UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2003 **Commission File No. 1-2960**

Newpark Resources, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**72-1123385**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3850 N. Causeway, Suite 1770 **Metairie, Louisiana** (Address of principal executive offices)	**70002** (Zip Code)

(504) 838-8222
(Registrant's telephone number, including area code)

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

Title of each class	**Name of each exchange on which registered**
Common Stock, $0.01 par value	New York Stock Exchange
8-5/8% Senior Subordinated Notes due 2007, Series B	New York Stock Exchange

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act. Yes [ü] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [ ].

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act. Yes [ü] No [ ]

At June 30, 2003, the aggregate market value of the voting stock held by non-affiliates of the registrant was $425.4 million. The aggregate market value has been computed by reference to the closing sales price on such date, as reported by The New York Stock Exchange.

As of March 5, 2004, a total of 83.8 million shares of Common Stock, $0.01 par value per share, were outstanding.

Documents Incorporated by Reference

Pursuant to General Instruction G(3) to this form, the information required by Items 10, 11, 12 and 13 of Part III hereof are incorporated by reference from the registrant's definitive Proxy Statement for its Annual Meeting of Stockholders scheduled to be held on June 9, 2004.

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Note: The responses to Items 10, 11, 12 and 13, will be included in the registrant's definitive Proxy Statement for its Annual Meeting of Stockholders scheduled to be held June 9, 2004. The required information is incorporated into this Report by reference to such document and is not repeated here.

PART I

ITEM 1. Business

General

Newpark Resources, Inc. is a service company whose principal market is the oil and gas exploration and production industry. Since 1997, we have been working to broaden geographic and customer markets from beyond the U.S. Gulf Coast. As a result of these efforts, we now also operate in west Texas, the U.S. Mid-continent, the U.S. Rocky Mountains, Canada and areas of Europe and North Africa surrounding the Mediterranean Sea. We provide, either individually or as part of a comprehensive package, the following products and services:

- drilling fluids, associated engineering and technical services;
- installing, renting and selling patented hardwood and composite interlocking mats used for temporary access roads and work sites in oilfield and other construction applications;
- processing and disposing of oilfield exploration and production, or E&P, waste;
- on-site environmental and oilfield construction services;
- lumber, timber and wood by-product sales; and
- processing and disposing of non-hazardous industrial wastes for the refining, petrochemical and manufacturing industry in the U.S. Gulf Coast market.

We offer our drilling fluids, fluids processing, management and waste disposal services in an integrated package we call “Performance Services.” This allows our customers to consolidate the number of vendors providing outsourced services. The unique benefit of Performance Services is that it can accelerate the drilling process while reducing the amount of fluids consumed and the amount of waste created in the process and help to differentiate us from our competitors.

In our drilling fluids business, we offer unique solutions to highly technical drilling projects involving complex subsurface conditions. These projects require critical engineering support of the fluids system during the drilling process to ensure optimal performance at the lowest total well cost. We have developed and market several proprietary and patented drilling fluid products and systems that replace environmentally harmful substances, principally salts and oils, which are commonly used in drilling fluids. These elements are typically of the greatest environmental concern in the waste stream created by drilling fluids.

We have introduced and are continuing to develop the market for the DeepDrill™ and FlexDrill™ systems of high-performance, water-based drilling fluids and related specialty products incorporating our advanced technology products. We have introduced an oil-based drilling fluid system that incorporates a product from the DeepDrill™ family to replace salt, that we believe solves some of the environmental problems associated with oil-based fluids while improving drilling performance. We believe that these new products will make it easier for our customers to comply with increasingly strict environmental regulations affecting their drilling operations and improve the economics of the drilling process. (See discussion of Environmental Regulations below.)

