(g) up to an aggregate principal amount of \$125,000,000, that is allocated to Tranche B Term Loans (such amount, the "Prepayment Amount"), at any time when Tranche A Term Loans remain outstanding, the Borrower will, (i) in the case of any optional prepayment which the Borrower intends to make, not later than 20 Business Days prior to the date on which the Borrower intends to make such optional prepayment, and (ii) in the case of any mandatory prepayment required to be made pursuant to Section 2.10, in lieu of applying such amount to the prepayment of Tranche B Term Loans as provided in paragraph Section 2.10(d), on the date specified in Section 2.10 for such prepayment, give the Administrative Agent telephonic notice (promptly confirmed in writing) requesting that the Administrative Agent prepare and provide to each Tranche B Lender a notice (each, a "Prepayment Option Notice") as described below. As promptly as practicable after receiving such notice from the Borrower, the Administrative Agent will send to each Tranche B Lender a Prepayment Option Notice, which shall be in the form of Exhibit G, and shall include an offer by the Borrower to prepay on the date (each a "Prepayment Date") that is 10 Business Days after the date of the Prepayment Option Notice, the relevant Term Loans of such Lender by an amount equal to the portion of the Prepayment Amount indicated in such Lender's Prepayment Option Notice as being applicable to such Lender's Tranche B Term Loans. On the Prepayment Date, (i) the Borrower shall pay to the Administrative Agent the aggregate amount necessary to prepay that portion of the outstanding relevant Term Loans in respect of which Tranche B Lenders have accepted prepayment as described above (such Lenders, the "Accepting Lenders"), and such amount shall be applied to reduce the Prepayment Amount, as applicable, with respect to each Accepting Lender and (ii) the Borrower shall pay to the Administrative Agent an amount equal to the portion of the Prepayment Amount not accepted by the Accepting Lenders, and such amount shall be applied to the prepayment of the Tranche A Term Loans.

(e) All payments (including prepayments) to be made by the Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without setoff or counterclaim and shall be made prior to 12:00 Noon, New York City time, on the due date thereof to the Administrative Agent, for the account of the Lenders, at the Payment Office, in Dollars and in immediately available funds. The Administrative Agent shall distribute such payments to the Lenders promptly upon receipt in like funds as received. If any payment hereunder (other than payments on the Eurodollar Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day. If any payment on a Eurodollar Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day. In the case of any extension of any payment of principal pursuant to the preceding two sentences, interest thereon shall be payable at the then applicable rate during such extension.

(f) Unless the Administrative Agent shall have been notified in writing by any Lender prior to a borrowing that such Lender will not make the amount that would constitute

its share of such borrowing available to the Administrative Agent, the Administrative Agent may assume that such Lender is making such amount available to the Administrative Agent, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is not made available to the Administrative Agent by the required time on the Borrowing Date therefor, such Lender shall pay to the Administrative Agent, on demand, such amount with interest thereon at a rate equal to the daily average Federal Funds Effective Rate for the period until such Lender makes such amount immediately available to the Administrative Agent. A certificate of the Administrative Agent submitted to any Lender with respect to any amounts owing under this Section 2.16(f) shall be conclusive in the absence of manifest error. If such Lender's share of such borrowing is not made available to the Administrative Agent by such Lender within three Business Days of such Borrowing Date, the Administrative Agent shall also be entitled to recover such amount with interest thereon at the rate per annum applicable to ABR Loans under the relevant Facility, on demand, from the Borrower, and, if so recovered, such amount shall no longer be deemed outstanding hereunder.

(g) Unless the Administrative Agent shall have been notified in writing by the Borrower prior to the date of any payment being made hereunder that the Borrower will not make such payment to the Administrative Agent, the Administrative Agent may assume that the Borrower is making such payment, and the Administrative Agent may, but shall not be required to, in reliance upon such assumption, make available to the Lenders their respective pro rata shares of a corresponding amount. If such payment is not made to the Administrative Agent by the Borrower within three Business Days of such required date, the Administrative Agent shall be entitled to recover, on demand, from each Lender to which any amount which was made available pursuant to the preceding sentence, such amount with interest thereon at the rate per annum equal to the daily average Federal Funds Effective Rate. Nothing herein shall be deemed to limit the rights of the Administrative Agent or any Lender against the Borrower.

SECTION 2.17 Requirements of Law. (a) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender which is not otherwise included in the determination of the Eurodollar Rate hereunder; or

(ii) shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender, by an amount which such Lender deems to be material, of making, converting into, continuing or maintaining Eurodollar Loans or issuing or participating in Letters of Credit, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay such Lender, upon its demand, any additional amounts necessary to compensate such Lender for such increased cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to this Section 2.17, it shall promptly notify the Borrower (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled (and any related calculations).

(b) If any Lender shall have determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the

interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations to lend hereunder or under or in respect of any Letter of Credit to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, after submission by such Lender to the Borrower (with a copy to the Administrative Agent) of a written request therefor, the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender for such reduction provided that the Borrower shall not be required to compensate a Lender pursuant to this paragraph for any amounts incurred more than twelve months prior to the date that such Lender notifies the Borrower of such Lender's intention to claim compensation therefor; and provided further that, if the circumstances giving rise to such claim have a retroactive effect, then such twelve-month period shall be extended to include the period of such retroactive effect.

(c) A certificate as to any additional amounts payable pursuant to this Section 2.17 submitted by any Lender to the Borrower (with a copy to the Administrative Agent) shall contain reasonable supporting calculations and an explanation in connection therewith and shall be conclusive in the absence of manifest error. The obligations of the Borrower pursuant to this Section 2.17 shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder, except to the extent provided for in Section 2.17(b).

SECTION 2.18 Taxes. (a) All payments made by the Borrower under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding net income taxes and franchise taxes (imposed in lieu of net income taxes) imposed on any Agent or any Lender by any

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jurisdiction under the laws of which the Agent or the Lender is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located. If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") or Other Taxes are required to be withheld from any amounts payable to any Agent or any Lender hereunder, the amounts so payable to such Agent or such Lender shall be increased to the extent necessary to yield to such Agent or such Lender (after payment of all Non-Excluded Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement, provided, however, that the Borrower shall not be required to increase any such amounts payable to any Lender with respect to any Non-Excluded Taxes (i) that are attributable to such Lender's failure to comply with the requirements of paragraph (d) or (e) of this Section, (ii) that are United States withholding taxes that would be imposed on amounts payable to such Lender at the time the Lender becomes a party to this Agreement, except to the extent that such Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such Non-Excluded Taxes pursuant to Section 2.18(a) or (iii) that are imposed as a result of an action taken by the Lender.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Whenever any Non-Excluded Taxes or Other Taxes are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Administrative Agent for the account of the relevant Agent or Lender, as the case may be, a certified copy of an original official receipt received by the

Borrower showing payment thereof. If the Borrower fails to pay any Non-Excluded Taxes or Other Taxes when due to the appropriate taxing authority or fails to remit to the Agents the required receipts or other required documentary evidence, the Borrower shall indemnify the Administrative Agent and the Lenders for any incremental taxes, interest or penalties that may become payable by any Agent or any Lender as a result of any such failure. The agreements in this Section 2.18 shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder for a period of twelve months after the date hereof.

(d) Each Lender (or Transferee) that is not a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States (or any jurisdiction thereof), or any estate or trust that is subject to federal income taxation regardless of the source of its income (a "Non-U.S. Lender") shall deliver to the Borrower and the Administrative Agent (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form 1001 or Form 4224, or, in the case of a Non-U.S. Lender 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 statement substantially in the form of Exhibit H and a Form W-8, or any subsequent versions thereof or successors thereto properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from U.S. federal

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withholding tax on all payments by the Borrower under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related participation). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Each Non-U.S. Lender shall promptly notify the Borrower at any time it determines that it is no longer in a position to provide any previously delivered certificate to the Borrower (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this Section 2.18(d), a Non-U.S. Lender shall not be required to deliver any form pursuant to this Section 2.18(d) that such Non-U.S. Lender is not legally able to deliver.

(e) A Lender that is entitled to an exemption from or reduction of non-U.S. withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate, provided that such Lender is legally entitled to complete, execute and deliver such documentation and in such Lender's reasonable judgment such completion, execution or submission would not materially prejudice the legal position of such Lender.

SECTION 2.19 Indemnity. The Borrower agrees to indemnify each Lender and to hold each Lender harmless from any loss or expense which such Lender may sustain or incur as a consequence of (a) default by the Borrower in making a borrowing of, conversion into or continuation of Eurodollar Loans after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement (except as a result of a notice by the Administrative Agent pursuant to Section 2.15), (b) default by the Borrower in making any prepayment after the Borrower has given a notice thereof in accordance with the provisions of this Agreement or (c) the making of a prepayment of Eurodollar Loans on a day which is not the last day of an Interest Period with respect thereto. Such indemnification may include an amount equal to the excess, if any, of (i) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, converted or continued, for the period from the date of such prepayment or of such failure to borrow, convert or

continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Loans provided for herein (excluding, however, the Applicable Margin included therein, if any) over (ii) the amount of interest (as reasonably determined by such Lender) which would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank eurodollar market. A certificate as to any amounts payable pursuant to this Section 2.19 submitted to the Borrower by any Lender shall be conclusive in the absence of manifest error. This covenant shall

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survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

SECTION 2.20 Illegality. Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Lender to make or maintain Eurodollar Loans as contemplated by this Agreement, (a) the commitment of such Lender hereunder to make Eurodollar Loans, continue Eurodollar Loans as such and convert ABR Loans to Eurodollar Loans shall forthwith be cancelled and (b) such Lender's Loans then outstanding as Eurodollar Loans, if any, shall be converted automatically to ABR Loans on the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as required by law. If any such conversion of a Eurodollar Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, the Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to Section 2.19.

SECTION 2.21 Change of Lending Office. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 2.17 or 2.18(a) with respect to such Lender, it will, if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event with the object of avoiding the consequences of such event; provided that such designation is made on terms that, in the sole judgment of such Lender, cause such Lender and its lending office(s) to suffer no economic, legal or regulatory disadvantage, and provided, further, that nothing in this Section 2.21 shall affect or postpone any of the obligations of any Borrower or the rights of any Lender pursuant to Section 2.17 or 2.18(a).

SECTION 2.22 Replacement of Lenders under Certain Circumstances. The Borrower shall be permitted to replace any Lender which (a) requests reimbursement for amounts owing pursuant to Section 2.17 or 2.18 or (b) defaults in its obligation to make Loans hereunder, with a replacement financial institution; provided that (i) such replacement does not conflict with any Requirement of Law, (ii) no Event of Default shall have occurred and be continuing at the time of such replacement, (iii) prior to any such replacement, such Lender shall have taken no action under Section 2.21 so as to eliminate the continued need for payment of amounts owing pursuant to Section 2.17 or 2.18, (iv) the replacement financial institution shall purchase, at par, all Loans and other amounts owing to such replaced Lender on or prior to the date of replacement, (v) the Borrower shall be liable to such replaced Lender under Section 2.19 if any Eurodollar Loan owing to such replaced Lender shall be purchased other than on the last day of the Interest Period relating thereto, (vi) the replacement financial institution, if not already a Lender, shall be reasonably satisfactory to the Administrative Agent, (vii) the replaced Lender shall be obligated to make such replacement in accordance with the provisions of Section 10.6 (provided that the Borrower shall be obligated to pay the registration and processing fee referred to therein), (viii) until such time as such replacement shall be consummated, the Borrower shall pay all additional amounts (if any) required pursuant to Section 2.17 or 2.18, as the case may be, and (ix) any such replacement shall not be deemed

to be a waiver of any rights which the Borrower, the Administrative Agent or any other Lender shall have against the replaced Lender.

ARTICLE III. LETTERS OF CREDIT

SECTION 3.1 L/C Commitment. (a) Subject to the terms and conditions hereof, the Issuing Lender, in reliance on the agreements of the other Revolving Credit Lenders set forth in Section 3.4(a), agrees to issue letters of credit ("Letters of Credit") for the account of the Borrower on any Business Day during the Revolving Credit Commitment Period in such form as may be approved from time to time by the Issuing Lender; provided that the Issuing Lender shall have no obligation to issue any Letter of Credit if, after giving effect to such issuance, (i) the L/C Obligations would exceed the L/C Commitment or (ii) the aggregate amount of the Available Revolving Credit Commitments would be less than zero. Each Letter of Credit shall (i) be denominated in Dollars and (ii) expire no later than the earlier of (x) the first anniversary of its date of issuance and (y) the date which is five Business Days prior to the Scheduled Revolving Credit Termination Date, provided that any Letter of Credit with a one-year term may provide for the renewal thereof for additional one-year periods (which shall in no event extend beyond the date referred to in clause (y) above).

(b) Each Letter of Credit shall be subject to the Uniform Customs and, to the extent not inconsistent therewith, the laws of the State of New York.

(c) The Issuing Lender shall not at any time be obligated to issue any Letter of Credit hereunder if such issuance would conflict with, or cause the Issuing Lender or any L/C Participant to exceed any limits imposed by, any applicable Requirement of Law.

SECTION 3.2 Procedure for Issuance of Letter of Credit. The Borrower may from time to time request that the Issuing Lender issue a Letter of Credit by delivering to the Issuing Lender at its address for notices specified herein an Application therefor, completed to the satisfaction of the Issuing Lender, and such other certificates, documents and other papers and information as the Issuing Lender may reasonably request. Upon receipt of any Application, the Issuing Lender will process such Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall promptly issue the Letter of Credit requested thereby (but in no event shall the Issuing Lender be required to issue any Letter of Credit earlier than three Business Days after its receipt of the Application therefor and all such other certificates, documents and other papers and information relating thereto) by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed to by the Issuing Lender and the Borrower. The Issuing Lender shall furnish a copy of such Letter of Credit to the Borrower promptly following the issuance thereof. The Issuing Lender shall promptly furnish to the Administrative Agent, which shall in turn promptly furnish to the Lenders, notice of the issuance of each Letter of Credit (including the amount thereof).

SECTION 3.3 Commissions, Fees and Other Charges. (a) The Borrower will pay a commission on all undrawn and unpaid Letters of Credit at a per annum rate equal to the Applicable Margin then in effect with respect to Eurodollar Loans under the Revolving Credit Facility, shared ratably among the Revolving Credit Lenders and payable quarterly in arrears on each L/C Fee Payment Date after the issuance date. In addition, the Borrower shall pay to the Issuing Lender for its

own account a fronting fee of 1/4 of 1% per annum of the undrawn and unexpired amount of the Letter of Credit, payable quarterly in arrears on each L/C Fee Payment Date after the Issuance Date.

(b) In addition to the foregoing fees and commissions, the Borrower shall pay or reimburse the Issuing Lender for such normal and customary costs and expenses as are incurred or charged by the Issuing Lender in issuing, negotiating, effecting payment under, amending or otherwise administering any Letter of Credit.

SECTION 3.4 L/C Participations. (a) The Issuing Lender irrevocably agrees to grant and hereby grants to each L/C Participant, and, to induce the Issuing Lender to issue Letters of Credit hereunder, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from the Issuing Lender, on the terms and conditions hereinafter stated, for such L/C Participant's own account and risk an undivided interest equal to such L/C Participant's Revolving Credit Percentage in the Issuing Lender's obligations and rights under each Letter of Credit issued hereunder and the amount of each draft paid by the Issuing Lender thereunder. Each L/C Participant unconditionally and irrevocably agrees with the Issuing Lender that, if a draft is paid under any Letter of Credit for which the Issuing Lender is not reimbursed in full by the Borrower in accordance with the terms of this Agreement, such L/C Participant shall pay to the Issuing Lender upon demand at the Issuing Lender's address for notices specified herein an amount equal to such L/C Participant's Revolving Credit Percentage of the amount of such draft, or any part thereof, which is not so reimbursed.

(b) If any amount required to be paid by any L/C Participant to the Issuing Lender pursuant to Section 3.4(a) in respect of any unreimbursed portion of any payment made by the Issuing Lender under any Letter of Credit is paid to the Issuing Lender within three Business Days after the date such payment is due, such L/C Participant shall pay to the Issuing Lender on demand an amount equal to the product of (i) such amount, times (ii) the daily average Federal Funds Effective Rate during the period from and including the date such payment is required to the date on which such payment is immediately available to the Issuing Lender, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. If any such amount required to be paid by any L/C Participant pursuant to Section 3.4(a) is not made available to the Issuing Lender by such L/C Participant within three Business Days after the date such payment is due, the Issuing Lender shall be entitled to recover from such L/C Participant, on demand, such amount with interest thereon calculated from such due date at the rate per annum applicable to ABR Loans under the Revolving Credit Facility. A certificate of the Issuing Lender submitted to any L/C

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Participant with respect to any amounts owing under this Article shall be conclusive in the absence of manifest error.

(c) Whenever, at any time after the Issuing Lender has made payment under any Letter of Credit and has received from any L/C Participant its pro rata share of such payment in accordance with Section 3.4(a), the Issuing Lender receives any payment related to such Letter of Credit (whether directly from the Borrower or otherwise, including proceeds of collateral applied thereto by the Issuing Lender), or any payment of interest on account thereof, the Issuing Lender will distribute to such L/C Participant its pro rata share thereof; provided that in the event that any such payment received by the Issuing Lender shall be required to be returned by the Issuing Lender, such L/C Participant shall return to the Issuing Lender the portion thereof previously distributed by the Issuing Lender to it.

SECTION 3.5 Reimbursement Obligation of the Borrower. The Borrower agrees to reimburse the Issuing Lender on each date on which the Issuing Lender notifies the Borrower of the date and amount of a draft presented under any Letter of Credit and paid by the Issuing Lender for the amount of (a) such draft so paid and (b) any taxes, fees, charges or other costs or expenses incurred by

the Issuing Lender in connection with such payment; provided that if the Issuing Lender does not notify the Borrower as provided for above earlier than 9:30 A.M. (New York City time) on the date such draft is paid then such reimbursement payment may be made the Business Day immediately subsequent to the date such draft is paid. Each such payment shall be made to the Issuing Lender at its address for notices specified herein in lawful money of the United States and in immediately available funds. Interest shall be payable on any and all amounts remaining unpaid by the Borrower under this Article from the date such amounts become payable (whether at stated maturity, by acceleration or otherwise) until payment in full at the rate set forth in Section 2.13(c); provided that if the Issuing Lender does not notify the Borrower as provided for above earlier than 9:30 A.M. (New York City time) on the date such draft is paid, then for such day (and until the next Business Day) all amounts remaining unpaid in respect of such notice shall bear interest the rate set forth in Section 2.13(b). Each drawing under any Letter of Credit shall (unless an event of the type described in clause (i) or (ii) of Section 8(f) shall have occurred and be continuing with respect to the Borrower, in which case the procedures specified in Section 3.4 for funding by L/C Participants shall apply) constitute a request by the Borrower to the Administrative Agent for a borrowing pursuant to Section 2.5 of ABR Loans in the amount of such drawing. The Borrowing Date with respect to such borrowing shall be the date of such drawing.

SECTION 3.6 Obligations Absolute. The Borrower's obligations under this Article 3 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Borrower may have or have had against the Issuing Lender, any beneficiary of a Letter of Credit or any other Person. The Borrower also agrees with the Issuing Lender that the Issuing Lender shall not be responsible for, and the Borrower's Reimbursement Obligations under Section 3.5 shall not be affected by,

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among other things, the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among the Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of the Borrower against any beneficiary of such Letter of Credit or any such transferee. The Issuing Lender shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Issuing Lender. The Borrower agrees that any action taken or omitted by the Issuing Lender under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence or willful misconduct and in accordance with the standards or care specified in the Uniform Commercial Code of the State of New York, shall be binding on the Borrower and shall not result in any liability of the Issuing Lender to the Borrower.

SECTION 3.7 Letter of Credit Payments. If any draft shall be presented for payment under any Letter of Credit, the Issuing Lender shall promptly notify the Borrower of the date and amount thereof. The responsibility of the Issuing Lender to the Borrower in connection with any draft presented for payment under any Letter of Credit shall, in addition to any payment obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment are in conformity with such Letter of Credit.

SECTION 3.8 Applications. To the extent that any provision of any Application related to any Letter of Credit is inconsistent with the provisions of this Article 3, the provisions of this Article 3 shall apply.

ARTICLE IV. REPRESENTATIONS AND WARRANTIES

To induce the Agents and the Lenders to enter into this Agreement and to make the Loans and issue or participate in the Letters of Credit, the

Borrower hereby represents and warrants to each Agent and each Lender that:

SECTION 4.1 Financial Condition. (a) The unaudited pro forma consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at September 30, 1997 (including the notes thereto) (the "Pro Forma Balance Sheet"), copies of which have heretofore been furnished to each Lender, has been prepared giving effect (as if such events had occurred on such date) to (i) the consummation of the Acquisition, (ii) the Loans to be made and the use of proceeds thereof and (iii) the payment of fees and expenses in connection with the foregoing. The Pro Forma Balance Sheet has been prepared based on the best information available to the Borrower as of the date of delivery thereof, and presents fairly on a pro forma basis the estimated financial position of Borrower and its consolidated Subsidiaries as at

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September 30, 1997, assuming that the events specified in the preceding sentence had actually occurred at such date.

(b) The audited consolidated balance sheets of the Borrower as at December 31, 1994, December 31, 1995 and December 31, 1996 and the related consolidated statements of income and of cash flows for the fiscal years ended on such dates, reported on by and accompanied by an unqualified report from Price Waterhouse LLP, present fairly the consolidated financial position of the Borrower as at such date, and the consolidated results of its operations and its consolidated cash flows for the respective fiscal years then ended. The unaudited consolidated balance sheet of the Borrower as at September 30, 1997, and the related unaudited consolidated statements of income and cash flows for the nine-month period ended on such date, present fairly the consolidated financial position of the Borrower as at such date, and the consolidated results of its operations and its consolidated cash flows for the nine-month period then ended (subject to normal year-end audit adjustments). All such financial statements, including the related schedules and any notes thereto (except in the case of any notes to the financial statements dated as of September 30, 1997), have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by the aforementioned firm of accountants and disclosed therein). As of the date of the most recent financial statements referred to in this paragraph (b), the Borrower and its Subsidiaries did not have any material Guarantee Obligations, contingent liabilities and liabilities for taxes, or any long-term leases or unusual forward or long-term commitments, including, without limitation, any interest rate or foreign currency swap or exchange transaction or other obligation in respect of derivatives, that were not reflected in such financial statements, except as set forth on Schedule 4.1(b). During the period from December 31, 1996 to and including the date hereof, there has been no Disposition by the Borrower of any material part of its business or Property, except as set forth on Schedule 4.1.

(c) The audited U.S. Statement of Assets to be Acquired and Liabilities to be Assumed of Linvatec as at December 31, 1995 and December 31, 1996 and the related U.S. Statement of Net Sales and Direct Operating Expenses for the fiscal years ended on such dates, reported on by and accompanied by an audit report from Price Waterhouse LLP, present fairly the consolidated financial position of Linvatec as at such dates, and the consolidated results of its operations for the respective fiscal years then ended. The audited U.S. Statement of Assets to be Acquired and Liabilities to be Assumed of Linvatec as at June 30, 1997 and the related U.S. Statement of Net Sales and Direct Operating Expenses for the six-month period ended on such date, reported on by and accompanied by an audit report from Price Waterhouse LLP, present fairly the consolidated financial position of Linvatec as at such date, and the consolidated results of its operations for the six-month period then ended. The unaudited U.S. Statement of Net Sales and Direct Operating Expenses of Linvatec for the nine-month period ended September 30, 1997, present fairly the consolidated results of operations of Linvatec for the nine-month period then ended (subject to normal year-end audit adjustments). All such financial statements, including the related schedules and any notes thereto (except in the case of any notes to the financial statements dated as of June 30, 1997 and September 30, 1997), have

been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by the aforementioned firm of accountants and disclosed therein). As of the date of the most recent financial statements referred to in this paragraph (c), Linvatec and its Subsidiaries did not have any material Guarantee Obligations, contingent liabilities and liabilities for taxes, or any long-term leases or unusual forward or long-term commitments, including, without limitation, any interest rate or foreign currency swap or exchange transaction or other obligation in respect of derivatives, that were not reflected in such financial statements, except as set forth on Schedule 4.1(c). During the period from September 30, 1997, to and including the date hereof, there has been no Disposition by Linvatec of any material part of its business or Property, except as set forth on Schedule 4.1.

SECTION 4.2 No Change. Since December 31, 1996, there has been no development or event which has had or could reasonably be expected to have a Material Adverse Effect.

SECTION 4.3 Corporate Existence; Compliance with Law. Each of the Borrower and its Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has the corporate power and authority, and the legal right, to own and operate its Property, to lease the Property it operates as lessee and to conduct the business in which it is currently engaged, (c) is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where its ownership, lease or operation of Property or the conduct of its business requires such qualification and (d) is in compliance with all Requirements of Law except in the case of clauses (c) and (d) to the extent that the failure to so qualify and be in good standing or to so comply could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

SECTION 4.4 Corporate Power; Authorization; Enforceable Obligations. Each Loan Party has the corporate power and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party and, in the case of the Borrower, to borrow hereunder. Each Loan Party has taken all necessary corporate action to authorize the execution, delivery and performance of the Loan Documents to which it is a party and, in the case of the Borrower, to authorize the borrowings on the terms and conditions of this Agreement. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the Acquisition and the borrowings hereunder or with the execution, delivery, performance, validity or enforceability of this Agreement or any of the Loan Documents, except (i) consents, authorizations, filings and notices described in Schedule 4.4 and (ii) the filings referred to in Section 4.19. Each Loan Document has been duly executed and delivered on behalf of each Loan Party thereto. This Agreement constitutes, and each other Loan Document upon execution will constitute, a legal, valid and binding obligation of each Loan Party party thereto, enforceable against each such Loan Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws relating to or affecting the enforcement of

creditors' rights and to general equity principles (whether enforcement is sought by proceedings in equity or at law).

SECTION 4.5 No Legal Bar. The execution, delivery and performance of

this Agreement and the other Loan Documents, the issuance of Letters of Credit, the borrowings hereunder and the use of the proceeds thereof will not violate any Requirement of Law or any Contractual Obligation of the Borrower or any of its Subsidiaries in any material respect and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any Requirement of Law or any such Contractual Obligation (other than the Liens created by the Security Documents). No Requirement of Law (excluding compliance in the ordinary course of business with the laws and regulations enforced by the United States Food and Drug Administration and any compliance with comparable health and safety requirements) or Contractual Obligation applicable to the Borrower or any of its Subsidiaries could reasonably be expected to have a Material Adverse Effect.

SECTION 4.6 No Material Litigation. No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Borrower, threatened by or against the Borrower or any of its Subsidiaries or against any of their respective properties or revenues (a) with respect to any of the Loan Documents or any of the transactions contemplated hereby or thereby or (b) which could reasonably be expected to have a Material Adverse Effect.

SECTION 4.7 No Default. Neither the Borrower nor any of its Subsidiaries is in default under or with respect to any of its Contractual Obligations in any respect which could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

SECTION 4.8 Ownership of Property; Liens. Each of the Borrower and its Subsidiaries has title in fee simple to, or a valid leasehold interest in, all its real property, and sufficient title to enjoy the benefits of, or a valid leasehold interest in, all its other Property, and none of such Property is subject to any Lien except as permitted by Section 7.3.

SECTION 4.9 Intellectual Property. Except as set forth on Schedule 4.9, (a) the Borrower and each of its Subsidiaries owns, or is licensed to use or otherwise possess a legally enforceable right to use, all Intellectual Property necessary for the conduct of its business as currently conducted; (b) no material claim has been asserted and is pending by any Person challenging or questioning the use of any Intellectual Property or the validity or effectiveness of any Intellectual Property, nor does the Borrower know of any valid basis for any such claim; and (c) to Borrower's knowledge, the use of Intellectual Property by the Borrower and its Subsidiaries does not infringe on the rights of any Person in any material respect.

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SECTION 4.10 Taxes. Each of the Borrower and each of its Subsidiaries has filed or caused to be filed all Federal, state and other material tax returns which are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its Property and all other taxes, fees or other charges imposed on it or any of its Property by any Governmental Authority (other than any the amount or validity of which are currently being contested in good faith by appropriate procedures or with respect to which reserves in conformity with GAAP have been provided on the books of the Borrower or its Subsidiaries, as the case may be); no tax Lien has been filed, and, to the knowledge of the Borrower, no material claim is being asserted, with respect to any such tax, fee or other charge.

SECTION 4.11 Federal Regulations. No part of the proceeds of any Loans will be used for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation G or Regulation U as now and from time to time hereafter in effect without prior written notice to the Administrative Agent or for any purpose which violates the provisions of the Regulations of the Board. If requested by any Lender or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form G- 3 or FR Form U-1 referred to in Regulation G or Regulation U, as the case may

be.

SECTION 4.12 Labor Matters. There are no strikes or other labor disputes against the Borrower or any of its Subsidiaries pending or, to the knowledge of the Borrower, threatened that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect. Hours worked by and payment made to employees of the Borrower and its Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Requirement of Law dealing with such matters that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect. All payments due from the Borrower or any of its Subsidiaries on account of employee health and welfare insurance that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect if not paid have been paid or accrued as a liability on the books of the Borrower or the relevant Subsidiary.

SECTION 4.13 ERISA. Neither a Reportable Event nor an "accumulated funding deficiency" (within the meaning of Section 412 of the Code or Section 302 of ERISA) has occurred during the five-year period prior to the date on which this representation is made or deemed made with respect to any Plan, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred, and no Lien in favor of the PBGC or a Plan has arisen, during such five-year period. The present value of all accrued benefits under each Single Employer Plan (based on those assumptions used to fund such Plans) did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits by a material amount. Neither the Borrower nor any Commonly Controlled Entity has had a complete or partial withdrawal from any

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Multiemployer Plan which has resulted or could reasonably be expected to result in a material liability under ERISA, and neither the Borrower nor any Commonly Controlled Entity would become subject to any material liability under ERISA if the Borrower or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made. No such Multiemployer Plan is in Reorganization or Insolvent.

SECTION 4.14 Investment Company Act; Other Regulations. No Loan Party is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended. No Loan Party is subject to regulation under any Requirement of Law (other than Regulation X of the Board) which limits its ability to incur Indebtedness.

SECTION 4.15 Subsidiaries. (a) Schedule 4.15 sets forth as of the Closing Date the name and jurisdiction of incorporation of each Subsidiary and, as to each such Subsidiary, the percentage of each class of Capital Stock owned by any Loan Party.

(b) There are no outstanding subscriptions, options, warrants, calls, rights or other agreements or commitments (other than stock options granted to employees or directors and directors' qualifying shares) of any nature relating to any Capital Stock of the Borrower or any Subsidiary, except under the Loan Documents and the Warrant.

SECTION 4.16 Use of Proceeds. The proceeds of the Term Loans shall be used to finance a portion of the Acquisition and to pay related fees and expenses. No more than \$40,000,000 (excluding any amounts paid pursuant to the Acquisition Documentation for a working capital adjustment not in excess of \$10,000,000) of the Revolving Credit Loans shall be used to finance the Acquisition on the Closing Date and the remainder of the Revolving Credit Loans and the Letters of Credit shall be used in respect of working capital in the ordinary course of business.

SECTION 4.17 Environmental Matters. Except as individually or in the aggregate could not reasonably be expected to result in a Material Adverse

Effect:

(a) The facilities and properties owned, leased or operated by the Borrower or any of its Subsidiaries (the "Properties") do not contain, and have not previously contained, any Materials of Environmental Concern in amounts or concentrations or under circumstances which (i) constitute or constituted a violation of, or (ii) could reasonably be expected to have given rise to a release or a threat of release, as regulated or defined, under any Environmental Law.

(b) The Properties and all operations at the Properties are in material compliance, and have in the last five years been in material compliance, with all applicable Environmental Laws, and there is no contamination at, under or about the Properties or

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violation of any Environmental Law with respect to the Properties or the business operated by the Borrower or any of its Subsidiaries (the "Business"). Neither the Borrower nor any of its Subsidiaries has contractually assumed any liability of any other Person under Environmental Laws other than in the ordinary course of business.

(c) Neither the Borrower nor any of its Subsidiaries has received or is aware of any notice of violation, alleged violation, non-compliance, liability or potential liability, judicial proceeding or governmental or administrative action or consent decrees or other decrees, consent orders, administrative orders or other orders, regarding environmental matters or compliance with Environmental Laws with regard to any of the Properties or the Business, nor does the Borrower have knowledge or reason to believe that any such notice will be received or is being threatened.

(d) Materials of Environmental Concern have not been transported or disposed of from the Properties in violation of, or in a manner or to a location which could reasonably be expected to give rise to liability under, any Environmental Law, nor have any Materials of Environmental Concern been generated, treated, stored or disposed of at, on or under any of the Properties in violation of, or in a manner that could reasonably be expected to give rise to liability under, any applicable Environmental Law.

(e) There has been no release or threat of release of Materials of Environmental Concern at or from the properties previously owned or operated by the Borrower or any Subsidiary (the "Former Properties") during such period of ownership or operation, or arising from or related to the operations of the Borrower or any Subsidiary in connection with the Former Properties or otherwise in connection with the Business, in violation of or in amounts or in a manner that could reasonably be expected to give rise to liability under Environmental Laws.

SECTION 4.18 Accuracy of Information, etc. No statement or information contained in this Agreement, any other Loan Document, the Confidential Information Memorandum or any other document, certificate or statement furnished to the Administrative Agent or the Lenders or any of them, by or on behalf of any Loan Party for use in connection with the transactions contemplated by this Agreement or the other Loan Documents, contained as of the date such statement, information, document or certificate was so furnished (or, in the case of the Confidential Information Memorandum, as of the date of this Agreement), any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained herein or therein not misleading. The projections and pro forma financial information contained in the materials referenced above are based upon good faith estimates and assumptions believed by management of the Borrower to be reasonable at the time made, it being recognized by the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount. As of the date hereof, the representations and warranties contained in the

Acquisition Agreement are true and correct in all material respects. There is no fact known to any Loan Party that could reasonably be expected to have a Material Adverse Effect that has not been expressly disclosed herein, in the other Loan Documents, in the Confidential Information Memorandum or in any other documents, certificates and statements furnished to the Administrative Agent and the Lenders for use in connection with the transactions contemplated hereby and by the other Loan Documents.

SECTION 4.19 Security Documents. The Guarantee and Collateral Agreement is effective to create in favor of the Administrative Agent, for the benefit of the Lenders, a legal, valid and enforceable security interest in the Collateral described therein and proceeds thereof. In the case of the Pledged Stock described in the Guarantee and Collateral Agreement, when stock certificates representing such Pledged Stock are delivered to the Administrative Agent, and in the case of the other Collateral described in the Guarantee and Collateral Agreement, when financing statements in appropriate form are filed in the offices specified on Schedule 4.19 and such other filings as are specified on Schedule 3 to the Guarantee and Collateral Agreement, the Guarantee and Collateral Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in such Collateral and the proceeds thereof, as security for the Obligations (as defined in the Guarantee and Collateral Agreement), in each case prior and superior in right to any other Person (except, in the case of Collateral other than Pledged Stock, Liens permitted by Section 7.3).

SECTION 4.20 Solvency. Each Loan Party is, and after giving effect to the Acquisition and the incurrence of all Indebtedness and obligations being incurred in connection herewith and therewith will be and will continue to be, Solvent.

ARTICLE V. CONDITIONS PRECEDENT

SECTION 5.1 Conditions to Initial Extension of Credit. The agreement of each Lender to make the initial extension of credit requested to be made by it is subject to the satisfaction, prior to or concurrently with the making of such extension of credit on the Closing Date, of the following conditions precedent:

(a) Loan Documents. The Administrative Agent shall have received (i) this Agreement, executed and delivered by a duly authorized officer of the Borrower, (ii) the Guarantee and Collateral Agreement, executed and delivered by a duly authorized officer of the Borrower and each Subsidiary Guarantor, and (iii) for the account of each requesting Lender, Notes conforming to the requirements hereof and executed and delivered by a duly authorized officer of the Borrower.

(b) Acquisition. The Acquisition shall have been consummated on terms and conditions reasonably satisfactory and in accordance with applicable law, and no material provision of the Acquisition Documentation shall have been waived, amended,

supplemented or otherwise modified in any material respect. The capitalization and structure of each Loan Party after the Acquisition and the borrowings hereunder on the Closing Date shall not have a material and adverse effect on the financial position or projected financial results of

the Borrower and its Subsidiaries (as presented in the Confidential Information Memorandum).

(c) Pro Forma Balance Sheet; Financial Statements. The Lenders shall have received (i) the Pro Forma Balance Sheet, (ii) audited consolidated financial statements of the Borrower for its 1994, 1995 and 1996 fiscal years and of Linvatec for the 1995 and 1996 fiscal years and for the six month period ended June 30, 1997 and (iii) unaudited interim consolidated financial statements of each of the Borrower and Linvatec for each fiscal quarter ended subsequent to the date of the latest applicable financial statements delivered pursuant to clause (ii) of this paragraph as to which such financial statements are available, and such financial statements shall not, in the reasonable judgment of the Lenders, reflect any material adverse change in the consolidated financial condition of the Borrower and its Subsidiaries or Linvatec and its Subsidiaries, as reflected in the financial statements or projections contained in the Confidential Information Memorandum.

(d) Approvals. All governmental approvals required to consummate the Acquisition, the continuing operations of the Borrower and its Subsidiaries and Linvatec and its Subsidiaries shall have been obtained on satisfactory terms and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority which would prevent the Acquisition or the financing contemplated hereby; provided that if any competent Governmental Authority shall impose adverse conditions on all or part of the Acquisition or the financing thereof, the Administrative Agent and the Borrower shall negotiate in a reasonable manner to adjust the terms and amounts of the Facilities accordingly.

(e) Related Agreements. The Administrative Agent shall have received in a form reasonably satisfactory, with a copy for each Lender, true and correct copies, certified as to authenticity by the Borrower, of the Acquisition Documentation and such other documents or instruments as may be reasonably requested by the Administrative Agent, including, without limitation, a copy of any debt instrument, security agreement or other material contract to which the Loan Parties may be a party.

(f) Termination of Existing Credit Facilities. The Administrative Agent shall have received evidence satisfactory to the Administrative Agent that the existing credit facilities (and any related security agreements) of the Borrower and its Subsidiaries (other than as permitted by Section 7.2) shall be simultaneously terminated, any amounts thereunder shall be simultaneously paid in full and arrangements satisfactory to

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the Administrative Agent shall have been made for the termination of Liens and security interests granted in connection therewith.

(g) Fees. The Lenders and the Agents shall have received all fees required to be paid, and all expenses for which invoices have been presented, including, without limitation, the reasonable fees and expenses of legal counsel, on or before the Closing Date.

(h) Business Plan. The Lenders shall have received a satisfactory business plan for fiscal years 1998-2008 and a satisfactory written analysis of the business and prospects of the Borrower and its Subsidiaries for the period from the Closing Date through the final maturity of the Term Loans.

(i) Solvency Analysis. The Lenders shall have received a reasonably satisfactory solvency opinion certified by the chief financial officer of the Borrower which shall document the solvency of the Borrower and its Subsidiaries considered as a whole after giving effect to the Acquisition and the other transactions contemplated hereby.

(j) Budget. The Lenders shall have received a budget for the Borrower and its Subsidiaries for the 1998 fiscal year.