We provide drilling fluids to the U.S. Gulf Coast market, west Texas, the U.S. Mid-continent, the U.S. Rocky Mountains, western Canada and in areas of Europe and North Africa around the Mediterranean Sea. We have the service infrastructure necessary to participate in the drilling fluids market in these regions. This infrastructure includes our industrial minerals grinding capacity that provides barite, a critical raw material for our drilling fluids operations in the U.S. Gulf Coast and parts of Canada. We also sell a variety of industrial minerals, principally to industrial markets, from our main plant in Channelview, Texas and a plant in Dyersburg, Tennessee.

In our mat and integrated services business, we use both a patented interlocking wooden mat system and our Dura-Base™ composite mat system to provide temporary access roads and worksites in unstable soil conditions. These mats are used primarily to support oil and gas exploration operations along the U.S. Gulf Coast and are typically rented to the customer. Occasionally, however, we sell the mats to the customer for permanent access to a site or facility.

We use our Dura-Base™ composite plastic mat system in our U.S. Gulf Coast rental market and increasingly in non-oilfield markets, and have begun selling the composite mats both within and outside of the oilfield market. During 2001, the majority of our sales were for oilfield applications in the western Canadian market. During 2002 and 2003, the majority of our sales were for oil and gas industry applications outside of North America, including Russia (Sakhalin Island), Indonesia, and Mexico. We initially believed that, in time, the Dura-Base™ mat would replace a significant portion of our traditional wooden mats in many rental applications and provide significant economic benefits because they are lighter, stronger, require fewer repairs and last longer than our wooden mats. Economic considerations have since proven that improved returns are available from use of the Dura-Base® mats outside of the oilfield industry. We have also dedicated significant time and resources to development of Dura-Base™ markets in industrial and construction applications, international markets and military and government applications. We believe that significant potential exists for future sales in these key markets. Certain other foreign markets appear to hold potential as rental markets, and we plan to open a rental business in Mexico early in 2004.

We also provide other services for our customers' oil and gas exploration and production activities that are principally included within our "Mat and Integrated Services" segment. These services include:

- oilfield construction services, including hooking-up and connecting wells, installing production equipment and maintaining the production site and facilities during the life of the well,
- waste pit design, construction and installation;
- regulatory compliance assistance; and
- site remediation and closure.

We receive E&P waste generated by our customers that we then process and inject into environmentally secure geologic formations deep underground. A portion of material recycled from the waste stream is delivered to municipal landfill facilities for application as a commercial product as cell liner material or daily cover material. This reuse product meets all EPA specifications for reuse. Recently, approximately 25% to 30% of the total waste that we received has been processed for reuse. During 2003, we opened a facility in Wyoming to serve the disposal needs of exploration and production companies in the Jonah-Pinedale area.

Since 1994, we have been licensed to process E&P waste contaminated with naturally occurring radioactive material, or NORM. (For more information on NORM, please refer to the discussion under Environmental Regulation beginning on page 15.) We currently operate under a license that authorizes us to directly inject NORM into dedicated disposal wells at our Big Hill, Texas facility. This is the only offsite facility in the U.S. Gulf Coast licensed for this purpose. Recent regulatory changes in the U.S. have begun to restrict the permissible concentration of NORM in drinking water. We are pursuing expanded license authority to accommodate these industrial NORM wastes at our facility. Since July 1999, we have operated a facility to dispose of non-hazardous industrial waste. This facility uses the same waste disposal technology we use for E&P waste and NORM waste disposal.

Newpark was originally organized in 1932 as a Nevada corporation. In April 1991, we changed our state of incorporation to Delaware. Our principal executive offices are located at 3850 North Causeway Boulevard, Suite 1770, Metairie, Louisiana 70002. Our telephone number is (504) 838-8222.

Industry Fundamentals

Demand for our services has historically been driven by several factors: (i) commodity pricing of oil and gas, (ii) oil and gas exploration and production expenditures and activity and the trend toward drilling in deeper geologic zones; (iii) the desire to drill in more environmentally difficult areas, such as the coastal marsh and inland waters near the coastline (transition zone) of the Gulf Coast, (iv) use of more complex drilling techniques that tend to generate more waste; and (v) increasing environmental regulation of the waste created while drilling for oil and gas (E&P waste).