(k) Lien Searches. The Administrative Agent shall have received the results of a recent lien search in each of the jurisdictions where assets of the Loan Parties are located, and such search shall reveal no liens on any of the assets of the Loan Parties except for liens permitted by Section 7.3 or discharged on or prior to the Closing Date pursuant to documentation satisfactory to the Administrative Agent.

(l) Environmental Due Diligence. The Administrative Agent and the Documentation Agent shall be satisfied with the environmental condition of the real property owned or leased by the Borrower and its Subsidiaries.

(m) Expenses. The Administrative Agent shall have received satisfactory evidence that the fees and expenses to be incurred in connection with the Acquisition and the Facilities shall not exceed \$11,000,000.

(n) Closing Certificate. The Administrative Agent shall have received a certificate of each Loan Party, dated the Closing Date, substantially in the form of Exhibit C, with appropriate insertions and attachments.

(o) Legal Opinions. The Administrative Agent shall have received the following executed legal opinions:

(i) the legal opinion of Sullivan & Cromwell, counsel to the Borrower and its Subsidiaries, substantially in the form of Exhibit E-1;

(ii) the legal opinion of Joseph J. Corasanti, general counsel of the Borrower and its Subsidiaries, substantially in the form of Exhibit E-2;

(iii) the legal opinion of Holland & Knight, special counsel to the Borrower and its Subsidiaries, substantially in the form of Exhibit E-3; and

(iv) each legal opinion delivered in connection with the Acquisition Documentation, accompanied by a reliance letter in favor of the Lenders, if reasonably available.

(p) Pledged Stock; Stock Powers. The Administrative Agent shall have received the certificates representing the shares of Capital Stock pledged pursuant to the Guarantee and Collateral Agreement, together with an undated stock power for each such certificate executed in blank by a duly authorized officer of the pledgor thereof.

(q) Filings, Registrations and Recordings. Each document (including, without limitation, any Uniform Commercial Code financing statement) required by the Security Documents or under law or reasonably requested by the Administrative Agent to be filed, registered or recorded in order to create in favor of the Administrative Agent, for the benefit of the Lenders, a perfected Lien on the Collateral described therein, prior and superior in right to any other Person (other than with respect to Liens expressly permitted by Section 7.3), shall be in proper form for filing, registration or recordation.

(r) Insurance. The Administrative Agent shall have received insurance certificates satisfying the requirements of Section 6.5 and the Borrower shall have obtained certain key man life insurance on certain officers of the Borrower as heretofore determined by the Administrative Agent.

SECTION 5.2 Conditions to Each Extension of Credit. The agreement of each Lender to make any extension of credit requested to be made by it on any

date (including, without limitation, its initial extension of credit) is subject to the satisfaction of the following conditions precedent:

(a) Representations and Warranties. Each of the representations and warranties made by any Loan Party in or pursuant to the Loan Documents shall be true and correct on and as of such date as if made on and as of such date.

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(b) No Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the extensions of credit requested to be made on such date.

Each borrowing by and issuance of a Letter of Credit on behalf of the Borrower hereunder shall constitute a representation and warranty by the Borrower as of the date of such extension of credit that the conditions contained in this Section 5.2 have been satisfied.

ARTICLE VI. AFFIRMATIVE COVENANTS

The Borrower hereby agrees that, so long as the Commitments remain in effect, any Letter of Credit remains outstanding or any Loan or other amount is owing to any Lender or any Agent hereunder, the Borrower shall and shall cause each of its Subsidiaries to:

SECTION 6.1 Financial Statements. Furnish to each Agent and each Lender:

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of the Borrower, a copy of the audited consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such year and the related audited consolidated statements of income and of cash flows for such year, setting forth in each case in comparative form the figures for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by Price Waterhouse LLP or other independent certified public accountants of nationally recognized standing; and

(b) as soon as available, but in any event not later than 45 days after the end of each of the first three quarterly periods of each fiscal year of the Borrower, the unaudited consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year-end audit adjustments);

all such financial statements shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as approved by such accountants or officer, as the case may be, and disclosed therein, and provided that the financial statements referred to in Section 6.1(b) need not contain footnotes).

SECTION 6.2 Certificates; Other Information. Furnish to each Agent and each Lender, or, in the case of clause (g), to the Administrative Agent for the relevant Lender:

(a) concurrently with the delivery of the financial statements referred to in Section 6.1(a), a certificate of the independent certified public accountants reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default, except as specified in such certificate;

(b) concurrently with the delivery of any financial statements pursuant to Section 6.1, (i) a certificate of a Responsible Officer stating that, to the best of each such Responsible Officer's knowledge, each Loan Party during such period has observed or performed all of its covenants and other agreements, and satisfied every condition, contained in this Agreement and the other Loan Documents to which it is a party to be observed, performed or satisfied by it, and that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate and (ii) in the case of quarterly or annual financial statements, (x) a Compliance Certificate containing all information and calculations necessary for determining compliance by the Borrower and its Subsidiaries with the provisions of this Agreement referred to therein as of the last day of the fiscal quarter or fiscal year of the Borrower, as the case may be, and (y) to the extent not previously disclosed to the Administrative Agent, a listing of any county or state within the United States where any Loan Party keeps inventory or equipment and of any Intellectual Property acquired by any Loan Party since the date of the most recent list delivered pursuant to this clause (y) (or, in the case of the first such list so delivered, since the Closing Date);

(c) as soon as available, and in any event no later than 45 days after the end of each fiscal year of the Borrower, a detailed consolidated budget for the following fiscal year (including a projected consolidated balance sheet of the Borrower and its Subsidiaries as of the end of the following fiscal year, and the related consolidated statements of projected cash flow, projected changes in financial position and projected income), and, as soon as available, significant revisions, if any, of such budget and projections with respect to such fiscal year (collectively, the "Projections"), which Projections shall in each case be accompanied by a certificate of a Responsible Officer stating that such Projections are based on reasonable estimates, information and assumptions and that such Responsible Officer has no reason to believe that such Projections are incorrect or misleading in any material respect;

(d) within 45 days (and 90 days in the case of the end of a fiscal year) after the end of each fiscal quarter of the Borrower, either (i) a Form 10-Q or 10-K for the Borrower and its Subsidiaries for such fiscal quarter, which contains a narrative discussion and analysis of the financial condition and results of operations of the Borrower and its Subsidiaries for such fiscal quarter and for the period from the beginning of the then current fiscal year to the end of such fiscal quarter, as compared to the portion of the Projections covering such periods and to the comparable periods of the previous year, or (ii) such narrative discussion and analysis;

(e) no later than 5 Business Days prior to the effectiveness thereof, copies of substantially final drafts of any Senior Subordinated Note Indenture, any proposed amendment, supplement, waiver or other modification with respect to the Senior Subordinated Note Indenture or the Acquisition Agreement;

(f) within five days after the same are sent, copies of all financial statements and reports which the Borrower sends to the holders of any class of its debt securities or public equity securities and within five days

after the same are filed, copies of all financial statements and reports which the Borrower may make to, or file with, the SEC; and

(g) promptly, such additional financial and other information as any Lender may from time to time reasonably request through the Administrative Agent.

SECTION 6.3 Payment of Obligations. (a) Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate procedures or reserves in conformity with GAAP with respect thereto have been provided on the books of the Borrower or its Subsidiaries, as the case may be.

(b) Each of the Loan Parties will pay and discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all material taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of income or profits therefrom, as well as all claims of any kind (including, without limitation, claims for labor, materials and supplies) against or with respect to the Collateral, except that no such charge need be paid if the amount or validity thereof is currently being contested in good faith by appropriate procedures or reserves in conformity with GAAP with respect thereto have been provided on the books of such Loan Party and such proceedings could not reasonably be expected to result in the sale, forfeiture or loss of any material portion of the Collateral or any interest therein.

SECTION 6.4 Conduct of Business and Maintenance of Existence, etc. (a) (i) Preserve, renew and keep in full force and effect its corporate existence and (ii) take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business, except, in each case, as otherwise permitted by Section 7.4 and except, in the case of clause (ii) above, to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (b) comply with all Contractual Obligations and Requirements of Law except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

SECTION 6.5 Maintenance of Property; Insurance. (a) Keep all Property useful and necessary in its business in good working order and condition, ordinary wear and

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tear excepted; (b) maintain with financially sound and reputable insurance companies insurance on all its Property in at least such amounts and against at least such risks (but including in any event public liability, product liability and business interruption) as are usually insured against in the same general area by companies engaged in the same or a similar business; (c) maintain, with financially sound and reputable companies, insurance policies (i) insuring the Inventory and Equipment against loss by fire, explosion, theft and such other casualties as may be reasonably satisfactory to the Administrative Agent and (ii) insuring such Loan Party against liability for personal injury and property damage relating to such Inventory and Equipment, such policies to be in such form and amounts and having such coverage as may be reasonably satisfactory to the Administrative Agent and the Lenders (all such insurance shall (A) provide that no cancellation, material reduction in amount or material change in coverage thereof shall be effective until at least 30 days after receipt by the Administrative Agent of written notice thereof, (B) name the Administrative Agent as loss payee, and (C) be reasonably satisfactory in all other respects to the Administrative Agent); and (d) the Borrower shall deliver to the Administrative Agent and the Lenders a report of a reputable insurance broker with respect to such insurance during the month of November in each calendar year and such supplemental reports with respect thereto as the Administrative Agent may from time to time reasonably request.

SECTION 6.6 Inspection of Property; Books and Records; Discussions. (a)

Keep proper books of records and account in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities and (b) permit representatives of any Lender to visit and inspect any of its properties and examine and make abstracts from any of its books and records at any reasonable time and as often as may reasonably be desired and to discuss the business, operations, properties and financial and other condition of the Borrower and its Subsidiaries with officers and employees of the Borrower and its Subsidiaries and with its independent certified public accountants.

SECTION 6.7 Notices. Promptly give notice to the Administrative Agent and each Lender of:

(a) the occurrence of any Default or Event of Default;

(b) any (i) default or event of default under any material Contractual Obligation of the Borrower or any of its Subsidiaries or (ii) litigation, investigation or proceeding which may exist at any time between the Borrower or any of its Subsidiaries and any Governmental Authority, which in either case, if not cured or if adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect;

(c) any litigation or proceeding directly affecting the Borrower or any of its Subsidiaries in which the amount involved is \$1,000,000 or more and not covered by

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insurance or in which injunctive or similar relief is sought as to which the Borrower or any of its Subsidiaries has knowledge or reasonably should have knowledge;

(d) the following events, as soon as possible and in any event within 30 days after the Borrower knows or has reason to know thereof: (i) the occurrence of any Reportable Event with respect to any Single Employer Plan, a failure to make any required contribution to a Single Employer or Multiemployer Plan, the creation of any Lien in favor of the PBGC or a Plan or any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan or (ii) the institution of proceedings or the taking of any other action by the PBGC or the Borrower or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Insolvency of, any Plan; and

(e) any development or event which has had or could reasonably be expected to have a Material Adverse Effect.

Each notice pursuant to this Section 6.7 shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the Borrower or the relevant Subsidiary proposes to take with respect thereto.

SECTION 6.8 Environmental Laws. (a) Comply in all material respects with, and make all reasonable efforts to ensure compliance in all material respects by all tenants and subtenants, if any, with, all applicable Environmental Laws, and obtain and comply in all material respects with and maintain, and make all reasonable efforts to ensure that all tenants and subtenants obtain and comply in all material respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws.

(b) Conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply in all material respects with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws.

SECTION 6.9 Interest Rate Protection. In the case of the Borrower,

within 180 days after the Closing Date, enter into Interest Rate Protection Agreements with respect to floating rate obligations in respect of an aggregate principal amount of Term Loans, and at market rates and on terms and conditions, reasonably satisfactory to the Administrative Agent.

SECTION 6.10 Additional Collateral, etc. (a) With respect to any Property acquired after the Closing Date by the Borrower or any of its Subsidiaries (other than an Excluded Foreign Subsidiary) (other than (x) any Property described in paragraph (b), (c) or (d) below and (y) any Property subject to a Lien expressly permitted by Section 7.3(g) or (m) (if such Lien was granted in a transaction comparable to that permitted by Section 7.3(g)) as to

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which the Administrative Agent, for the benefit of the Lenders, does not have a perfected Lien, promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement or such other documents as the Administrative Agent deems necessary or advisable in order to grant to the Administrative Agent, for the benefit of the Lenders, a security interest in such Property and (ii) take all actions necessary or reasonably advisable to grant to the Administrative Agent, for the benefit of the Lenders, a perfected first priority security interest in such Property, subject to no Liens except as permitted by Section 7.3, including without limitation, the filing of Uniform Commercial Code financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or by law or as may be requested by the Administrative Agent.

(b) With respect to any fee interest in any real property having a purchase price (together with improvements thereof) of at least \$5,000,000 acquired after the Closing Date by the Borrower or any of its Subsidiaries (other than any such real property owned by an Excluded Foreign Subsidiary or subject to a Lien expressly permitted by Section 7.3(g)), promptly (i) execute and deliver a first priority mortgage in a form reasonably satisfactory to the Administrative Agent in favor of the Administrative Agent, for the benefit of the Lenders, covering such real property, subject to no Liens except as permitted by Section 7.3, (ii) if requested by the Administrative Agent, provide the Lenders with (x) title and extended coverage insurance covering such real property in an amount equal to the purchase price of such real estate as well as a current ALTA survey thereof, together with a surveyor's certificate and (y) any consents or estoppels reasonably deemed necessary or advisable by the Administrative Agent in connection with such mortgage or deed of trust, each of the foregoing in form and substance reasonably satisfactory to the Administrative Agent and (iii) if requested by the Administrative Agent, deliver to the Administrative Agent a legal opinion relating to the enforceability of such mortgage which opinion shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

(c) With respect to any new Subsidiary (other than an Excluded Foreign Subsidiary) created or acquired after the Closing Date by the Borrower (which, for the purposes of this paragraph (c), shall include any existing Subsidiary that ceases to be an Excluded Foreign Subsidiary) or any of its Subsidiaries, promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement as the Administrative Agent deems necessary or reasonably advisable in order to grant to the Administrative Agent, for the benefit of the Lenders, a perfected first priority security interest in the Capital Stock of such new Subsidiary which is owned by the Borrower or any of its Subsidiaries, (ii) deliver to the Administrative Agent the certificates representing such Capital Stock, together with undated stock powers, in blank, executed and delivered by a duly authorized officer of the Borrower or such Subsidiary, as the case may be, (iii) cause such new Subsidiary (A) to become a party to the Guarantee and Collateral Agreement and (B) to take such actions necessary or reasonably advisable to grant to the Administrative Agent for the benefit of the Lenders a perfected first priority security interest in the Collateral described in the Guarantee and Collateral Agreement with respect to such new Subsidiary, subject to no

Liens except as permitted by Section 7.3, including, without limitation, the filing of Uniform Commercial Code financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or by law or as may be requested by the Administrative Agent, and (iv) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

(d) With respect to any new Excluded Foreign Subsidiary created or acquired after the Closing Date by the Borrower or any of its Subsidiaries, promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement as the Administrative Agent deems necessary or reasonably advisable in order to grant to the Administrative Agent, for the benefit of the Lenders, a perfected first priority security interest in the Capital Stock of such new Subsidiary which is owned by the Borrower or any of its Subsidiaries (provided that in no event shall more than 65% of the total outstanding Capital Stock of any such new Subsidiary be required to be so pledged), (ii) deliver to the Administrative Agent the certificates representing such Capital Stock, if such Capital Stock is certificated, together with undated stock powers, in blank, executed and delivered by a duly authorized officer of the Borrower or such Subsidiary, as the case may be, and take such other action as may be necessary or, in the opinion of the Administrative Agent, desirable to perfect the Lien of the Administrative Agent thereon, and (iii) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

SECTION 6.11 Issuance of High-Yield Senior Subordinated Securities. By June 30, 1998, the Borrower shall issue senior subordinated securities (the "Senior Subordinated Notes") on terms and conditions and through agents or managers satisfactory to the Administrative Agent and the Documentation Agent which will generate aggregate gross proceeds of at least \$125,000,000.

SECTION 6.12 Senior Indebtedness. Insure that the Obligations constitute "Senior Indebtedness" (or comparable defined term) of the Borrower under and as defined in the Senior Subordinated Note Indenture, and the obligations of each Subsidiary Guarantor under the Guarantee and Collateral Agreement constitute "Guarantor Senior Indebtedness" (or comparable defined term) of such Subsidiary Guarantor under and as defined in the Senior Subordinated Note Indenture.

SECTION 6.13 Additional Covenants Relating to Collateral. (a) If any amount in excess of \$200,000 payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument or Chattel Paper, deliver such Instrument or Chattel Paper immediately to the Administrative Agent, duly indorsed in a manner satisfactory to the Administrative Agent, to be held as Collateral pursuant to the Guarantee and Collateral Agreement.

(b) Not, except upon 15 days' prior written notice to the Administrative Agent and delivery to the Administrative Agent of (i) all additional executed financing statements and other documents reasonably requested by the Administrative Agent to maintain the validity, perfection and priority of the security interests provided for in the Guarantee and Collateral Agreement, and (ii) if applicable, a written supplement to Schedule 5 to the

Guarantee and Collateral Agreement showing any additional location at which Inventory or Equipment shall be kept:

(i) permit any of the Inventory or Equipment to be kept at a location other than those listed on Schedule 5 to the Guarantee and Collateral Agreement (other than mobile goods and Inventory and Equipment located temporarily in a UCC financing statement filing jurisdiction the aggregate fair market value of which is less than \$50,000);

(ii) change the location of its chief executive office or sole place of business from that referred to in Section 4.4 of the Guarantee and Collateral Agreement; or

(iii) change its name, identity or corporate structure to such an extent that any financing statement filed by the Administrative Agent in connection with the Guarantee and Collateral Agreement would become misleading.

(c) Advise the Administrative Agent and the Lenders promptly, in reasonable detail, of:

(i) any Lien (other than security interests created hereby or Liens permitted under Section 7.3) on any material portion of the Collateral which would adversely affect the ability of the Administrative Agent to exercise any of its remedies hereunder in any material respect; and

(ii) the occurrence of any other event which could reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the security interests created hereby.

ARTICLE VII. NEGATIVE COVENANTS

The Borrower hereby agrees that, so long as the Commitments remain in effect, any Letter of Credit remains outstanding or any Loan or other amount is owing to any Lender or any Agent hereunder, the Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:

SECTION 7.1 Financial Condition Covenants.

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(a) Consolidated Leverage Ratio. Permit the Consolidated Leverage Ratio as at the last day of any period of four consecutive fiscal quarters of the Borrower (or, if less, the number of full fiscal quarters subsequent to the Closing Date) ending with any fiscal quarter set forth below to exceed the ratio set forth below opposite such fiscal quarter:

Fiscal Quarter -----	Consolidated Leverage Ratio -----
March 31, 1998	5.25 to 1.00
June 30, 1998	5.25 to 1.00
September 30, 1998	5.00 to 1.00
December 31, 1998	4.75 to 1.00
March 31, 1999	4.50 to 1.00
June 30, 1999	4.25 to 1.00
September 30, 1999	4.25 to 1.00
December 31, 1999	4.25 to 1.00
March 31, 2000	4.00 to 1.00
June 30, 2000	3.75 to 1.00
September 30, 2000	3.75 to 1.00
December 31, 2001	3.75 to 1.00
March 31, 2001	3.50 to 1.00

Thereafter

3.50 to 1.00

; provided, that for the purposes of determining the ratio described above for the fiscal quarters of the Borrower ending March 31, 1998, June 30, 1998 and September 30, 1998, Consolidated EBITDA for the relevant period shall be deemed to equal Consolidated EBITDA for such fiscal quarter (and, in the case of the latter two such determinations, each previous fiscal quarter commencing after the Closing Date) multiplied by 4, 2 and 4/3, respectively.

(b) Consolidated Interest Coverage Ratio. Permit the Consolidated Interest Coverage Ratio for any period of four consecutive fiscal quarters of the Borrower (or, if less, the number of full fiscal quarters subsequent to the Closing Date) ending with any fiscal quarter set forth below to be less than the ratio set forth below opposite such fiscal quarter:

Fiscal Quarter -----	Consolidated Interest Coverage Ratio -----
March 31, 1998	2.25 to 1.00
June 30, 1998	2.25 to 1.00
September 30, 1998	2.50 to 1.00
December 31, 1998	2.50 to 1.00
March 31, 1999	2.75 to 1.00

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June 30, 1999	2.75 to 1.00
September 30, 1999	2.75 to 1.00
December 31, 1999	2.75 to 1.00
March 31, 2000	3.00 to 1.00
Thereafter	3.00 to 1.00

(c) Consolidated Fixed Charge Coverage Ratio. Permit the Consolidated Fixed Charge Coverage Ratio for any period of four consecutive fiscal quarters of the Borrower (or, if less, the number of full fiscal quarters subsequent to the Closing Date) ending with any fiscal quarter set forth below to be less than the ratio set forth below opposite such fiscal quarter:

Fiscal Quarter -----	Consolidated Fixed Charge Coverage Ratio -----
March 31, 1998	1.25 to 1.00
June 30, 1998	1.25 to 1.00
September 30, 1998	1.25 to 1.00
December 31, 1998	1.35 to 1.00
March 31, 1999	1.35 to 1.00
June 30, 1999	1.35 to 1.00
September 30, 1999	1.35 to 1.00
December 31, 1999	1.35 to 1.00
March 31, 2000	1.40 to 1.00
June 30, 2000	1.40 to 1.00
September 30, 2000	1.40 to 1.00
December 31, 2000	1.40 to 1.00
March 30, 2001	1.50 to 1.00
Thereafter	1.50 to 1.00

(d) Maintenance of Net Worth. Permit Consolidated Net Worth as of the end of any fiscal quarter during any fiscal year of the Borrower to be less than

the sum of (i) Consolidated Net Worth on December 31, 1997 plus (ii) 75% of Consolidated Net Income since December 31, 1997 plus (iii) Net Cash Proceeds from the sale of Capital Stock of the Borrower on a cumulative basis since the Closing Date.

SECTION 7.2 Limitation on Indebtedness. Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness of any Loan Party pursuant to any Loan Document;

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(b) Indebtedness of the Borrower to any Subsidiary and of any Wholly Owned Subsidiary Guarantor to the Borrower or any other Subsidiary;

(c) Indebtedness secured by Liens permitted by Section 7.3(g) in an aggregate principal amount not to exceed \$5,000,000 at any one time outstanding;

(d) Capital Lease Obligations in an aggregate principal amount not to exceed \$5,000,000 at any one time outstanding;

(e) Indebtedness outstanding on the date hereof and listed on Schedule 7.2(e) and any refinancings, refundings, renewals or extensions thereof (without any increase in the principal amount thereof);

(f) guarantees made in the ordinary course of business by the Borrower or any of its Subsidiaries of obligations of any Wholly Owned Subsidiary Guarantor;

(g) (i) Indebtedness of the Borrower in respect of the Senior Subordinated Notes and (ii) Guarantee Obligations of any Subsidiary Guarantor in respect of such Indebtedness; provided that such Guarantee Obligations are subordinated to the same extent as the obligations of the Borrower in respect of the Senior Subordinated Notes; provided that the Net Cash Proceeds of such Indebtedness (other than in connection with an Exchange Offer or other refinancing permitted by the Required Lenders) shall be applied to prepay the Term Loans and reduce the Revolving Credit Commitments in accordance with Sections 2.10(a) and (d);

(h) Indebtedness in an aggregate amount not to exceed \$900,000 owed to the Empire State Development Authority, and any refinancings, refundings, renewals or extensions thereof (without any increase in the principal amount thereof);

(i) Indebtedness of the Borrower or its Subsidiaries on account of industrial revenue bonds in an aggregate principal amount not to exceed \$10,000,000 at any one time outstanding;

(j) guarantees made in the ordinary course of business by the Borrower or any of its Subsidiaries of lease obligations of their customers in respect of equipment sold by the Borrower or any of its Subsidiaries to a third party and then leased to such customer in an aggregate amount outstanding at any time not to exceed \$5,000,000;

(k) Indebtedness in respect of letters of credit outstanding in the ordinary course of business in an aggregate face amount not to exceed \$1,000,000;

(l) Indebtedness of any Wholly Owned Foreign Subsidiary to the Borrower or any other Subsidiary (so long as no Default or Event of Default shall have occurred and

be continuing at the time of the incurrence of such Indebtedness), provided that (x) the requirements of Section 6.10 are satisfied and (y) the aggregate principal amount of such Indebtedness at any time outstanding shall not exceed \$10,000,000 less the sum of (A) the aggregate fair market value of any Property Disposed of to a Wholly Owned Foreign Subsidiary pursuant to Section 7.5(e) and (B) the aggregate amount of all investments made in such Foreign Subsidiaries pursuant to Section 7.8(i);

(m) additional Indebtedness of the Borrower or any of its Subsidiaries in an aggregate principal amount (for the Borrower and all Subsidiaries) not to exceed \$10,000,000 at any one time outstanding.

SECTION 7.3 Limitation on Liens. Create, incur, assume or suffer to exist any Lien upon any of its Property or revenues, whether now owned or hereafter acquired, except for:

(a) Liens for taxes, assessments or charges not yet due or which are being contested in good faith by appropriate procedures, provided that adequate reserves with respect thereto are maintained on the books of the Borrower or its Subsidiaries, as the case may be, in conformity with GAAP;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's, supplier's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 30 days or which are being contested in good faith by appropriate proceedings and Liens securing judgments to the extent not constituting an Event of Default pursuant to Section 8(h);

(c) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;

(d) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(e) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and which do not in any case materially detract from the value of the Property subject thereto or materially interfere with the ordinary conduct of the business of the Borrower or any of its Subsidiaries;

(f) Liens in existence on the date hereof listed on Schedule 7.3(f) (and any replacements or extensions thereof), securing Indebtedness permitted by Section 7.2(e), provided that no such Lien is spread to cover any additional Property after the Closing Date and that the amount of Indebtedness secured thereby is not increased;

(g) Liens upon real and/or tangible personal Property acquired after the date hereof (by purchase, construction or otherwise) by the Borrower or any of its Subsidiaries, each of which Liens either (i) existed on such Property before the time of its acquisition and was not created in anticipation thereof or (ii) was created solely for the purpose of securing Indebtedness representing, or incurred to finance, refinance or refund, the cost (including the cost of construction) of such Property and permitted by Section 7.2; provided that (A) no such Lien shall extend to or cover any Property of the Borrower or such Subsidiary other than the Property so acquired or financed, and (B) the principal amount of Indebtedness secured

by any such Lien shall at no time exceed 80% of the fair market value (as determined in good faith by a Responsible Officer of the Borrower) of such Property at the time it was acquired (by purchase, construction or otherwise);

(h) Liens created pursuant to the Security Documents;

(i) any interest or title of a lessor under any lease entered into by the Borrower or any other Subsidiary in the ordinary course of its business and covering only the assets so leased;

(j) Liens securing Indebtedness permitted by Section 7.2(h) in respect of a leasehold interest of the Borrower or its Subsidiaries in a facility located in Rome, New York;

(k) Liens arising from precautionary UCC financing statement filings regarding operating leases or consignment arrangements entered into by the Borrower or its Subsidiaries in the ordinary course of business;

(l) Liens in favor of banking institutions encumbering the deposits (including the right of setoff) held by such banking institutions in the ordinary course of business and which are within the general parameters customary in the banking industry;

(m) Liens on the property or assets of a corporation which becomes a Subsidiary after the date hereof securing Indebtedness permitted by Section 7.2, provided that (i) such Liens existed at the time such corporation became a Subsidiary and were not created in anticipation thereof, (ii) any such Lien is not spread to cover any additional property or assets of such corporation after the time such corporation becomes a Subsidiary, and (iii) the amount of Indebtedness secured thereby is not increased; and

(n) Liens not otherwise permitted by this Section 7.3 so long as neither (i) the aggregate outstanding principal amount of the obligations secured thereby nor (ii) the aggregate fair market value (determined as of the date such Lien is incurred) of the

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assets subject thereto exceeds (as to the Borrower and all Subsidiaries) \$5,000,000 at any one time.

SECTION 7.4 Limitation on Fundamental Changes. Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or Dispose of all or a substantial part of its Property or business except:

(a) any Subsidiary of the Borrower may be merged or consolidated with or into the Borrower (provided that the Borrower shall be the continuing or surviving corporation) or with or into any Wholly Owned Subsidiary Guarantor (provided that the Wholly Owned Subsidiary Guarantor shall be the continuing or surviving corporation);

(b) any Subsidiary of the Borrower may Dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the Borrower or any Wholly Owned Subsidiary Guarantor;

(c) any Foreign Subsidiary of the Borrower may be merged or consolidated with or into any other Foreign Subsidiary;

(d) any Foreign Subsidiary of the Borrower may dispose of any or all of its assets (upon voluntary liquidation or otherwise) to any other Foreign Subsidiary of the Borrower; and

(e) to the extent permitted by Section 7.5.

SECTION 7.5 Limitation on Sale of Assets. Dispose of any of its

Property or business (including, without limitation, receivables and leasehold interests), whether now owned or hereafter acquired, or, in the case of any Subsidiary, issue or sell any shares of such Subsidiary's Capital Stock to any Person, except:

- (a) the Disposition of obsolete or worn out property in the ordinary course of business;
- (b) the sale or other Disposition of inventory in the ordinary course of business;
- (c) Dispositions permitted by Section 7.4(b) and 7.4(d);
- (d) the sale or issuance of any Subsidiary's Capital Stock to the Borrower or any Wholly Owned Subsidiary Guarantor;
- (e) so long as no Default or Event of Default shall have occurred and be continuing, Dispositions of Property from the Borrower or any Subsidiary Guarantor to

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any Wholly Owned Foreign Subsidiary, provided that (x) the requirements of Section 6.10 are satisfied and (y) the aggregate fair market value of such Property does not exceed (I) \$10,000,000 minus (II) the sum of (A) the aggregate principal amount of any Indebtedness of any Foreign Subsidiary at any time outstanding in accordance with Section 7.2(1) and (B) the aggregate amount of all investments in any Foreign Subsidiary made pursuant to Section 7.8(i);

(f) any Asset Sale (including any sale and leaseback transactions permitted by Section 7.11) or Recovery Event, provided that the requirements of Section 2.10(b) are complied with in connection therewith;

(g) monetary payments made in the ordinary course of business;

(h) the sale or discount without recourse of accounts receivable arising in the ordinary course of business of the Borrower and its Subsidiaries in connection with the compromise or collection thereof;

(i) the sale of inventory located outside the United States to an affiliate of BMS pursuant to the Acquisition Documentation;

(j) the sale or issuance of a minimal number of any Foreign Subsidiary's Capital Stock to a foreign national to the extent required by local law in a jurisdiction outside the United States;

(k) any Disposition of Property or series of related Dispositions of Property which yields net proceeds to the Borrower or any of its Subsidiaries (valued at the initial principal amount thereof in the case of non-cash proceeds consisting of notes or other debt securities and valued at fair market value in the case of other non-cash proceeds) of less than \$100,000; and

(l) the sale by the Borrower of its facility located in Dayton, Ohio and all property and equipment contained therein, the aggregate value of which is not greater than \$5,000,000.

Any Collateral which is sold, transferred or otherwise conveyed pursuant to this Section 7.5 to a Person other than the Borrower and its Subsidiaries shall, upon the consummation of such sale in accordance with the terms of this Agreement and the other Loan Documents, be released from the Liens granted pursuant to the Security Documents and each Lender hereby authorizes and instructs the Administrative Agent to take such action as the Borrower reasonably may request to evidence such release.

SECTION 7.6 Limitation on Dividends. Declare or pay any dividend (other

than dividends payable solely in Capital Stock) of the Person making such dividend) on, or

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make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any shares of any class of Capital Stock of the Borrower or any Subsidiary or any warrants or options to purchase any such Capital Stock, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of the Borrower or any Subsidiary (collectively, "Restricted Payments"), except

(i) that any Subsidiary may make Restricted Payments to the Borrower or any Wholly Owned Subsidiary Guarantor;

(ii) (A) repurchases of Capital Stock made in order to fulfill the obligations of the Borrower or any Subsidiary under an employee or director stock purchase plan or similar plan covering employees of the Borrower or any Subsidiary as from time to time in effect and (B) cash payments made in lieu of issuing fractional shares of Borrower's Capital Stock, in an aggregate amount for purposes of clauses (A) and (B) not to exceed \$2,250,000 per year; and

(iii) (A) redemptions of Capital Stock in connection with a rights plan adopted by the Board of Directors of the Borrower, or (B) Restricted Payments in respect of the Warrant, in an aggregate amount in respect of clauses (A) and (B) equal to \$5,000,000 in total during the term of this Agreement.

SECTION 7.7 Limitation on Capital Expenditures. Make or commit to make (by way of the acquisition of securities of a Person or otherwise) any Capital Expenditure, except (a) Capital Expenditures of the Borrower and its Subsidiaries in the ordinary course of business not exceeding \$20,000,000 per annum; provided that (i) up to \$5,000,000 of any such amount referred to above, if not so expended in the fiscal year for which it is permitted, may be carried over for expenditure in the next succeeding fiscal year and (ii) Capital Expenditures made pursuant to this clause (a) during any fiscal year shall be deemed made, first, in respect of amounts carried over from the prior fiscal year pursuant to subclause (i) above and, second, in respect of amounts permitted for such fiscal year as provided above and (b) Capital Expenditures made with the proceeds of any Reinvestment Deferred Amount.

SECTION 7.8 Limitation on Investments, Loans and Advances. Make any advance, loan, extension of credit (by way of guaranty or otherwise) or capital contribution to, or purchase any stock, bonds, notes, debentures or other securities of or any assets constituting all or a material part of a business unit of, or make any other investment in, any Person, except:

(a) extensions of trade credit in the ordinary course of business;

(b) investments in Cash Equivalents;

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(c) Guarantee Obligations permitted by Section 7.2;

(d) loans and advances to employees or directors of the Borrower or its Subsidiaries in the ordinary course of business (including, without limitation, for travel, entertainment and relocation expenses) in an aggregate amount for the Borrower and its Subsidiaries not to exceed \$1,000,000 at any one time outstanding;

(e) the Acquisition;

(f) investments made by the Borrower or any of its Subsidiaries with the proceeds of any Reinvestment Deferred Amount;

(g) investments by the Borrower or any of its Subsidiaries in the Borrower or any Subsidiary Guarantor in the ordinary course of business;

(h) investments (including debt obligations and Capital Stock) by the Borrower and its Subsidiaries received in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;

(i) so long as no Default or Event of Default shall have occurred and be continuing, the Borrower and any Subsidiary may make investments in, or create, any Wholly-Owned Foreign Subsidiary (by way of capital contribution or otherwise), provided that (x) the requirements of Section 6.10 are satisfied and (y) the aggregate amount of all investments in such Foreign Subsidiaries shall not exceed (I) \$10,000,000 minus (II) the sum of (A) the aggregate principal amount of any Indebtedness of any Foreign Subsidiary at any such time outstanding in accordance with Section 7.2(l) and (B) the aggregate fair market value of any Dispositions of Property from the Borrower or any Subsidiary Guarantor to any Foreign Subsidiary in accordance with Section 7.5(e);

(j) in addition to investments otherwise expressly permitted by this Section 7.8, so long as no Default or Event of Default shall have occurred and be continuing, investments by the Borrower or any of its Subsidiaries in an aggregate amount (valued at cost) not to exceed \$10,000,000 during the term of this Agreement; and

(k) other investments constituting Permitted Business Acquisitions for aggregate consideration not to exceed \$30,000,000, unless the Borrower shall have obtained the prior written consent of the Required Lenders.

SECTION 7.9 Limitation on Optional Payments and Modifications of Debt Instruments, etc. (a) Make or offer to make any payment, prepayment, repurchase or redemption of or otherwise defease or segregate funds with respect to the Senior Subordinated

Notes (other than scheduled interest payments required to be made in cash or pursuant to the Exchange Offer or any refinancing of the Senior Subordinated Notes permitted hereunder), (b) amend, modify, waive or otherwise change, or consent or agree to any amendment, modification, waiver or other change to, any of the terms of the Senior Subordinated Notes (i) which amends or modifies the subordination provisions contained therein; (ii) which shortens the fixed maturity, or increases the rate or shortens the time of payment of interest on, or increases the amount or shortens the time of payment of any principal or premium payable whether at maturity, at a date fixed for prepayment or by acceleration or otherwise of such Indebtedness, or increases the amount of, or accelerates the time of payment of, any fees payable in connection therewith; (iii) which relates to the affirmative or negative covenants, events of default or remedies under the documents or instruments evidencing such Indebtedness and the effect of which is to subject the Borrower or any of its Subsidiaries, to any more onerous or more restrictive provisions; or (iv) which otherwise adversely affects the interests of the Lenders as senior creditors or the interests of the Lenders under this Agreement or any other Loan Document in any respect, (c) designate any Indebtedness (other than the Obligations) as

"Designated Senior Indebtedness" (or similar defined term) for the purposes of the Senior Subordinated Note Indenture or (d) amend its certificate of incorporation in any manner adverse to the Lenders without the prior written consent of the Required Lenders.

SECTION 7.10 Limitation on Transactions with Affiliates. Enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of Property, the rendering of any service or the payment of any management, advisory or similar fees, with any Affiliate (other than the Borrower or any Wholly Owned Subsidiary Guarantor) unless such transaction is (a) otherwise permitted under this Agreement, (b) in the ordinary course of business of the Borrower or such Subsidiary, as the case may be, and (c) upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary, as the case may be, than it would obtain in a comparable arm's length transaction with a Person which is not an Affiliate.

SECTION 7.11 Limitation on Sales and Leasebacks. Enter into any arrangement with any Person providing for the leasing by the Borrower or any Subsidiary of real or personal property which has been or is to be sold or transferred by the Borrower or such Subsidiary to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of the Borrower or such Subsidiary, except in respect of assets the aggregate fair market value of which does not exceed \$10,000,000.

SECTION 7.12 Limitation on Changes in Fiscal Periods. Change the Borrower's method of determining fiscal quarters or fiscal years.

SECTION 7.13 Limitation on Negative Pledge Clauses. Enter into or suffer to exist or become effective any agreement which prohibits or limits the ability of the Borrower or any of its Subsidiaries to create, incur, assume or suffer to exist any Lien upon any of its

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Property or revenues, whether now owned or hereafter acquired, to secure the Obligations or, in the case of any guarantor, its obligations under the Guarantee and Collateral Agreement, other than (a) this Agreement and the other Loan Documents, (b) the Senior Subordinated Note Indenture, (c) any agreements governing any purchase money Liens, Capital Lease Obligations otherwise permitted hereby or Liens permitted by Sections 7.3(f) or (m) (in which case, any prohibition or limitation shall only be effective against the assets financed thereby).

SECTION 7.14 Limitation on Restrictions on Subsidiary Distributions. Enter into or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary of the Borrower to (a) pay dividends or make any other distributions in respect of any Capital Stock of such Subsidiary held by, or pay any Indebtedness owed to, the Borrower or any other Subsidiary of the Borrower, (b) make loans or advances to the Borrower or any other Subsidiary of the Borrower or (c) transfer any of its assets to the Borrower or any other Subsidiary of the Borrower, except for such encumbrances or restrictions existing under or by reason of (i) any restrictions existing under the Loan Documents or the Senior Subordinated Note Indenture and (ii) any restrictions with respect to a Subsidiary imposed pursuant to an agreement which has been entered into in connection with the Disposition of all or substantially all of the Capital Stock or assets of such Subsidiary.