The demand for most of our services is related to the level, type, depth and complexity of oil and gas drilling. The most widely accepted measure of activity is the Baker-Hughes Rotary Rig Count. During the fourth quarter of 1997, the number of drilling rigs working in the U.S. Gulf Coast region reached its highest level since 1990. It then began a decline that continued into the second quarter of 1999, when it reached the lowest level ever recorded in the history of the indicator, which began over 50 years ago. Shortly afterwards, the rig count in our principal market began to increase, and that trend continued through early July 2001, when it peaked at 1,293 rigs working. The average rig count was 1,032 for 2003, compared to 830 for 2002, an increase of 202 rigs, or 24.3%, but all of the increase occurred in markets outside of the Gulf Coast. Rig activity in Newpark's historic market was unchanged throughout 2003. Industry observers anticipate that recent high commodity prices for oil and gas could result in a slow improvement in this indicator.

The shallower reserves available in the historic gas-producing basins of the U.S. are approaching full development and the remaining prospects appear to be of declining economic potential. Most operators have begun to shift the focus of their drilling programs towards deeper geologic structures. We believe that improved application of technological advances, such as computer-enhanced interpretation of three-dimensional seismic data and improved rig capacity, drilling tools and fluids, which facilitate faster drilling, will help reduce the risk and cost of finding oil and gas and are important factors in the economics faced by the industry. These advances have increased the willingness of exploration companies to drill in coastal marshes and inland waters where access is expensive, and to drill deeper wells in many basins. These projects rely heavily on services such as those that we provide. Deeper wells require larger, more expensive temporary locations to be constructed to accommodate larger drilling rigs and the equipment needed to handle increased volumes of drilling fluids and associated wastes. These locations are generally in service for significantly longer periods, generating additional mat rental revenues. Deeper wells also require more complex drilling fluid programs and generate larger waste volumes than those from simpler systems used in shallower wells. The total cost of a drilling fluids program for rigs in excess of 12,000 feet generally increases exponentially as rig depth increases.

The oilfield market for environmental services has grown due to increasingly stringent regulations restricting the discharge of exploration and production wastes into the environment. Most recently, the U.S. EPA has published new regulations significantly limiting discharges of drilling wastes contaminated with synthetic-based mud (SBM) into the offshore Gulf of Mexico, which became effective on February 19, 2002. These new regulations have had a material effect on the industry's disposal practices in the offshore market. Louisiana, Texas and other states have enacted comprehensive laws and regulations governing the proper handling of E&P waste and NORM, and regulations have been proposed in other states. As a result, waste generators and landowners have become increasingly aware of the need for proper treatment and disposal of this waste in both drilling of new wells and remediating production facilities.

We receive non-hazardous industrial waste principally from generators in the Gulf Coast market. Those generators include refiners, manufacturers, service companies and municipalities that produce waste that is not characterized or listed as a regulated waste under The Resource Conservation and Recovery Act. We believe we can effectively serve the market that extends from Baton Rouge, Louisiana to Houston, Texas from the current facility located near the Texas-Louisiana state line.

The non-hazardous industrial waste market includes many recurring waste streams that are continually created by customers in the normal course of their business operations. In addition, “event” driven waste streams may result from specific business activities that do not happen often, such as a refinery “turnaround” or facility remediation projects. These wastes include contaminated soils, wastewater treatment residues, tank bottoms, process wastewater, storm water runoff, equipment wash water and leachate water from municipal landfills.

Business Strengths

Proprietary Products and Services. Over the past 15 years, we have acquired, developed, and improved our patented or proprietary technology and know-how, which has enabled us to provide innovative and unique solutions to oilfield construction and waste disposal problems. We have developed and expect to continue to introduce similarly innovative products in our drilling fluids business. We believe that increased customer acceptance of our proprietary products and services will enable us to take advantage of upturns in drilling and production activity.