SECTION 7.15 Limitation on Lines of Business. Enter into any business, either directly or through any Subsidiary, except for those businesses in which the Borrower or any of its Subsidiaries is engaged on the date of this Agreement or which are reasonably related thereto.

SECTION 7.16 Limitation on Amendments to Acquisition Documentation. (a) Amend, supplement or otherwise modify (pursuant to a waiver or otherwise) the terms and conditions of the indemnities and licenses furnished to the Borrower or any of its Subsidiaries pursuant to the Acquisition Documentation such that

after giving effect thereto such indemnities or licenses shall be materially less favorable to the interests of the Loan Parties or the Lenders with respect thereto or (b) otherwise amend, supplement or otherwise modify the terms and conditions of the Acquisition Documentation except to the extent that any such amendment, supplement or modification could not reasonably be expected to have a Material Adverse Effect.

ARTICLE VIII. EVENTS OF DEFAULT

If any of the following events shall occur and be continuing:

(a) The Borrower shall fail to pay any principal of any Loan or Reimbursement Obligation when due in accordance with the terms hereof; or the Borrower shall fail to pay any interest on any Loan or Reimbursement Obligation or any other amount payable hereunder or under any other Loan Document within five days after any such interest or other amount becomes due in accordance with the terms hereof; or

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(b) Any representation or warranty made or deemed made by any Loan Party herein or in any other Loan Document or which is contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this Agreement or any such other Loan Document shall prove to have been inaccurate in any material respect on or as of the date made or deemed made; or

(c) Any Loan Party shall default in the observance or performance of any agreement contained in clause (i) of Section 6.4(a) (with respect to the Borrower only), Section 6.7(a), Section 6.13(b) or Article 7; or

(d) Any Loan Party shall default in the observance or performance of any other agreement contained in this Agreement or any other Loan Document (other than as provided in paragraphs (a) through (c) of this Section), and such default shall continue unremedied for a period of 30 days; or

(e) The Borrower or any of its Subsidiaries shall (i) default in making any payment of any principal of any Indebtedness (including, without limitation, any Guarantee Obligation, but excluding the Loans) on the scheduled or original due date with respect thereto; or (ii) default in making any payment of any interest on any such Indebtedness beyond the period of grace (not to exceed 31 days), if any, provided in the instrument or agreement under which such Indebtedness was created; or (iii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or beneficiary of such Indebtedness (or a trustee or agent on behalf of such holder or beneficiary) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or (in the case of any such Indebtedness constituting a Guarantee Obligation) to become payable; provided that a default, event or condition described in clause (i), (ii) or (iii) of this paragraph (e) shall not at any time constitute an Event of Default unless, at such time, one or more defaults, events or conditions of the type described in clauses (i), (ii) and (iii) of this paragraph (e) shall have occurred and be continuing with respect to Indebtedness the outstanding principal amount of which exceeds in the aggregate \$5,000,000; or

(f) (i) The Borrower or any of its Subsidiaries shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian,

conservator or other similar official for it or for all or any substantial part of its assets,

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or the Borrower or any of its Subsidiaries shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Borrower or any of its Subsidiaries any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against the Borrower or any of its Subsidiaries any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) the Borrower or any of its Subsidiaries shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) the Borrower or any of its Subsidiaries shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(g) (i) Any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favor of the PBGC or a Plan shall arise on the assets of the Borrower or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Required Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) the Borrower or any Commonly Controlled Entity shall, or in the reasonable opinion of the Required Lenders is likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other similar event or condition which is not in the ordinary course shall occur or exist with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could, in the sole judgment of the Required Lenders, reasonably be expected to have a Material Adverse Effect; or

(h) One or more judgments or decrees shall be entered against the Borrower or any of its Subsidiaries involving in the aggregate a liability (not fully covered by insurance as to which the relevant insurance company has acknowledged coverage) of \$5,000,000 or more, and all such judgments or decrees shall not have been paid, vacated, discharged, stayed or bonded pending appeal within 60 days from the entry thereof; or

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(i) Any of the Security Documents shall cease, for any reason, to be in full force and effect, or any Loan Party or any Affiliate of any Loan Party

shall so assert, or any Lien created by any of the Security Documents in respect of material assets shall cease to be enforceable and of the same effect and priority purported to be created thereby; or

(j) The guarantee contained in Section 2 of the Guarantee and Collateral Agreement shall cease, for any reason, to be in full force and effect or any Loan Party or any Affiliate of any Loan Party shall so assert; or

(k) (i) Any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), (A) shall become, or obtain rights (whether by means or warrants, options or otherwise) to become, the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of more than 15% of the outstanding common stock of the Borrower or (B) shall obtain the power (whether or not exercised) to elect a majority of the Borrower's directors; (ii) the board of directors of the Borrower shall cease to consist of a majority of Continuing Directors; or (iii) a Specified Change of Control shall occur; or

(l) The Senior Subordinated Notes or the guarantees thereof shall cease, for any reason, to be validly subordinated to the Obligations or the obligations of the Subsidiary Guarantors under the Guarantee and Collateral Agreement, as the case may be, as provided in the Senior Subordinated Note Indenture, or any Loan Party, any Affiliate of any Loan Party, the trustee in respect of the Senior Subordinated Notes or the holders of at least 25% in aggregate principal amount of the Senior Subordinated Notes shall so assert;

then, and in any such event, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (f) above with respect to the Borrower, automatically the Commitments shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) shall immediately become due and payable, and (B) if such event is any other Event of Default, either or both of the following actions may be taken: (i) with the consent of the Majority Revolving Credit Facility Lenders, the Administrative Agent may, or upon the request of the Majority Revolving Credit Facility Lenders, the Administrative Agent shall, by notice to the Borrower declare the Revolving Credit Commitments to be terminated forthwith, whereupon the Revolving Credit Commitments shall immediately terminate; and (ii) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower, declare the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement

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and the other Loan Documents (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) to be due and payable forthwith, whereupon the same shall immediately become due and payable. With respect to all Letters of Credit with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to this paragraph, the Borrower shall at such time deposit in a cash collateral account opened by the Administrative Agent an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Amounts held in such cash collateral account shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other obligations of the Borrower hereunder and under the other Loan Documents. After all such Letters of Credit shall have expired or been fully drawn upon, all Reimbursement Obligations shall have been satisfied and all other obligations of the Borrower hereunder and under the other Loan Documents shall have been paid in full, the balance, if any, in such

cash collateral account shall be returned to the Borrower (or such other Person as may be lawfully entitled thereto).

ARTICLE IX. THE AGENTS

SECTION 9.1 Appointment. Each Lender hereby irrevocably designates and appoints the Agents as the agents of such Lender under this Agreement and the other Loan Documents, and each such Lender irrevocably authorizes each Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the such Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, no Agent shall have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against any Agent.

SECTION 9.2 Delegation of Duties. Each Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. No Agent shall be responsible for the negligence or misconduct of any agents or attorneys in-fact selected by it with reasonable care.

SECTION 9.3 Exculpatory Provisions. Neither any Agent nor any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except to the extent that any of the foregoing are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from its or such Person's own gross negligence or willful

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misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by any Loan Party or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Agents under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of any Loan Party a party thereto to perform its obligations hereunder or thereunder. The Agents shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of any Loan Party.

SECTION 9.4 Reliance by Agents. Each Agent shall be entitled to rely, and shall be fully protected in relying, upon any instrument, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Loan Parties), independent accountants and other experts selected by the Administrative Agent. The Agents may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent. Each Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders (or, if so specified by this Agreement, all Lenders) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Each Agent shall in all cases be fully protected in acting, or in refraining from acting, under this

Agreement and the other Loan Documents in accordance with a request of the Required Lenders (or, if so specified by this Agreement, all Lenders), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

SECTION 9.5 Notice of Default. No Agent shall be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless such Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders (or, if so specified by this Agreement, all Lenders); provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with

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respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

SECTION 9.6 Non-Reliance on Agents and Other Lenders. Each Lender expressly acknowledges that neither the Agents nor any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates have made any representations or warranties to it and that no act by any Agent hereinafter taken, including any review of the affairs of a Loan Party or any affiliate of a Loan Party, shall be deemed to constitute any representation or warranty by any Agent to any Lender. Each Lender represents to the Agents that it has, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, no Agent shall have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of any Loan Party or any affiliate of a Loan Party which may come into the possession of such Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

SECTION 9.7 Indemnification. The Lenders agree to indemnify each Agent in its capacity as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their respective Aggregate Exposure Percentages in effect on the date on which indemnification is sought under this Section 9.7 (or, if indemnification is sought after the date upon which the Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with such Aggregate Exposure Percentages immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the payment of the Loans) be imposed on, incurred by or asserted against such Agent in any way relating to or arising out of, the Commitments, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by such Agent under or in connection with any of the foregoing; provided

that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements which are found by a final and

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nonappealable decision of a court of competent jurisdiction to have resulted from such Agent's gross negligence or willful misconduct. The agreements in this Section 9.7 shall survive the payment of the Loans and all other amounts payable hereunder.

SECTION 9.8 Agent in Its Individual Capacity. Each Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with any Loan Party as though such Agent was not an Agent. With respect to its Loans made or renewed by it and with respect to any Letter of Credit issued or participated in by it, each Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it were not an Agent, and the terms "Lender" and "Lenders" shall include each Agent in its individual capacity.

SECTION 9.9 Successor Agents. The Administrative Agent may resign as Administrative Agent upon 10 days' notice to the Lenders and the Borrower. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the other Loan Documents, then the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall (unless an Event of Default under Section 8(a) or Section 8(f) with respect to the Borrower shall have occurred and be continuing) be subject to approval by the Borrower (which approval shall not be unreasonably withheld or delayed), whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Loans. If no successor agent has accepted appointment as Administrative Agent by the date that is 10 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective, and the Lenders shall assume and perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above. The Documentation Agent may, at any time, by notice to the Lenders and the Administrative Agent, resign as Documentation Agent hereunder, whereupon the duties, rights, obligations and responsibilities hereunder shall automatically be assumed by, and inure to the benefit of, the Administrative Agent, without any further act by the Documentation Agent, the Administrative Agent or any Lender. After any retiring Agent's resignation as Agent, the provisions of this Article 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement and the other Loan Documents.

SECTION 9.10 Authorization to Release Liens. The Administrative Agent is hereby irrevocably authorized by each of the Lenders to release any Lien covering any Property of the Borrower or any of its Subsidiaries that is the subject of a Disposition which is permitted by this Agreement, which has been consented to in accordance with Section 10.1 or in accordance with Section 10.16.

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Telephone: (315) 797-8375

The Administrative Agent:
The Chase Manhattan Bank,
Loan & Agency Services
One Chase Manhattan Plaza
New York, New York 10005
Attention: Sandra Miklave
Telecopy: (212) 622-0002
Telephone: (212) 552-7953

with a copy to:
The Chase Manhattan Bank
Bridgewater Place
500 Plum Street
Syracuse, New York 13204
Attention: Frederick K. Miller
Telecopy: (315) 478-7466
Telephone: (315) 448-1425

provided that any notice, request or demand to or upon the either Agent or the Lenders shall not be effective until received.

SECTION 10.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the either Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right,

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remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

SECTION 10.4 Survival of Representations and Warranties. All representations and warranties made hereunder, in the other Loan Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of the Loans hereunder.

SECTION 10.5 Payment of Expenses. The Borrower agrees (a) to pay or reimburse the Agents and the Syndication Agent for all their reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and the other Loan Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent, (b) to pay or reimburse each Lender and the Agents for all its costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the other Loan Documents and any such other documents, including, without limitation, the fees and disbursements of counsel (including the allocated fees and expenses of in-house counsel) to each Lender and of counsel to the Administrative Agent, (c) to pay, indemnify, and hold each Lender, the Agents and the Syndication Agent harmless from, any and all recording and filing fees or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the other Loan Documents and any such other documents, and (d) to pay, indemnify, and hold each Lender, the Agents and the Syndication Agent and their respective officers, directors, trustees, employees, affiliates, agents and controlling persons (each, an "indemnitee") harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement, the other Loan Documents and any such other documents, including, without limitation, any of the foregoing relating to the use of proceeds of the Loans or the violation of, noncompliance with or liability under, any

Environmental Law applicable to the operations of the Borrower, any of its Subsidiaries or any of the Properties and the reasonable fees and expenses of legal counsel in connection with claims, actions or proceedings by any indemnitee against the Borrower hereunder (all the foregoing in this clause (d), collectively, the "indemnified liabilities"), provided, that the Borrower shall have no obligation hereunder to any indemnitee with respect to indemnified liabilities to the extent such indemnified liabilities are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such indemnitee. Without limiting the foregoing, and to the extent permitted by applicable law, the Borrower agrees not to assert and to cause its Subsidiaries not to assert, and hereby waives and agrees to cause its Subsidiaries to so waive, all rights for contribution or any other rights of recovery with respect to all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature, under or related to Environmental Laws, that

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any of them might have by statute or otherwise against any indemnitee. The agreements in this Article shall survive repayment of the Loans and all other amounts payable hereunder.

SECTION 10.6 Successors and Assigns; Participations and Assignments.

(a) This Agreement shall be binding upon and inure to the benefit of the Borrower, the Lenders, the Agents, all future holders of the Loans and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent and each Lender.

(b) Any Lender may, without the consent of the Borrower, in accordance with applicable law, at any time sell to one or more banks, financial institutions or other entities (each, a "Participant") participating interests in any Loan owing to such Lender, any Commitment of such Lender or any other interest of such Lender hereunder and under the other Loan Documents. In the event of any such sale by a Lender of a participating interest to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Loan for all purposes under this Agreement and the other Loan Documents, and the Borrower and the Agents shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Loan Documents. In no event shall any Lender grant to any Participant under any such participation any right to approve any amendment or waiver of any provision of any Loan Document, or any consent to any departure by any Loan Party therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Loans or any fees payable hereunder, or postpone the date of the final maturity of the Loans, in each case to the extent subject to such participation. The Borrower agrees that if amounts outstanding under this Agreement and the Loans are due or unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall, to the maximum extent permitted by applicable law, be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement, provided that, in purchasing such participating interest, such Participant shall be deemed to have agreed to share with the Lenders the proceeds thereof as provided in Section 10.7(a) as fully as if it were a Lender hereunder. The Borrower also agrees that each Participant shall be entitled to the benefits of Sections 2.17, 2.18 and 2.19 with respect to its participation in the Commitments and the Loans outstanding from time to time as if it was a Lender; provided that, in the case of Section 2.18, such Participant shall have complied with the requirements of said Section and provided, further, that no Participant shall be entitled to receive any greater amount pursuant to any such Section than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

(c) Any Lender (an "Assignor") may, in accordance with applicable law, at any time and from time to time assign to any Lender or any affiliate thereof or, with the consent of the Borrower, and the Administrative Agent (which, in each case, shall not be unreasonably withheld or delayed), to an additional bank, financial institution or other entity (an "Assignee") all or any part of its rights and obligations under this Agreement pursuant to an Assignment and Acceptance (an "Assignment and Acceptance"), substantially in the form of Exhibit D, executed by such Assignee, such Assignor and the Administrative Agent (and, where the consent of the Borrower is required pursuant to the foregoing provisions, by the Borrower) and delivered to the Administrative Agent for its acceptance and recording in the Register; provided that no such assignment to an Assignee (other than any Lender or any affiliate thereof) shall be in an aggregate principal amount of less than \$5,000,000 (other than in the case of an assignment of all of a Lender's interests under this Agreement), unless otherwise agreed by the Borrower and the Administrative Agent. Any such assignment need not be ratable as among the Facilities. Upon such execution, delivery, acceptance and recording, from and after the effective date determined pursuant to such Assignment and Acceptance, (x) the Assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Lender hereunder with a Commitment and/or Loans as set forth therein, and (y) the Assignor thereunder shall, to the extent provided in such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of an Assignor's rights and obligations under this Agreement, such assigning Lender shall cease to be a party hereto). Notwithstanding any provision of this Section 10.6, the consent of the Borrower shall not be required for any assignment which occurs at any time when any Event of Default shall have occurred and be continuing.

(d) The Administrative Agent shall maintain at its address referred to in Section 10.2 a copy of each Assignment and Acceptance delivered to it and a register (the "Register") for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Loans owing to, each Lender from time to time and any Notes evidencing such Loans. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register as the owner of the Loan and any Note evidencing such Loan recorded therein for all purposes of this Agreement. Any assignment of any Loan whether or not evidenced by a Note shall be effective only upon appropriate entries with respect thereto being made in the Register (and each Note shall expressly so provide). Any assignment or transfer of all or part of a Loan evidenced by a Note shall be registered on the Register only upon surrender for registration of assignment or transfer of the Note evidencing such Loan, accompanied by a duly executed Assignment and Acceptance, and thereupon one or more new Notes in the same aggregate principal amount shall be issued to the designated Assignee and the old Notes shall be returned by the Administrative Agent to the Borrower marked "cancelled". The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an Assignee (and, in the case of an Assignee that is not then a Lender or an affiliate thereof by the Borrower and the Administrative

Agent) together with payment to the Administrative Agent of a registration and processing fee of \$3,500 (except that no such registration and processing fee shall be payable in the case of an Assignee which is already a Lender or is an affiliate of a Lender), the Administrative Agent shall (i) promptly accept such Assignment and Acceptance and (ii) on the effective date determined pursuant thereto record the information contained therein in the Register and give notice of such acceptance and recordation to the Lenders and the Borrower. On or prior to such effective date, the Borrower, at its own expense, upon request, shall execute and deliver to the Administrative Agent (in exchange for the Revolving Credit Note and/or Term Notes, as the case may be, of the assigning Lender) a new Revolving Credit Note and/or Term Notes, as the case may be, to the order of such Assignee in an amount equal to the Revolving Credit Commitment and/or applicable Term Loans, as the case may be, assumed or acquired by it pursuant to such Assignment and Acceptance and, if the assigning Lender has retained a Revolving Credit Commitment and/or Term Loans, as the case may be, upon request, a new Revolving Credit Note and/or Term Notes, as the case may be, to the order of the assigning Lender in an amount equal to the Revolving Credit Commitment and/or applicable Term Loans, as the case may be, retained by it hereunder. Such new Notes shall be dated the Closing Date and shall otherwise be in the form of the Note replaced thereby.

(f) For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this Article concerning assignments of Loans and Notes relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including, without limitation, any pledge or assignment by a Lender of any Loan or Note to any Federal Reserve Bank in accordance with applicable law; provided that, for the avoidance of doubt, it is understood that this Section 10.6(f) does not reduce the rights of the Borrower pursuant to Sections 10.6(b) and (c) which must be satisfied in order for a Person to become a Lender.

SECTION 10.7 Adjustments; Set-off. (a) Except to the extent that this Agreement provides for payments to be allocated to the Lenders under a particular Facility, if any Lender (a "Benefitted Lender") shall at any time receive any payment of all or part of its Loans or the Reimbursement Obligations owing to it, or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 8(f), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender's Loans or the Reimbursement Obligations owing to such other Lender, or interest thereon, such Benefitted Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's Loan and/or of the Reimbursement Obligations owing to each such other Lender, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such Benefitted Lender to share the excess payment or benefits of such collateral or

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proceeds ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefitted Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, upon any amount becoming due and payable by the Borrower hereunder (whether at the stated maturity, by acceleration or otherwise) to set off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the Borrower. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such setoff and application made

by such Lender, provided that the failure to give such notice shall not affect the validity of such setoff and application.

SECTION 10.8 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

SECTION 10.9 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 10.10 Integration. This Agreement and the other Loan Documents represent the agreement of the Borrower, the Agents and the Lenders with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Agents or any Lender relative to subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

SECTION 10.11 GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

SECTION 10.12 Submission To Jurisdiction; Waivers. The Borrower hereby irrevocably and unconditionally:

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(a) submits for itself and its Property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the Courts of the State of New York, the courts of the United States for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid at its address set forth in Section 10.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section 10.12 any special, exemplary, punitive or consequential damages.

SECTION 10.13 Acknowledgements. The Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) neither Agent nor any Lender has any fiduciary relationship with or

duty to the Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between Agents and Lenders, on one hand, and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Borrower and the Lenders.

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SECTION 10.14 WAIVERS OF JURY TRIAL. THE BORROWER, THE AGENTS AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

SECTION 10.15 Confidentiality. Each of the Agents and each Lender agrees to keep confidential all non-public information provided to it by any Loan Party pursuant to this Agreement that is designated by such Loan Party as confidential; provided that nothing herein shall prevent any Agent or any Lender from disclosing any such information (a) to the Administrative Agent, any other Lender or any affiliate of any Lender in each case which is bound by this Section 10.15, (b) to any Participant or Assignee (each, a "Transferee") or prospective Transferee which agrees to comply with the provisions of this Section, (c) to the employees, directors, agents, attorneys, accountants and other professional advisors of such Lender or its affiliates, (d) upon the request or demand of any Governmental Authority having jurisdiction over the such Agent or such Lender, (e) in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any Requirement of Law, (f) if required to do so under applicable law in connection with any litigation or similar proceeding or in litigation to enforce this Agreement, (g) which has been publicly disclosed other than in breach of this Section 10.15, (h) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender, or (i) in connection with the exercise of any remedy hereunder or under any other Loan Document; provided that, if reasonably requested by the Borrower, the Administrative Agent and the Lenders shall make commercially reasonable efforts to determine, and inform the Borrower of, the Persons who received such non-public information designated as confidential.

SECTION 10.16 Releases. At such time as the Loans, the Reimbursement Obligations and the other Obligations shall have been paid in full, the Commitments have been terminated and no Letters of Credit shall be outstanding, the Collateral shall be released from the Liens created by the Security Documents, and the Security Documents and all obligations (other than those expressly stated to survive such termination) of the Administrative Agent and each Borrower or Subsidiary thereunder shall terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Borrower and Subsidiaries. At the request and sole expense of any Borrower or Subsidiary following any such termination, the Administrative Agent shall deliver to such Borrower or Subsidiary any Collateral held by the Administrative Agent thereunder, and execute and deliver to such Borrower or Subsidiary such documents as such Borrower or Subsidiary shall reasonably request to evidence such termination.

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

CONMED CORPORATION

By: _____
Name:
Title:

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THE CHASE MANHATTAN BANK, as
Administrative Agent and as a Lender

By: _____
Name:
Title:

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SALOMON BROTHERS HOLDING
COMPANY, INC, as Documentation Agent and
as a Lender

By: _____
Name:
Title:

=====

GUARANTEE AND COLLATERAL AGREEMENT

made by

CONMED Corporation

and certain of its Subsidiaries

in favor of

THE CHASE MANHATTAN BANK,
as Administrative Agent

Dated as of December 31, 1997

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FORM OF
GUARANTEE AND COLLATERAL AGREEMENT

GUARANTEE AND COLLATERAL AGREEMENT, dated as of December 31, 1997, made by each of the signatories hereto (together with any other entity that may become a party hereto as provided herein, the "Grantors"), in favor of The Chase

Manhattan Bank, as Administrative Agent (in such capacity, the "Administrative Agent") for the banks and other financial institutions (the "Lenders") from time to time parties to the Credit Agreement, dated as of December 29, 1997 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Conmed Corporation (the "Borrower"), the Chase Securities Inc., as Syndication Agent, Salomon Brothers Holding Company, Inc, as Documentation Agent, and the Administrative Agent.

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement, the Lenders have severally agreed to make extensions of credit to the Borrower upon the terms and subject to the conditions set forth therein;

WHEREAS, the Borrower is a member of an affiliated group of companies that includes each other Grantor;

WHEREAS, the proceeds of the extensions of credit under the Credit Agreement will be used in part to enable the Borrower to make valuable transfers to one or more of the other Grantors in connection with the operation of their respective businesses;

WHEREAS, the Borrower and the other Grantors are engaged in related businesses, and each Grantor will derive substantial direct and indirect benefit from the making of the extensions of credit under the Credit Agreement; and

WHEREAS, it is a condition precedent to the obligation of the Lenders to make their respective extensions of credit to the Borrower under the Credit Agreement that the Grantors shall have executed and delivered this Agreement to the Administrative Agent for the ratable benefit of the Lenders;

NOW, THEREFORE, in consideration of the premises and to induce the Administrative Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective extensions of credit to the Borrower thereunder, each Grantor hereby agrees with the Administrative Agent, for the ratable benefit of the Lenders, as follows:

SECTION 1. DEFINED TERMS

1.1 Definitions. (a) Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement, and the following terms which are defined in the Uniform Commercial Code in effect in the State of New York on the date hereof are used herein as so defined: Accounts, Chattel Paper, Documents, Equipment, Farm Products, Instruments, Inventory and Investment Property.

(b) The following terms shall have the following meanings:

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"Agreement": this Guarantee and Collateral Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"Borrower Obligations": the collective reference to the unpaid principal of and interest on the Loans and Reimbursement Obligations and all other obligations and liabilities of the Borrower (including, without limitation, interest accruing at the then applicable rate provided in the Credit Agreement after the maturity of the Loans and Reimbursement Obligations and interest accruing at the then applicable rate provided in the Credit Agreement after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) to the Administrative Agent or any Lender (or, in the case of any Hedge Agreement referred to below, any Affiliate of any Lender), whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, the Credit Agreement, this Agreement, the other Loan Documents, any Letter of Credit or any Hedge Agreement entered into by the Borrower with any Lender (or any Affiliate of

any Lender) or any other document made, delivered or given in connection therewith, in each case whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Administrative Agent or to the Lenders that are required to be paid by the Borrower pursuant to the terms of any of the foregoing agreements).

"Collateral": as defined in Section 3.

"Collateral Account": any collateral account established by the Administrative Agent as provided in Section 6.1 or 6.4.

"Copyrights": (i) all copyrights arising under the laws of the United States, any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished (including, without limitation, those registered copyrights listed in Schedule 6), all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, all registrations, recordings and applications in the United States Copyright Office, and (ii) the right to obtain all renewals thereof.

"Copyright Licenses": any written agreement naming any Grantor as licensor or licensee (including, without limitation, those listed in Schedule 6), granting any right under any Copyright, including, without limitation, the grant of rights to manufacture, distribute, exploit and sell materials derived from any Copyright.

"General Intangibles": all "general intangibles" as such term is defined in Section 9-106 of the Uniform Commercial Code in effect in the State of New York on the date hereof and, in any event, including, without limitation, with respect to any Grantor, all contracts, agreements, instruments and indentures in any form, and portions thereof, to which such Grantor is a party or under which such Grantor has any right, title or interest or to which such Grantor or any property of such Grantor is subject, as the same may from time to time be amended, supplemented or otherwise modified, including, without limitation, (i) all rights of such Grantor to receive moneys due and to become due to it thereunder or in connection therewith, (ii) all rights of such Grantor to damages arising thereunder and (iii) all rights of such Grantor to perform and to exercise all remedies thereunder, in each case to the extent the

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grant by such Grantor of a security interest pursuant to this Agreement in its right, title and interest in such contract, agreement, instrument or indenture is not prohibited by such contract, agreement, instrument or indenture without the consent of any other party thereto, would not give any other party to such contract, agreement, instrument or indenture the right to terminate its obligations thereunder, and/or is permitted with consent to the extent that all necessary consents to such grant of a security interest have been obtained from the other parties thereto (it being understood that the foregoing shall not be deemed to obligate such Grantor to obtain such consents and that the foregoing shall apply to the definition of Copyright License, Patent License and Trademark License); provided, that the foregoing limitation shall not affect, limit, restrict or impair the grant by such Grantor of a security interest pursuant to this Agreement in any Receivable or any money or other amounts due or to become due under any such contract, agreement, instrument or indenture.

"Guarantor Obligations": with respect to any Guarantor, the collective reference to (i) the Borrower Obligations and (ii) all obligations and liabilities of such Guarantor which may arise under or in connection with this Agreement or any other Loan Document to which such Guarantor is a party, in each case whether on account of guarantee obligations, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Administrative Agent or to the Lenders that are required to be paid by such Guarantor pursuant to the terms of this Agreement or any other Loan Document).

"Guarantors": the collective reference to each Grantor other than the Borrower.

"Hedge Agreements": as to any Person, all interest rate swaps, caps or collar agreements or similar arrangements entered into by such Person providing for protection against fluctuations in interest rates or currency exchange rates or the exchange of nominal interest obligations, either generally or under specific contingencies.

"Intellectual Property": the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, the Copyrights, the Copyright Licenses, the Patents, the Patent Licenses, the Trademarks and the Trademark Licenses, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages from any and all past infringements.

"Intercompany Note": any promissory note evidencing loans made by any Grantor to the Borrower or any of its Subsidiaries.

"Issuers": the collective reference to each issuer of a Pledged Security.

"New York UCC": the Uniform Commercial Code as from time to time in effect in the State of New York.

"Obligations": (i) in the case of the Borrower, the Borrower Obligations, and (ii) in the case of each Guarantor, its Guarantor Obligations.

"Patents": (i) all letters patent of the United States, any other country or any political subdivision thereof, all reissues and extensions thereof and all goodwill associated therewith,

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including, without limitation, any of the foregoing referred to in Schedule 6, (ii) all applications for letters patent of the United States or any other country and all divisions, continuations and continuations-in-part thereof, including, without limitation, any of the foregoing referred to in Schedule 6, and (iii) all rights to obtain any reissues or extensions of the foregoing.

"Patent License": all written agreements providing for the grant by or to any Grantor of any right to make or have made, use or sell or have sold, any invention covered by a Patent, including, without limitation, any of the foregoing referred to in Schedule 6.

"Pledged Notes": all promissory notes listed on Schedule 2, all Intercompany Notes at any time issued to any Grantor and all other promissory notes issued to or held by any Grantor (other than promissory notes issued in connection with extensions of trade credit by any Grantor in the ordinary course of business).

"Pledged Securities": the collective reference to the Pledged Notes and the Pledged Stock.

"Pledged Stock": the shares of Capital Stock listed on Schedule 2, together with any other shares, stock certificates, options or rights of any nature whatsoever in respect of the Capital Stock of any Person that may be issued or granted to, or held by, any Grantor while this Agreement is in effect.

"Proceeds": all "proceeds" as such term is defined in Section 9-306(1) of the Uniform Commercial Code in effect in the State of New York on the date hereof and, in any event, shall include, without limitation, all dividends or other income from the Pledged Securities, collections thereon or distributions or payments with respect thereto.

"Receivable": any right to payment for goods sold or leased or for services rendered, whether or not such right is evidenced by an Instrument or Chattel Paper and whether or not it has been earned by performance (including, without limitation, any Account).

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

"Trademarks": (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and all goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, and all common-law rights related thereto, including, without limitation, any of the foregoing referred to in Schedule 6, and (ii) the right to obtain all renewals thereof.

"Trademark License": any written agreement providing for the grant by or to any Grantor of any right to use any Trademark, including, without limitation, any of the foregoing referred to in Schedule 6.

1.2 Other Definitional Provisions. (a) The words "hereof," "herein", "hereto" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as

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a whole and not to any particular provision of this Agreement, and Section and Schedule references are to this Agreement unless otherwise specified.

(b) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(c) Where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor's Collateral or the relevant part thereof.

SECTION 2. GUARANTEE

2.1 Guarantee. (a) Each of the Guarantors hereby, jointly and severally, unconditionally and irrevocably, guarantees to the Administrative Agent, for the ratable benefit of the Lenders and their respective successors, indorsees, transferees and assigns, the prompt and complete payment and performance by the Borrower when due (whether at the stated maturity, by acceleration or otherwise) of the Borrower Obligations.

(b) Anything herein or in any other Loan Document to the contrary notwithstanding, the maximum liability of each Guarantor hereunder and under the other Loan Documents shall in no event exceed the amount which can be guaranteed by such Guarantor under applicable federal and state laws relating to the insolvency of debtors (after giving effect to the right of contribution established in Section 2.2).

(c) Each Guarantor agrees that the Borrower Obligations may at any time and from time to time exceed the amount of the liability of such Guarantor hereunder without impairing the guarantee contained in this Section 2 or affecting the rights and remedies of the Administrative Agent or any Lender hereunder.

(d) The guarantee contained in this Section 2 shall remain in full force and effect until all the Borrower Obligations and the obligations of each Guarantor under the guarantee contained in this Section 2 shall have been satisfied by payment in full, no Letter of Credit shall be outstanding and the Commitments shall be terminated, notwithstanding that from time to time during the term of the Credit Agreement the Borrower may be free from any Borrower

Obligations.

(e) No payment made by the Borrower, any of the Guarantors, any other guarantor or any other Person or received or collected by the Administrative Agent or any Lender from the Borrower, any of the Guarantors, any other guarantor or any other Person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Borrower Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of any Guarantor hereunder which shall, notwithstanding any such payment (other than any payment made by such Guarantor in respect of the Borrower Obligations or any payment received or collected from such Guarantor in respect of the Borrower Obligations), remain liable for the Borrower Obligations up to the maximum liability of such Guarantor hereunder until the Borrower Obligations are paid in full, no Letter of Credit shall be outstanding and the Commitments are terminated.

2.2 Right of Contribution. Each Guarantor hereby agrees that to the extent that a Guarantor shall have paid more than its proportionate share of any payment made hereunder, such

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Guarantor shall be entitled to seek and receive contribution from and against any other Guarantor hereunder which has not paid its proportionate share of such payment. Each Guarantor's right of contribution shall be subject to the terms and conditions of Section 2.3. The provisions of this Section 2.2 shall in no respect limit the obligations and liabilities of any Guarantor to the Administrative Agent and the Lenders, and each Guarantor shall remain liable to the Administrative Agent and the Lenders for the full amount guaranteed by such Guarantor hereunder.

2.3 No Subrogation. Notwithstanding any payment made by any Guarantor hereunder or any set-off or application of funds of any Guarantor by the Administrative Agent or any Lender, no Guarantor shall be entitled to be subrogated to any of the rights of the Administrative Agent or any Lender against the Borrower or any other Guarantor or any collateral security or guarantee or right of offset held by the Administrative Agent or any Lender for the payment of the Borrower Obligations, nor shall any Guarantor seek or be entitled to seek any contribution or reimbursement from the Borrower or any other Guarantor in respect of payments made by such Guarantor hereunder, until all amounts owing to the Administrative Agent and the Lenders by the Borrower on account of the Borrower Obligations are paid in full, no Letter of Credit shall be outstanding and the Commitments are terminated. If any amount shall be paid to any Guarantor on account of such subrogation rights at any time when all of the Borrower Obligations shall not have been paid in full, such amount shall be held by such Guarantor in trust for the Administrative Agent and the Lenders, segregated from other funds of such Guarantor, and shall, forthwith upon receipt by such Guarantor, be turned over to the Administrative Agent in the exact form received by such Guarantor (duly indorsed by such Guarantor to the Administrative Agent, if required), to be applied against the Borrower Obligations, whether matured or unmatured, in such order as the Administrative Agent may determine.

2.4 Amendments, etc. with respect to the Borrower Obligations. To the extent permitted by law, each Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against any Guarantor and without notice to or further assent by any Guarantor, any demand for payment of any of the Borrower Obligations made by the Administrative Agent or any Lender may be rescinded by the Administrative Agent or such Lender and any of the Borrower Obligations continued, and the Borrower Obligations, or the liability of any other Person upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by the Administrative Agent or any Lender, and the Credit Agreement and the other Loan Documents and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the Administrative Agent (or the Required Lenders or all Lenders, as the case may be) may deem advisable from time to time, and any collateral security, guarantee

or right of offset at any time held by the Administrative Agent or any Lender for the payment of the Borrower Obligations may be sold, exchanged, waived, surrendered or released; it being understood that the guarantee contained in this Section 2 shall be terminated upon the payment and satisfaction in full of the Borrower Obligations and the Obligations of each Guarantor hereunder, the termination of the Commitments and the return and cancellation of all outstanding Letters of Credit. Neither the Administrative Agent nor any Lender shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Borrower Obligations or for the guarantee contained in this Section 2 or any property subject thereto.

2.5 Guarantee Absolute and Unconditional. Each Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Borrower Obligations and notice of or proof of reliance by the Administrative Agent or any Lender upon the guarantee contained in this Section 2

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or acceptance of the guarantee contained in this Section 2; the Borrower Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon the guarantee contained in this Section 2; and all dealings between the Borrower and any of the Guarantors, on the one hand, and the Administrative Agent and the Lenders, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon the guarantee contained in this Section 2. Each Guarantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Borrower or any of the Guarantors with respect to the Borrower Obligations. Each Guarantor understands and agrees that the guarantee contained in this Section 2 shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (a) the validity or enforceability of the Credit Agreement or any other Loan Document, any of the Borrower Obligations or any other collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by the Administrative Agent or any Lender, (b) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by the Borrower or any other Person against the Administrative Agent or any Lender, or (c) any other circumstance whatsoever (with or without notice to or knowledge of the Borrower or such Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Borrower for the Borrower Obligations, or of such Guarantor under the guarantee contained in this Section 2, in bankruptcy or in any other instance. When making any demand hereunder or otherwise pursuing its rights and remedies hereunder against any Guarantor, the Administrative Agent or any Lender may, but shall be under no obligation to, make a similar demand on or otherwise pursue such rights and remedies as it may have against the Borrower, any other Guarantor or any other Person or against any collateral security or guarantee for the Borrower Obligations or any right of offset with respect thereto, and any failure by the Administrative Agent or any Lender to make any such demand, to pursue such other rights or remedies or to collect any payments from the Borrower, any other Guarantor or any other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the Borrower, any other Guarantor or any other Person or any such collateral security, guarantee or right of offset, shall not relieve any Guarantor of any obligation or liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Administrative Agent or any Lender against any Guarantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

2.6 Reinstatement. The guarantee contained in this Section 2 shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Borrower Obligations is rescinded or must otherwise be restored or returned by the Administrative Agent or any Lender upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payments had not been made.

2.7 Payments. Each Guarantor hereby guarantees that payments hereunder

will be paid to the Administrative Agent without set-off or counterclaim in Dollars at the office of the Administrative Agent located at 270 Park Avenue, New York, New York 10017.

SECTION 3. GRANT OF SECURITY INTEREST

Each Grantor hereby assigns and transfers to the Administrative Agent, and hereby grants to the Administrative Agent, for the ratable benefit of the Lenders, a security interest in, all of

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the following property now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "Collateral"), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of such Grantor's Obligations,:

- (a) all Accounts;
- (b) all Chattel Paper;
- (c) all Documents;
- (d) all Equipment;
- (e) all General Intangibles;
- (f) all Instruments;
- (g) all Intellectual Property;
- (h) all Inventory;
- (i) all Pledged Securities;
- (j) all Investment Property;
- (k) all books and records pertaining to the Collateral; and

(l) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing.

SECTION 4. REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective extensions of credit to the Borrower thereunder, each Grantor hereby represents and warrants to the Administrative Agent and each Lender that:

4.1 Representations in Credit Agreement. In the case of each Guarantor, the representations and warranties set forth in Article 4 of the Credit Agreement as they relate to such Guarantor or to the Loan Documents to which such Guarantor is a party, each of which is hereby incorporated herein by reference, are true and correct, and the Administrative Agent and each Lender shall be entitled to rely on each of them as if they were fully set forth herein, provided that each reference in each such representation and warranty to the Borrower's knowledge shall, for the purposes of this Section 4.1, be deemed to be a reference to such Guarantor's knowledge.

4.2 Title; No Other Liens. Except for the security interest granted to the Administrative Agent for the ratable benefit of the Lenders pursuant to this Agreement and the other Liens permitted to exist on the Collateral by the Credit Agreement, such Grantor has granted no other

Liens on the Collateral. No financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except such as have been filed in favor of the Administrative Agent, for the ratable benefit of the Lenders, pursuant to this Agreement, as are permitted by the Credit Agreement or which will be terminated and delivered to the Administrative Agent on the Closing Date.