Waste Injection. Since 1993, we have developed and used proprietary technology to dispose of E&P waste by low-pressure injection into unique geologic structures deep underground. In December 1996, we were issued patents covering our waste processing and injection operations. We believe that our injection technology is the most environmentally safe and the most cost-effective method for disposing oilfield wastes offsite and that this technology is suitable for disposing other types of waste. We completed and began operating a non-hazardous industrial waste injection disposal facility in July 1999.

Patented Mats. We own or license several patents that cover our wooden mats and subsequent improvements. To facilitate entry into new markets and reduce our dependence on hardwood supplies, we have obtained the exclusive license for a new patented composite mat manufactured from plastics and other materials. We own 49% of a company that owns and operates the manufacturing facility that produces these mats. We began taking delivery of these mats in the fourth quarter of 1998. As of December 31, 2003, just over 39,000 mats in our rental inventory, equal to 30% of our capacity, were composed of the composite product.

DeepDrill™ and FlexDrill™. We own the patent rights to these high-performance, completely biodegradable, water-based drilling fluid systems and related specialty products, which provide unique solutions to both performance and environmental concerns in many drilling situations. Some of the performance areas that DeepDrill™ and FlexDrill™ can address include hydrate suppression in deepwater drilling, torque and drag reduction, shale inhibition, minimized hole enlargement and enhanced ability to log results and utilize measurement tools. These systems offer superior environmental attributes to the commonly used oil-based and synthetic-based fluid systems, which are often used in environmentally sensitive areas due to performance requirements. Application of key components of these fluids systems has enabled us to offer salt-free oil-based drilling fluids that facilitate on-site composting of the waste stream in compliance with new regulations limiting the salt levels in the composted material returned to the environment in western Canada.

Low Cost Infrastructure. We have assembled a low cost infrastructure to receive and process E&P waste in the U.S. Gulf Coast region that includes strategically located transfer stations for receiving waste, a large fleet of barges for the most cost-efficient transportation of waste and geologically-secure injection disposal sites.

Integration of Services. We believe we are one of the few companies in the U.S. Gulf Coast able to provide a package of integrated services and offer a “performance services” approach to solving customers’ problems. Our mats provide the access roads and work sites for a majority of the land drilling in the Gulf Coast market. Our on-site and off-site waste management services are frequently sold in combination with our mat rental services. In addition, our entry into the drilling

fluids business has created the opportunity for us to market drilling fluids with other related services, including technical and engineering services, disposal of used fluids and other drilling waste, construction services, site cleanup and site closure. Consequently, we believe that we are well positioned to take advantage of the industry trend towards outsourcing and vendor consolidation.

Experience in the Regulatory Environment. We believe that our operating history provides us with a competitive advantage in the highly regulated oilfield waste disposal business. As a result of working closely with regulatory officials and citizens' groups, we have gained acceptance for our proprietary injection technology and have received a series of permits for our disposal facilities, including a permit allowing the disposal of NORM at our Big Hill, Texas facility. These permits enable us to expand our business and operate cost-effectively. We believe that our proprietary injection method is superior to alternative methods of disposing oil field wastes, including land farming, because injection provides greater assurance that the waste is permanently isolated from the environment and will not contaminate adjacent property or groundwater. We further believe that increasing environmental regulation and activism will inhibit the widespread acceptance of other disposal methods and the permitting of additional disposal facilities.

Experienced Management Team. Our executive and operating management team has built and augmented our capabilities over the past ten years, allowing us to develop a base of knowledge and a unique understanding of the oilfield construction and waste disposal markets. Our executive and operating management team has an average of 25 years of industry experience, and an average of 13 years with us. Several executives have been with us for 25 years or more. We have strengthened our management team by retaining key management personnel of the companies we have acquired and by attracting additional experienced personnel.