4.3 Perfected First Priority Liens. The security interests granted pursuant to this Agreement (a) constitute valid security interests and, upon completion of the filings and other actions specified on Schedule 3 (which, in the case of all filings and other documents referred to on said Schedule, have been delivered to the Administrative Agent in completed and duly executed form), will constitute perfected security interests in all of the Collateral addressed in such Schedule 3 in favor of the Administrative Agent, for the ratable benefit of the Lenders, as collateral security for such Grantor's Obligations, enforceable in accordance with the terms hereof against all creditors of such Grantor and any Persons purporting to purchase any Collateral from such Grantor and (b) are prior to all other Liens on the Collateral in existence on the date hereof except for Liens permitted by the Credit Agreement.

4.4 Chief Executive Office. On the date hereof, such Grantor's jurisdiction of organization and the location of such Grantor's chief executive office or sole place of business are specified on Schedule 4.

4.5 Inventory and Equipment. On the date hereof, the Inventory and the Equipment (other than mobile goods and Inventory or Equipment temporarily located in a UCC financing statement filing jurisdiction the aggregate fair market value of which is less than \$50,000 per jurisdiction) are kept at the locations listed on Schedule 5.

4.6 Farm Products. None of the Collateral constitutes, or is the Proceeds of, Farm Products.

4.7 Pledged Securities. (a) The shares of Pledged Stock pledged by such Grantor hereunder constitute all the issued and outstanding shares of all classes of the Capital Stock of each Issuer owned by such Grantor, except that, if the Issuer is an Excluded Foreign Subsidiary, then the shares of Pledged Stock pledged by such Grantor hereunder constitute all the issued and outstanding shares of all classes of the Capital Stock of such Issuer owned by such Grantor up to 65% of such shares of each class of Capital Stock of such Issuer.

(b) All the shares of the Pledged Stock have been duly and validly issued and are fully paid and nonassessable.

(c) Each of the Pledged Notes in excess of \$1,000,000 constitutes the legal, valid and binding obligation of the obligor with respect thereto, enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(d) Such Grantor is the record and beneficial owner of, and has good and marketable title to, the Pledged Securities pledged by it hereunder, free of any and all Liens or options in favor of, or claims of, any other Person, except the security interest created by this Agreement.

4.8 Receivables. (a) No amount payable to such Grantor under or in connection with any Receivable is evidenced by any Instrument or Chattel Paper which has not been delivered to the Administrative Agent, to the extent such delivery is required by the Credit Agreement.

(b) Receivables as to which a Governmental Authority is the obligor do not exceed 5% of the consolidated Receivables of the Borrower and its Subsidiaries.

(c) The amounts represented by such Grantor to the Lenders from time to time as owing to such Grantor in respect of the Receivables will at such times be accurate.

4.9 Intellectual Property. (a) Schedule 6 lists all Intellectual Property owned by such Grantor in its own name on the date hereof.

(b) Except as disclosed on Schedule 4.9 to the Credit Agreement, on the date hereof, to the knowledge of Grantor all material Intellectual Property is valid, subsisting, unexpired and enforceable, has not been abandoned and does not infringe the intellectual property rights of any other Person.

(c) Except as set forth in Schedule 6, on the date hereof, none of the Intellectual Property is the subject of any licensing or franchise agreement pursuant to which such Grantor is the licensor or franchisor.

(d) No holding, decision or judgment has been rendered by any Governmental Authority which would limit, cancel or question the validity of, or such Grantor's rights in, any Intellectual Property in any respect that could reasonably be expected to have a Material Adverse Effect.

(e) No action or proceeding is pending, or, to the knowledge of such Grantor, threatened, on the date hereof (i) seeking to limit, cancel or question the validity of any Intellectual Property or such Grantor's ownership interest therein, or (ii) which, if adversely determined, would have a material adverse effect on the value of any Intellectual Property.

SECTION 5. COVENANTS

Each Grantor covenants and agrees with the Administrative Agent and the Lenders that, from and after the date of this Agreement until the Obligations shall have been paid in full, no Letter of Credit shall be outstanding and the Commitments shall have terminated:

5.1 Covenants in Credit Agreement. In the case of each Guarantor, such Guarantor shall take, or shall refrain from taking, as the case may be, each action that is required to be taken or not taken, as the case may be, by a Subsidiary of the Borrower pursuant to the terms of the Credit Agreement.

5.2 Maintenance of Perfected Security Interest; Further Documentation. (a) Such Grantor shall maintain the security interest created by this Agreement as a perfected security interest having at least the priority described in Section 4.3 and shall defend such security interest against the claims and demands of all Persons whomsoever.

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(b) Such Grantor will furnish to the Administrative Agent and the Lenders from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Administrative Agent may reasonably request, all in reasonable detail.

(c) At any time and from time to time, upon the written request of the Administrative Agent, and at the sole expense of such Grantor, such Grantor will promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further actions as the Administrative Agent may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including, without limitation, the filing of any financing or continuation statements under the Uniform Commercial Code (or other similar laws) in effect in any jurisdiction with respect to the security interests created hereby.

5.3 Pledged Securities. (a) If such Grantor shall become entitled to receive or shall receive any stock certificate (including, without limitation,

any certificate representing a stock dividend or a distribution in connection with any reclassification, increase or reduction of capital or any certificate issued in connection with any reorganization), option or rights in respect of the Capital Stock of any Issuer, whether in addition to, in substitution of, as a conversion of, or in exchange for, any shares of the Pledged Stock, or otherwise in respect thereof, such Grantor shall accept the same as the agent of the Administrative Agent and the Lenders, hold the same in trust for the Administrative Agent and the Lenders and deliver the same forthwith to the Administrative Agent in the exact form received, duly indorsed by such Grantor to the Administrative Agent, if required, together with an undated stock power covering such certificate duly executed in blank by such Grantor and with, if the Administrative Agent so requests, signature guaranteed, to be held by the Administrative Agent, subject to the terms hereof, as additional collateral security for the Obligations. Any sums paid upon or in respect of the Pledged Securities upon the liquidation or dissolution of any Issuer shall be paid over to the Administrative Agent to be held by it hereunder as additional collateral security for the Obligations, and in case any distribution of capital shall be made on or in respect of the Pledged Securities or any property shall be distributed upon or with respect to the Pledged Securities pursuant to the recapitalization or reclassification of the capital of any Issuer or pursuant to the reorganization thereof, the property so distributed shall, unless otherwise subject to a perfected security interest in favor of the Administrative Agent, be delivered to the Administrative Agent to be held by it hereunder as additional collateral security for the Obligations. If any sums of money or property so paid or distributed in respect of the Pledged Securities shall be received by such Grantor, such Grantor shall, until such money or property is paid or delivered to the Administrative Agent, hold such money or property in trust for the Lenders, segregated from other funds of such Grantor, as additional collateral security for the Obligations.

(b) Without the prior written consent of the Administrative Agent, such Grantor will not (i) vote to enable, or take any other action to permit, any Issuer to issue any stock or other equity securities of any nature or to issue any other securities convertible into or granting the right to purchase or exchange for any stock or other equity securities of any nature of any Issuer, except to the extent such equity securities are pledged to the Lenders pursuant hereto, (ii) sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Pledged Securities or Proceeds thereof (except pursuant to a transaction expressly permitted by the Credit Agreement), (iii) create, incur or permit to exist any Lien or option in favor of, or any claim of any Person with respect to, any of the Pledged Securities or Proceeds thereof, or any interest therein, except for the security interests created by this Agreement or (iv) enter into any agreement or undertaking restricting the right or ability of such

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Grantor or the Administrative Agent to sell, assign or transfer any of the Pledged Securities or Proceeds thereof.

(c) In the case of each Grantor which is an Issuer, such Issuer agrees that (i) it will be bound by the terms of this Agreement relating to the Pledged Securities issued by it and will comply with such terms insofar as such terms are applicable to it, (ii) it will notify the Administrative Agent promptly in writing of the occurrence of any of the events described in Section 5.3(a) with respect to the Pledged Securities issued by it and (iii) the terms of Sections 6.3(c) and 6.7 shall apply to it, mutatis mutandis, with respect to all actions that may be required of it pursuant to Section 6.3(c) or 6.7 with respect to the Pledged Securities issued by it.

5.4 Receivables. (a) Other than in the ordinary course of business consistent with its past practice, such Grantor will not (i) grant any extension of the time of payment of any Receivable, (ii) compromise or settle any Receivable for less than the full amount thereof, (iii) release, wholly or partially, any Person liable for the payment of any Receivable, (iv) allow any credit or discount whatsoever on any Receivable or (v) amend, supplement or modify any Receivable in any manner that could adversely affect the value thereof.

(b) Such Grantor will deliver to the Administrative Agent a copy of

each material demand, notice or document received by it that questions or calls into doubt the validity or enforceability of more than 5% of the aggregate amount of the then outstanding Receivables.

5.5 Intellectual Property. (a) Such Grantor (either itself or through licensees) will (i) continue to use each material Trademark on each and every trademark class of goods applicable to its current line as reflected in its current catalogs, brochures and price lists in order to maintain such Trademark in full force free from any claim of abandonment for non-use, (ii) maintain as in the past the quality of products and services offered under such Trademark, (iii) use such Trademark with the appropriate notice of registration and all other notices and legends required by applicable Requirements of Law, (iv) not adopt or use any mark which is confusingly similar or a colorable imitation of such Trademark unless the Administrative Agent, for the ratable benefit of the Lenders, shall obtain a perfected security interest in such mark pursuant to this Agreement, and (v) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby such Trademark may become invalidated or impaired in any way.

(b) Such Grantor (either itself or through licensees) will not do any act, or omit to do any act, whereby any material Patent may become forfeited, abandoned or dedicated to the public.

(c) Such Grantor (either itself or through licensees) will not (and will not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any material portion of the Copyrights may become invalidated or otherwise impaired. Such Grantor will not (either itself or through licensees) do any act whereby any material portion of the registered Copyrights may fall into the public domain.

(d) Such Grantor (either itself or through licensees) will not do any act that knowingly uses any material Intellectual Property to infringe the intellectual property rights of any other Person.

(e) Such Grantor will notify the Administrative Agent and the Lenders immediately if it knows, or has reason to know, that any application or registration relating to any material Intellectual Property may become forfeited, abandoned or dedicated to the public, or of any adverse determination

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or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any court or tribunal in any country) regarding such Grantor's ownership of, or the validity of, any material Intellectual Property or such Grantor's right to register the same or to own and maintain the same.

(f) Whenever such Grantor, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Intellectual Property with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, such Grantor shall report such filing to the Administrative Agent within five Business Days after the last day of the fiscal quarter in which such filing occurs. Upon request of the Administrative Agent, such Grantor shall execute and deliver, and have recorded, any and all agreements, instruments, documents, and papers as the Administrative Agent may request to evidence the Administrative Agent's and the Lenders' security interest in any Copyright, Patent or Trademark and the goodwill and general intangibles of such Grantor relating thereto or represented thereby.

(g) Such Grantor will take all reasonable and necessary steps, including, without limitation, in any proceeding before the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of the material Intellectual Property, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability.

(h) In the event that any material Intellectual Property is infringed, misappropriated or diluted by a third party, such Grantor shall take such actions as such Grantor shall reasonably deem appropriate under the circumstances to protect such Intellectual Property.

(i) Notwithstanding any of the foregoing provisions of this Section 5.5, the Grantor shall be permitted in the exercise of its reasonable business judgment to do such acts, or omit from doing an act, which would result in the abandonment, forfeiture or dedication to the public of a particular Patent, Trademark, Copyright or other Intellectual Property, provided, however that such act or omission does not have a Material Adverse Effect on the business of the Grantor. Notwithstanding any of the foregoing provisions of this Section 5.5, the Grantor shall also be permitted to sell or Dispose of any Intellectual Property in compliance with the provisions of Section 7.5 of the Credit Agreement.

SECTION 6. REMEDIAL PROVISIONS

6.1 Certain Matters Relating to Receivables. (a) The Administrative Agent shall have the right to make test verifications of the Receivables in any manner and through any medium that it reasonably considers advisable, and each Grantor shall furnish all such assistance and information as the Administrative Agent may require in connection with such test verifications. At any time and from time to time, upon the Administrative Agent's request and at the expense of the relevant Grantor, such Grantor shall cause independent public accountants or others satisfactory to the Administrative Agent to furnish to the Administrative Agent reports showing reconciliations, aging and test verifications of, and trial balances for, the Receivables.

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(b) The Administrative Agent hereby authorizes each Grantor to collect such Grantor's Receivables (or to enter into arrangements with a third party for such collection), subject to the Administrative Agent's direction and control, and the Administrative Agent may curtail or terminate said authority at any time after the occurrence and during the continuance of an Event of Default. If required by the Administrative Agent at any time after the occurrence and during the continuance of an Event of Default, any payments of Receivables, when collected by any Grantor, (i) shall be forthwith (and, in any event, within two Business Days) deposited by such Grantor in the exact form received, duly indorsed by such Grantor to the Administrative Agent if required, in a Collateral Account maintained under the sole dominion and control of the Administrative Agent, subject to withdrawal by the Administrative Agent for the account of the Lenders only as provided in Section 6.5, and (ii) until so turned over, shall be held by such Grantor in trust for the Administrative Agent and the Lenders, segregated from other funds of such Grantor. Each such deposit of Proceeds of Receivables shall be accompanied by a report identifying in reasonable detail the nature and source of the payments included in the deposit.

(c) At the Administrative Agent's request, each Grantor shall make reasonably available, or upon the occurrence and during the continuance of a Default or Event of Default deliver, to the Administrative Agent all original and other documents evidencing, and relating to, the agreements and transactions which gave rise to the Receivables, including, without limitation, all original orders, invoices and shipping receipts.

6.2 Communications with Obligors; Grantors Remain Liable. (a) The Administrative Agent in its own name or in the name of others may at any time after the occurrence and during the continuance of an Event of Default communicate with obligors under the Receivables to verify with them to the Administrative Agent's satisfaction the existence, amount and terms of any Receivables.

(b) Upon the request of the Administrative Agent at any time after the occurrence and during the continuance of an Event of Default, each Grantor shall notify obligors on the Receivables that the Receivables have been assigned to the Administrative Agent for the ratable benefit of the Lenders and that payments in respect thereof shall be made directly to the Administrative Agent.

(c) Anything herein to the contrary notwithstanding, each Grantor shall remain liable under each of the Receivables to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto. Neither the Administrative Agent nor any Lender shall have any obligation or liability under any Receivable (or any agreement giving rise thereto) by reason of or arising out of this Agreement or the receipt by the Administrative Agent or any Lender of any payment relating thereto, nor shall the Administrative Agent or any Lender be obligated in any manner to perform any of the obligations of any Grantor under or pursuant to any Receivable (or any agreement giving rise thereto) to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party thereunder, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

6.3 Pledged Stock. (a) Unless an Event of Default shall have occurred and be continuing and the Administrative Agent shall have given notice to the relevant Grantor of the Administrative Agent's intent to exercise its corresponding rights pursuant to Section 6.3(b), each Grantor shall be permitted to receive all cash dividends paid in respect of the Pledged Stock and all payments made in respect of the Pledged Notes, in each case, as to which there is a reasonable basis

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for such payment and to exercise all voting and corporate rights with respect to the Pledged Securities; provided, however, that no vote shall be cast or corporate right exercised or other action taken which, in the Administrative Agent's reasonable judgment, would impair the Collateral or which would be inconsistent with or result in any violation of any provision of the Credit Agreement, this Agreement or any other Loan Document.

(b) If an Event of Default shall occur and be continuing and the Administrative Agent shall give notice of its intent to exercise such rights to the relevant Grantor or Grantors, (i) the Administrative Agent shall have the right to receive any and all cash dividends, payments or other Proceeds paid in respect of the Pledged Securities and make application thereof to the Obligations in the order set forth in Section 6.5, and (ii) any or all of the Pledged Securities shall be registered in the name of the Administrative Agent or its nominee, and the Administrative Agent or its nominee may thereafter exercise (x) all voting, corporate and other rights pertaining to such Pledged Securities at any meeting of shareholders of the relevant Issuer or Issuers or otherwise and (y) any and all rights of conversion, exchange and subscription and any other rights, privileges or options pertaining to such Pledged Securities as if it were the absolute owner thereof (including, without limitation, the right to exchange at its discretion any and all of the Pledged Securities upon the merger, consolidation, reorganization, recapitalization or other fundamental change in the corporate structure of any Issuer, or upon the exercise by any Grantor or the Administrative Agent of any right, privilege or option pertaining to such Pledged Securities, and in connection therewith, the right to deposit and deliver any and all of the Pledged Securities with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as the Administrative Agent may determine), all without liability except to account for property actually received by it, but the Administrative Agent shall have no duty to any Grantor to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing.

(c) Each Grantor hereby authorizes and instructs each Issuer of any Pledged Securities pledged by such Grantor hereunder to (i) comply with any instruction received by it from the Administrative Agent in writing that (x) states that an Event of Default has occurred and is continuing and (y) is otherwise in accordance with the terms of this Agreement, without any other or further instructions from such Grantor, and each Grantor agrees that each Issuer shall be fully protected in so complying, and (ii) unless otherwise expressly permitted hereby, pay any dividends or other payments with respect to the Pledged Securities directly to the Administrative Agent.

6.4 Proceeds to be Turned Over To Administrative Agent. In addition to the rights of the Administrative Agent and the Lenders specified in Section 6.1 with respect to payments of Receivables, if an Event of Default shall occur and be continuing, all Proceeds received by any Grantor consisting of cash, checks and other near-cash items shall be held by such Grantor in trust for the Administrative Agent and the Lenders, segregated from other funds of such Grantor, and shall, forthwith upon receipt by such Grantor, be turned over to the Administrative Agent in the exact form received by such Grantor (duly indorsed by such Grantor to the Administrative Agent, if required). All Proceeds received by the Administrative Agent hereunder shall be held by the Administrative Agent in a Collateral Account maintained under its sole dominion and control. All Proceeds while held by the Administrative Agent in a Collateral Account (or by such Grantor in trust for the Administrative Agent and the Lenders) shall continue to be held as collateral security for all the Obligations and shall not constitute payment thereof until applied as provided in Section 6.5.

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6.5 Application of Proceeds. At such intervals as may be agreed upon by the Borrower and the Administrative Agent, or, if an Event of Default shall have occurred and be continuing, at any time at the Administrative Agent's election, the Administrative Agent may apply all or any part of Proceeds constituting Collateral, whether or not held in any Collateral Account, and any proceeds of the guarantee set forth in Section 2, in payment of the Obligations in the following order:

First, to pay incurred and unpaid fees and expenses of the Administrative Agent under the Loan Documents;

Second, to the Administrative Agent, for application by it towards payment of amounts then due and owing and remaining unpaid in respect of the Obligations, pro rata among the Lenders according to the amounts of the Obligations then due and owing and remaining unpaid to the Lenders;

Third, to the Administrative Agent, for application by it towards prepayment of the Obligations, pro rata among the Lenders according to the amounts of the Obligations then held by the Lenders; and

Fourth, any balance of such Proceeds remaining after the Obligations shall have been paid in full, no Letters of Credit shall be outstanding and the Commitments shall have terminated shall be paid over to the Borrower or to whomsoever may be lawfully entitled to receive the same.