Business Strategy

Broaden our geographic and customer markets. From a 1997 U.S. Gulf Coast base, we have expanded geographically and now also operate in west Texas, the U.S. Mid-continent, the U.S. Rocky Mountains, Canada and areas of Europe and North Africa surrounding the Mediterranean Sea. With the development of new technologies, we have broadened our customer base to markets outside of our principal oil and gas exploration and production industry market when such technology can be applied to those markets.

Technical Drilling Fluids Products Leadership. Our strategy is to distinguish our fluids sales and engineering segment from our competitors by providing our customers with innovative systems and solutions that ensure their drilling success. Our DeepDrill™ and FlexDrill™ Fluids Systems were created in anticipation of both increasing environmental regulation and increasingly complex drilling processes. Our ability to provide these high-performance and environmentally safe systems, products, and services will play a major role in preventing or solving our customers' drilling problems, while also reducing their total cost to drill a well.

Implement Our Performance Services Concept. With our Performance Services Concept, we work with our customers in a collaborative environment. We can better align our strengths, experience and project goals with those of our customers. Our ability to incorporate fluid systems management, process equipment, site preparation, and waste disposal services can further help our customers achieve an overall well cost savings and further differentiate us from our competitors.

Develop the Worldwide Market for Dura-Base™ Mats. We plan to continue the initiatives begun in fiscal 2002 that saw the Dura-Base™ mat introduced in several key markets world-wide. We believe that these composite mats have worldwide applications in oilfield, industrial, commercial, military and emergency response markets because the strength, durability, weight and shelf life of the composite mats have an advantage over traditional wooden mats and other alternate products. These include applications in support of the oil and gas industry in Russia (Sakhalin Island) and Mexico, and military applications in the Middle East. Other markets that we consider potentially

important include Indonesia and Alaska in support of oil and gas development projects, and infrastructure construction and rehabilitation in the United Kingdom. As energy market conditions continue to improve, we anticipate a recovery in the western Canadian market, which has been the single largest consumer of these mats since we began the sales program. We are working to establish a mat rental operation in Mexico and expect it to begin operation early in 2004.

Introduce and Market New Composite Mat Products. We have recently introduced the Bravo™ mat, (formerly identified as the SP 12 mat) a unit that weighs approximately 50 pounds and can readily be installed by a single individual without the need for mechanical assistance. These mats provide 12.25 square feet of surface area and interlock to provide a stable surface for pedestrian traffic and light equipment loads. We believe that a broad market for this new product potentially exists and will begin production of the mat early in 2004.

Improve Rental Mat Utilization in the Gulf Coast Market. Improving the utilization of our rental mat fleet is an important part of our strategy. Over the past two years, adverse market conditions have produced a declining trend in pricing and utilization of our rental mats. Total industry inventory of rental mats has declined by 50%. Recent market activity does not support expansion of the rental fleet, and we plan to selectively reduce capacity in an attempt to improve pricing and utilization of our mats. We anticipate that improving application of advanced drilling technology will support an increase in deeper drilling projects in the coastal area and better results in this business.

Service and Product Extensions. We believe we can apply the waste processing and injection technology we have pioneered and developed in the oil and gas exploration industry to other industrial waste markets. In 2003 we opened an innovative production water disposal facility to serve operators in the Jonah-Pinedale field in Wyoming. That facility uses freeze thaw evaporation technology to separate waste products from the water. We are actively engaged in applying other waste processing technologies that can be used to treat wastewater, and believe that it could be useful in both oilfield and industrial applications.

Description of Business

FLUIDS SALES AND ENGINEERING

Our drilling fluids business is focused on technical drilling projects involving complex conditions, such as horizontal drilling, geographically deep drilling or deep water drilling. These projects require constant monitoring and critical engineering support of the fluids system during the drilling process. Through acquisitions, we expanded our drilling fluids operations to include west Texas, the U.S. Mid-continent, the U.S. Rocky Mountains, Canada and, most recently, areas surrounding the Mediterranean Sea, and have strengthened our market position on the Gulf Coast.

In addition, we grind barite and other industrial minerals at facilities in Houston and Corpus Christi, Texas, New Iberia and Morgan City, Louisiana, and Dyersburg, Tennessee. We have also entered into a contract grinding agreement in Brownsville, Texas under which a contract mill grinds raw barite supplied by us for a fixed fee. The products are used in our drilling fluids business and are sold to industrial users. Expanding our milling capacity has provided us access to critical raw materials for our drilling fluids operations.

In addition to our drilling fluids operations, we have historically provided environmental services to the drilling and production industry in Canada, including using composting technology. This technique bioremediates the drill cuttings and drilling waste on location. In eastern Canada, these services are performed at our own facilities. The customer-generated waste is mixed with wood chips and a proprietary recipe of water and nutrients and allowed to compost for a pre-determined period, during which the contaminants are naturally biodegraded below regulatory thresholds. Once remediation is completed, the remaining compost is returned to the customer for

spreading or reseeding on their property. This technology is also being used in other markets, including Wyoming, and further market penetration is being pursued there. Composting technology provides us with another product that compliments our drilling fluids to provide the customer a total performance package.

Recent changes in regulations in Canada that limit the amount of salt that may be left behind once the oil has been digested in the composted materials created an opportunity for us to introduce a new drilling fluids product in that market. Using one of the ingredients of our DeepDrill™ and FlexDrill™ systems, our technical staff created a salt-free drilling fluid now in use in Canada that allows the composting technique to continue to be used even after the new and more restrictive regulations were adopted. In addition, the new fluid was found to drill significantly faster than conventional oil-based systems. We expect that the synergies resulting from the linking together of our environmental services and drilling fluids technologies will continue to lead to new products and services by which we will distinguish ourselves from our competitors.

MAT AND INTEGRATED SERVICES

Mat services and sales.

Since 1988, we have used a patented prefabricated interlocking wooden mat system for constructing drilling and work sites, which replaced the labor-intensive individual hardwood boards used for that purpose. In 1994, we began looking for other products that could substitute for wood in the mats. In 1997, we formed a joint venture to manufacture our DuraBase™ composite mat, which is lighter, stronger and more durable than the wooden mats currently in use. The manufacturing facility was completed in the third quarter of 1998 and immediately began producing the new composite mats. We believe the facility has the capacity to manufacture up to 42,000 units annually at full production. Production was suspended in May 2003 due to low third party sales volume resulting from weak market conditions. Current market conditions have made it difficult to earn a satisfactory return on investment in the rental business in the Gulf Coast market. We will evaluate opportunities to reduce capacity and improve pricing and utilization in this market in 2004. These opportunities may include moving mats to other markets, such as Mexico, or selling part of the fleet.

Markets. We provide mats to the oil and gas industry to ensure all-weather access to exploration and production sites in the unstable soil conditions common along the onshore Gulf of Mexico. We also provide access roads and temporary work sites for pipeline, electrical utility and highway construction projects where soil protection is required by environmental regulations or to assure productivity in unstable soil conditions. We have supplied mats on a rental basis for projects nationwide and are working to broaden that customer base and expand this component of the business.

Re-rentals and Sales. Customers rent our mats at oilfield drilling and work sites for a typical initial period of 60 days. This initial rental charge compensates us for the cost of installation and the initial period of use. Often, the customer extends the initial term for additional 30-day periods, resulting in additional revenues. These “re-rental revenues” provide higher margins than the initial installation revenues because only minimal incremental costs accrue to each re-rental period. Non-oilfield rentals are generally provided on a “day-rate” basis with rentals beginning the day the mats are transported from our facility and ending upon return to our site. Factors which may increase rental revenue from the oil and gas industry include a trend toward deeper drilling, taking a longer time to reach the desired target increased commercial success, requiring logging, testing, and completion (hook-up), extending the period during which access to the site is required. Occasionally, the customer purchases wooden mats for installation when a site is converted into a permanent worksite. Non-oilfield rentals should benefit from increased customer awareness of the product as we continue to develop the commercial and industrial market.