6.6 Code and Other Remedies. If an Event of Default shall occur and be continuing, the Administrative Agent, on behalf of the Lenders, may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the New York UCC or any other applicable law. Without limiting the generality of the foregoing, the Administrative Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Administrative Agent or any Lender or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Administrative Agent or any Lender shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. Each Grantor further agrees, at the Administrative Agent's request, to assemble the Collateral and make it available to the Administrative Agent at places which the Administrative Agent shall reasonably select, whether at such Grantor's premises

or elsewhere. The Administrative Agent shall apply the net proceeds of any action taken by it pursuant to this Section 6.6, after deducting all reasonable costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Administrative Agent and the Lenders hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Obligations, in such order as the Administrative Agent may

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elect, and only after such application and after the payment by the Administrative Agent of any other amount required by any provision of law, including, without limitation, Section 9-504(1)(c) of the New York UCC, need the Administrative Agent account for the surplus, if any, to any Grantor. To the extent permitted by applicable law, each Grantor waives all claims, damages and demands it may acquire against the Administrative Agent or any Lender arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition.

6.7 Registration Rights. (a) If the Administrative Agent shall determine to exercise its right to sell any or all of the Pledged Stock pursuant to Section 6.6, and if in the opinion of the Administrative Agent it is necessary or advisable to have the Pledged Stock, or that portion thereof to be sold, registered under the provisions of the Securities Act, the relevant Grantor will cause the Issuer thereof to (i) execute and deliver, and cause the directors and officers of such Issuer to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts as may be, in the opinion of the Administrative Agent, necessary or advisable to register the Pledged Stock, or that portion thereof to be sold, under the provisions of the Securities Act, (ii) use its best efforts to cause the registration statement relating thereto to become effective and to remain effective for a period of one year from the date of the first public offering of the Pledged Stock, or that portion thereof to be sold, and (iii) make all amendments thereto and/or to the related prospectus which, in the opinion of the Administrative Agent, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto. Each Grantor agrees to cause such Issuer to comply with the provisions of the securities or "Blue Sky" laws of any and all jurisdictions which the Administrative Agent shall designate and to make available to its security holders, as soon as practicable, an earnings statement (which need not be audited) which will satisfy the provisions of Section 11(a) of the Securities Act.

(b) Each Grantor recognizes that the Administrative Agent may be unable to effect a public sale of any or all the Pledged Stock, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws or otherwise, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers which will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges and agrees that any such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. The Administrative Agent shall be under no obligation to delay a sale of any of the Pledged Stock for the period of time necessary to permit the Issuer thereof to register such securities for public sale under the Securities Act, or under applicable state securities laws, even if such Issuer would agree to do so.

(c) Each Grantor agrees to use its best efforts to do or cause to be done all such other acts as may be necessary to make such sale or sales of all or any portion of the Pledged Stock pursuant to this Section 6.7 valid and binding and in compliance with any and all other applicable Requirements of Law. Each Grantor further agrees that a breach of any of the covenants contained in this Section 6.7 will cause irreparable injury to the Administrative Agent and the Lenders, that the Administrative Agent and the Lenders have no adequate remedy at law in respect of such breach and, as a consequence, that each and

every covenant contained in this Section 6.7 shall be specifically enforceable against such Grantor, and such Grantor hereby waives and agrees not to assert any

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defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred under the Credit Agreement.

6.8 Waiver; Deficiency. Each Grantor waives and agrees not to assert any rights or privileges which it may acquire under Section 9-112 of the New York UCC. Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay its Obligations and the fees and disbursements of any attorneys employed by the Administrative Agent or any Lender to collect such deficiency.

SECTION 7. THE ADMINISTRATIVE AGENT

7.1 Administrative Agent's Appointment as Attorney-in-Fact, etc. (a) Each Grantor hereby irrevocably constitutes and appoints the Administrative Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the Administrative Agent the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do any or all of the following:

(i) in the name of such Grantor or its own name, or otherwise, take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Receivable or with respect to any other Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Administrative Agent for the purpose of collecting any and all such moneys due under any Receivable or with respect to any other Collateral whenever payable;

(ii) in the case of any Intellectual Property, execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the Administrative Agent may request to evidence the Administrative Agent's and the Lenders' security interest in such Intellectual Property and the goodwill and general intangibles of such Grantor relating thereto or represented thereby;

(iii) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(iv) execute, in connection with any sale provided for in Section 6.6 or 6.7, any indorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(v) (1) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Administrative Agent or as the Administrative Agent shall direct; (2) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (3) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors,

assignments, verifications, notices and other documents in connection with any of the Collateral; (4) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (5) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (6) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Administrative Agent may deem appropriate; (7) assign any Copyright, Patent or Trademark (along with the goodwill of the business to which any such Copyright, Patent or Trademark pertains), throughout the world for such term or terms, on such conditions, and in such manner, as the Administrative Agent shall in its sole discretion determine; and (8) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Administrative Agent were the absolute owner thereof for all purposes, and do, at the Administrative Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things which the Administrative Agent deems necessary to protect, preserve or realize upon the Collateral and the Administrative Agent's and the Lenders' security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

Anything in this Section 7.1(a) to the contrary notwithstanding, the Administrative Agent agrees that it will not exercise any rights under the power of attorney provided for in this Section 7.1(a) unless an Event of Default shall have occurred and be continuing.

(b) If after the occurrence and during the continuance of a Default or Event of Default any Grantor fails to perform or comply with any of its agreements contained herein or in Section 6.13 of the Credit Agreement, the Administrative Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.

(c) The expenses of the Administrative Agent incurred in connection with actions undertaken as provided in this Section 7.1, together with interest thereon at a rate per annum equal to the rate per annum at which interest would then be payable on past due Revolving Credit Loans that are ABR Loans under the Credit Agreement, from the date of payment by the Administrative Agent to the date reimbursed by the relevant Grantor, shall be payable by such Grantor to the Administrative Agent on demand.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement and the Commitments are terminated, the Obligations have been repaid in full and no Letters of Credit are outstanding.

7.2 Duty of Administrative Agent. The Administrative Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the New York UCC or otherwise, shall be to deal with it in the same manner as the Administrative Agent deals with similar property for its own account. Neither the Administrative Agent, any Lender nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Administrative Agent and the Lenders hereunder are solely to protect the Administrative Agent's and the Lenders' interests in the Collateral and shall not impose any

duty upon the Administrative Agent or any Lender to exercise any such powers.

The Administrative Agent and the Lenders shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

7.3 Execution of Financing Statements. Pursuant to Section 9-402 of the New York UCC and any other applicable law, each Grantor authorizes the Administrative Agent to file or record financing statements and other filing or recording documents or instruments with respect to the Collateral without the signature of such Grantor in such form and in such offices as the Administrative Agent reasonably determines appropriate to perfect the security interests of the Administrative Agent under this Agreement. A photographic or other reproduction of this Agreement shall be sufficient as a financing statement or other filing or recording document or instrument for filing or recording in any jurisdiction.

7.4 Authority of Administrative Agent. Each Grantor acknowledges that the rights and responsibilities of the Administrative Agent under this Agreement with respect to any action taken by the Administrative Agent or the exercise or non-exercise by the Administrative Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Administrative Agent and the Lenders, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Administrative Agent and the Grantors, the Administrative Agent shall be conclusively presumed to be acting as agent for the Lenders with full and valid authority so to act or refrain from acting, and no Grantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

SECTION 8. MISCELLANEOUS

8.1 Amendments in Writing. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with Section 10.1 of the Credit Agreement.

8.2 Notices. All notices, requests and demands to or upon the Administrative Agent or any Grantor hereunder shall be effected in the manner provided for in subsection 10.2 of the Credit Agreement; provided that any such notice, request or demand to or upon any Guarantor shall be addressed to such Guarantor at its notice address set forth on Schedule 1.

8.3 No Waiver by Course of Conduct; Cumulative Remedies. Neither the Administrative Agent nor any Lender shall by any act (except by a written instrument pursuant to Section 8.1), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising, on the part of the Administrative Agent or any Lender, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Administrative Agent or any Lender of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Administrative Agent or such Lender would otherwise have on any future occasion. The rights and

remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

8.4 Enforcement Expenses; Indemnification. (a) Each Guarantor agrees to pay or reimburse each Lender and the Administrative Agent for all its costs and expenses incurred in collecting against such Guarantor under the guarantee contained in Section 2 or otherwise enforcing or preserving any rights under this Agreement and the other Loan Documents to which such Guarantor is a party, including, without limitation, the fees and disbursements of counsel (including the allocated fees and expenses of in-house counsel) to each Lender and of counsel to the Administrative Agent.

(b) Each Guarantor agrees to pay, and to save the Administrative Agent and the Lenders harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

(c) Each Guarantor agrees to pay, and to save the Administrative Agent and the Lenders harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement to the extent the Borrower would be required to do so pursuant to subsection 10.5 of the Credit Agreement.

(d) The agreements in this Section 8.4 shall survive repayment of the Obligations and all other amounts payable under the Credit Agreement and the other Loan Documents.

8.5 Successors and Assigns. This Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of the Administrative Agent and the Lenders and their successors and assigns; provided that no Grantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent.

8.6 Set-Off. Each Grantor hereby irrevocably authorizes the Administrative Agent and each Lender at any time and from time to time while an Event of Default shall have occurred and be continuing, without notice to such Grantor or any other Grantor, any such notice being expressly waived by each Grantor, to set-off and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by the Administrative Agent or such Lender to or for the credit or the account of such Grantor, or any part thereof in such amounts as the Administrative Agent or such Lender may elect, against and on account of the obligations and liabilities of such Grantor to the Administrative Agent or such Lender hereunder and claims of every nature and description of the Administrative Agent or such Lender against such Grantor, in any currency, whether arising hereunder, under the Credit Agreement, any other Loan Document or otherwise in respect of the Obligations, as the Administrative Agent or such Lender may elect, whether or not the Administrative Agent or any Lender has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. The Administrative Agent and each Lender shall notify such Grantor promptly of any such set-off and the application made by the Administrative Agent or such Lender of the proceeds thereof, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Administrative Agent and each Lender under this

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Section 8.6 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Administrative Agent or such Lender may have.

8.7 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

8.8 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8.9 Section Headings. The Section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof

or be taken into consideration in the interpretation hereof.

8.10 Integration. This Agreement and the other Loan Documents represent the agreement of the Grantors, the Administrative Agent and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to subject matter hereof and thereof not expressly set forth or referred to herein or in the other Loan Documents.

8.11 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

8.12 Submission To Jurisdiction; Waivers. Each Grantor hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the Courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Grantor at its address referred to in Section 8.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

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(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

8.13 Acknowledgements. Each Grantor hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents to which it is a party;

(b) neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to any Grantor arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Grantors, on the one hand, and the Administrative Agent and Lenders, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Grantors and the Lenders.

8.14 WAIVER OF JURY TRIAL. EACH GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

8.15 Additional Grantors. Each Subsidiary of the Borrower that is required to become a party to this Agreement pursuant to Section 6.10 of the Credit Agreement shall become a Grantor for all purposes of this Agreement upon execution and delivery by such Subsidiary of an Assumption Agreement in the form

of Annex 1 hereto.

8.16 Releases. (a) At such time as the Loans, the Reimbursement Obligations and the other Obligations shall have been paid in full, the Commitments have been terminated and no Letters of Credit shall be outstanding, the Collateral shall be released from the Liens created hereby, and this Agreement and all obligations (other than those expressly stated to survive such termination) of the Administrative Agent and each Grantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors. At the request and sole expense of any Grantor following any such termination, the Administrative Agent shall deliver to such Grantor any Collateral held by the Administrative Agent hereunder, and execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination.

(b) If any of the Collateral shall be sold, transferred or otherwise disposed of by any Grantor in a transaction permitted by the Credit Agreement, then the Administrative Agent, at the request and sole expense of such Grantor, shall execute and deliver to such Grantor all releases or other documents reasonably necessary or desirable for the release of the Liens created hereby on such Collateral. At the request and sole expense of the Borrower, a Subsidiary Guarantor shall be released from its obligations hereunder in the event that all the Capital Stock of such Subsidiary Guarantor shall be sold, transferred or otherwise disposed of in a transaction permitted by the Credit Agreement; provided that the Borrower shall have delivered to the Administrative Agent, at least ten Business Days prior to the date of the proposed release, a written request for release identifying the relevant

Subsidiary Guarantor and the terms of the sale or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a certification by the Borrower stating that such transaction is in compliance with the Credit Agreement and the other Loan Documents.

IN WITNESS WHEREOF, each of the undersigned has caused this Guarantee and Collateral Agreement to be duly executed and delivered as of the date first above written.

CONMED CORPORATION

By: _____
Name:
Title:

ASPEN LABORATORIES, INC.

By: _____
Name:
Title:

CONMED ANDOVER MEDICAL, INC.

By: _____
Name:
Title:

BIRTCHEER MEDICAL SYSTEMS, INC.

By: _____
Name:
Title:

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NDM, INC.

By: _____
Name:
Title:

CONSOLIDATED MEDICAL EQUIPMENT
INTERNATIONAL, INC.

By: _____
Name:
Title:

LINVATEC CORPORATION

By: _____
Name:
Title:

ENVISION MEDICAL CORPORATION

By: _____
Name:
Title:

=====

Schedule 1

NOTICE ADDRESSES OF GUARANTORS

Schedule 2

DESCRIPTION OF PLEDGED SECURITIES

PLEDGED STOCK:

Issuer	Class of Stock	Stock Certificate No.	No. of Shares
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PLEGGED NOTES:

Issuer	Payee	Principal Amount
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Schedule 3

FILINGS AND OTHER ACTIONS
REQUIRED TO PERFECT SECURITY INTERESTS

Uniform Commercial Code Filings

[List each office where a financing statement is to be filed]*

Patent and Trademark Filings

[List all filings]

Actions with respect to Pledged Stock

Other Actions

[Describe other actions to be taken]

* Note that perfection of security interests in patents and trademarks requires filings under the UCC in the jurisdictions where filings would be made for general intangibles, as well as filings in the U.S Copyright Office and the U.S. Patent & Trademark Office.

Schedule 4

LOCATION OF JURISDICTION OF ORGANIZATION AND CHIEF EXECUTIVE OFFICE

Grantor

Location

Schedule 5

LOCATION OF INVENTORY AND EQUIPMENT

Grantor

Locations

Schedule 6

COPYRIGHTS AND COPYRIGHT LICENSES

NONE

PATENTS AND PATENT LICENSES

[List to be sent]

TRADEMARKS AND TRADEMARK LICENSES

NONE

ACKNOWLEDGEMENT AND CONSENT**

The undersigned hereby acknowledges receipt of a copy of the Guarantee and Collateral Agreement dated as of December __, 1997 (the "Agreement"), made by the Grantors parties thereto for the benefit of The Chase Manhattan Bank, as Administrative Agent. The undersigned agrees for the benefit of the Administrative Agent and the Lenders as follows:

1. The undersigned will be bound by the terms of the Agreement and will comply with such terms insofar as such terms are applicable to the undersigned.

2. The undersigned will notify the Administrative Agent promptly in writing of the occurrence of any of the events described in Section 5.8(a) of the Agreement.

3. The terms of Sections 6.3(a) and 6.7 of the Agreement shall apply to it, mutatis mutandis, with respect to all actions that may be required of it pursuant to Section 6.3(a) or 6.7 of the Agreement.

[NAME OF ISSUER]

By _____

Title _____

Address for Notices:

Fax: -----

** This consent is necessary only with respect to any Issuer which is not also a Grantor.

Annex 1 to
Guarantee and Collateral Agreement

ASSUMPTION AGREEMENT, dated as of _____, 199_, made by _____, a _____ corporation (the "Additional Grantor"), in favor of The Chase Manhattan Bank, as administrative agent (in such capacity, the "Administrative Agent") for the banks and other financial institutions (the "Lenders") parties to the Credit Agreement referred to below. All capitalized terms not defined herein shall have the meaning ascribed to them in such Credit Agreement.

W I T N E S S E T H :

WHEREAS, Conmed Corporation (the "Borrower"), the Lenders and the Administrative Agent have entered into a Credit Agreement, dated as of December __, 1997 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement");

WHEREAS, in connection with the Credit Agreement, the Borrower and certain of its Affiliates (other than the Additional Grantor) have entered into the Guarantee and Collateral Agreement, dated as of December __, 1997 (as amended, supplemented or otherwise modified from time to time, the "Guarantee and Collateral Agreement") in favor of the Administrative Agent for the benefit of the Lenders;

WHEREAS, the Credit Agreement requires the Additional Grantor to become a party to the Guarantee and Collateral Agreement; and

WHEREAS, the Additional Grantor has agreed to execute and deliver this Assumption Agreement in order to become a party to the Guarantee and Collateral Agreement;

NOW, THEREFORE, IT IS AGREED:

1. Guarantee and Collateral Agreement. By executing and delivering this Assumption Agreement, the Additional Grantor, as provided in Section 8.15 of the Guarantee and Collateral Agreement, hereby becomes a party to the Guarantee and Collateral Agreement as a Grantor thereunder with the same force and effect as if originally named therein as a Grantor and, without limiting the generality of the foregoing, hereby expressly assumes all obligations and liabilities of a Grantor thereunder. The information set forth in Annex 1-A hereto is hereby added to the information set forth in Schedules _____*** to the Guarantee and Collateral Agreement. The Additional Grantor hereby represents and warrants that each of the representations and warranties contained in Section 4 of the Guarantee and Collateral Agreement is true and correct on and as the date hereof (after giving effect to this Assumption Agreement) as if made on and as of such date.

*** Refer to each Schedule which needs to be supplemented.

2. GOVERNING LAW. THIS ASSUMPTION AGREEMENT SHALL BE GOVERNED BY, AND
CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the undersigned has caused this Assumption
Agreement to be duly executed and delivered as of the date first above written.

[ADDITIONAL GRANTOR]

By: _____
Name:
Title:

[LOGO] CONMED

CORPORATION

NEWS RELEASE

CONTACT: LUKE A. POMILIO
CONTROLLER
(315) 797-8375 EXT. 2294

FOR RELEASE: IMMEDIATELY - DECEMBER 31, 1997

CONMED CORPORATION COMPLETES ACQUISITION OF LINVATEC
FROM BRISTOL-MYERS SQUIBB COMPANY

UTICA, N.Y.- CONMED CORPORATION (NASDAQ: CNMD) announced today the completion of its previously announced acquisition of Linvatec Corporation, a wholly-owned subsidiary of Bristol-Myers Squibb (NYSE: BMY), and certain assets relating to Linvatec's international business and Hall Surgical business.

Linvatec, with revenues in excess of \$215 million in 1996, is a leading medical surgical device company specializing in the design, manufacture and worldwide distribution of arthroscopy products and powered instruments. It has manufacturing plants in Largo, Florida, San Dimas and Santa Barbara, California, and employs approximately 850 people. Linvatec has a broad arthroscopy product line with significant offerings in the arthroscopic resection, procedure specific, imaging and fluid management product areas. Linvatec's arthroscopy products are used primarily by orthopedic surgeons while its powered instruments are used by a broad cross-section of surgeons in the orthopaedic, oral/maxillofacial, otolaryngologic, thoracic, plastic and reconstructive, podiatric and neurosurgical fields. Additionally, CONMED and a wholly-owned subsidiary of Bristol-Myers Squibb, Zimmer, Inc., have entered into a distribution agreement relating to certain Linvatec and Hall Surgical products in the United States and various countries worldwide.

Terms of the acquisition include a cash purchase price of \$370,000,000, subject to certain adjustments, which CONMED has borrowed under a secured credit agreement. In addition, Bristol-Myers Squibb received a ten year warrant to purchase one million shares of CONMED common stock at an exercise price equal to \$34.23 per share. CONMED anticipates taking a one-time charge at closing in connection with the acquisition which will be accounted for using the purchase method of accounting.

CONMED is a leading provider of advanced electrosurgical systems and electrocardiogram electrodes and accessories. CONMED also manufactures and markets a line of instruments for use in minimally-invasive surgical procedures, products for intravenous therapy, and surgical suction instruments. CONMED's products are used in a variety of clinical settings, such as operating rooms, physician's offices and critical care areas of hospitals. CONMED has used strategic business acquisitions to increase its market share in certain product lines, broaden its product offerings and realize economies of scale.