Since late in 2000 we have sold the Dura-Base® composite mats, initially to E&P companies, principally in western Canada, and for use in various industrial, commercial and military markets, as well as oilfield customers outside of Canada. Those customers value the advantage in strength, durability, weight and shelf life of the composite mats over traditional wooden mats and other alternate products. Revenue from sales during that period has totaled $57.5 million and has contributed $20 million to operating income.

Canadian Market. We believe that western Canada will be a key long-term supplier of natural gas to the U.S. In the parts of Canada where drilling activity is most prevalent, soil conditions are similar to the marsh regions of the U.S. Gulf Coast. Drilling has historically taken place when this ground is frozen. During the break-up season, beginning in March or April and continuing until the ground freezes late in the year, drilling decreases dramatically because of reduced access to drilling sites. Our mat system provides year-round work-site access in these areas. We began working to develop a market in Canada in the first quarter of 1998. In 2003 we sold our rental inventory of wooden mats to local service providers and exited the rental business. We are now focused on western Canada as a sales market for Dura-Base® composite mats and wooden mats.

Other Integrated Services

As increasingly more stringent environmental regulations affecting drilling and production sites are promulgated and enforced, the scope of services required by the oil and gas companies has increased. Often it is more efficient for the site operator to contract with a single company that can provide all-weather site access and provide the required onsite and offsite environmental services on a fully integrated basis. We provide a comprehensive range of environmental services necessary for our customers' oil and gas exploration and production activities. These services include:

Site Assessment. Site assessment work begins prior to installing mats on a drilling site, and generally begins with a study of the proposed well site. This includes site photography, background soil sampling, laboratory analysis and investigating flood hazards and other native conditions. The assessment determines whether the site has previously been contaminated and provides a baseline for later restoration to pre-drilling condition.

Pit Design, Construction and Drilling Waste Management. Where permitted by regulations and landowners, under our Environmentally Managed Location ("EML") Program, we construct waste pits at drilling sites and monitor the waste stream produced in drilling operations and the contents and condition of the pits with the objective of minimizing the amount of waste generated on the site. Where possible, we dispose of waste onsite by land farming, through chemically and mechanically treating liquid waste and by injection into an underground formation. Waste water treated onsite may be reused in the drilling process or, where lawful, discharged into adjacent surface waters.

Regulatory Compliance. Throughout the drilling process, we assist the operator in interfacing with the landowner and regulatory authorities. We also assist the operator in obtaining necessary permits and in record keeping and reporting.

Site Remediation.

• *E&P Waste (Drilling).* When the drilling process is complete, under applicable regulations, wastewater on the site may be chemically and/or mechanically treated to eliminate its waste-like characteristics and discharged into surface waters. Other waste that may not remain on the surface of the site may be land-farmed on the site or injected into geologic formations to minimize the need for offsite disposal. Any waste that cannot, under regulations, remain onsite is manifested and transported to an authorized facility for processing and disposal at the direction of the generator or customer.

• *E&P Waste (Production).* We receive waste streams that are created during the production phase of drilling operations. We also provide services to remediate production pits and inactive waste pits, principally those from past oil and gas drilling and production operations. We provide the following remediation services: (1) analyzing contaminants present in the pit and determining whether remediation is required by applicable state regulation; (2) treating waste onsite and, where lawful, reintroducing that material into the environment; and (3) removing, containerizing and transporting E&P waste to our processing facility.

• *NORM (Production).* Since 1994, we have been a licensed NORM contractor, allowing us to perform site remediation work at NORM contaminated facilities in Louisiana and Texas. (For more information on NORM, please refer to the discussion under Environmental Regulation beginning on page 15.) We subsequently have received licenses to perform NORM remediation in other states. Because of increased worker-protective equipment, extensive decontamination procedures and other regulatory compliance issues at NORM facilities, the cost of providing NORM remediation services is materially greater than at E&P waste facilities. These services generate proportionately higher revenues and operating margins than similar services at E&P waste facilities.

Site Closure. Site closure services are designed to restore a site to its pre-drilling condition, replanted with native vegetation. Closure also involves delivering test results indicating that closure has been completed in compliance with applicable regulations. This information is important to the customer because the operator is subject to future regulatory review and audits. In addition, the information may be required on a current basis if the operator is subject to a pending regulatory compliance order.

General Oilfield Construction Services. We perform general oilfield construction services throughout the Texas and Louisiana Gulf Coast. These services include preparing work sites for installing mats, connecting wells and placing them in production, laying flow lines and infield pipelines, building permanent roads, grading, lease maintenance (maintaining and repairing producing well sites), cleanup and general roustabout services. General oilfield services are typically performed under short-term time and material contracts, which are obtained by direct negotiation or bid.

Wood Product Sales. We own a sawmill in Batson, Texas that provides access to hardwood lumber to support our wooden mat business. The mill’s products include lumber, timber, wood chips, bark and sawdust. Pulp and paper companies in the area supply a large proportion of the hardwood logs processed at the sawmill and, in turn, are the primary customers for wood chips created in the milling process. We believe that, as the composite mats are introduced into the market, our dependence on the sawmill lumber will diminish. Therefore, other markets for the wood products are being developed, including marine lumber, construction skid material, timbers for crane mats and support lumber for packaging.

E & P WASTE DISPOSAL

E&P Waste Processing. In most jurisdictions, E&P waste, if not treated for discharge or disposed on the location where it is generated, must be transported to a licensed E&P waste disposal or treatment facility. Three primary alternatives for offsite disposal of E&P waste are available to generators in the U.S. Gulf Coast: (1) underground injection (see “Injection Wells”); (2) disposal on surface facilities; and (3) processing and conversion into a reuse product. In addition, a portion of the waste can be recycled into a drilling fluids product.

The volume of waste handled by us in 2003, 2002 and 2001 is summarized in the table below:

	2003	2002	2001
	(Barrels In Thousands)		
Drilling and Production	3,538	3,133	3,966
Remediation Disposal	51	123	301
Total	3,589	3,256	4,267

We operate seven receiving and transfer facilities located along the U.S. Gulf Coast, from Venice, Louisiana, to Corpus Christi, Texas. Waste products are collected at the transfer facilities from three distinct exploration and production markets: (1) offshore; (2) land and inland waters; and (3) remediation operations at well sites and production facilities. A fleet of 51 double-skinned barges certified by the U.S. Coast Guard to transport E&P waste supports these facilities. Waste received at the transfer facilities is moved by barge through the Gulf Intracoastal Waterway to our processing and transfer facility at Port Arthur, Texas, and trucked to injection disposal facilities at Fannett, Texas.

Improved processing equipment and techniques and increased injection capacity have substantially reduced waste volumes processed for reuse and delivered to local municipal landfills as a reuse product. Recently, approximately 25% to 30% of the total waste that we received has been processed into a reuse product. Landfills are required by regulations to cover the solid waste received each day in the facility with earth or other inert material. Our reuse product is utilized at either the City of Port Arthur Municipal Landfill or the City of Beaumont Municipal Landfill as cover or construction material pursuant to contracts with these cities. We also have developed alternative uses for the product as road base material or construction fill material.

NORM Processing and Disposal. Many alternatives are available to the generator for treating and disposing NORM. These include both chemical and mechanical methods designed to reduce volume, burying encapsulated NORM on-site within old well bores and soil washing and other techniques to dissolve and suspend the radium in solution to inject NORM liquids on-site. When these techniques are not economically competitive with offsite disposal, or not sufficient to bring the site into compliance with applicable regulations, the NORM must be transported to a licensed storage or disposal facility. We have been licensed to operate a NORM disposal business since September 1994. Since May 21, 1996, we have disposed of NORM by injection disposal at our Big Hill, Texas facility.

Non-hazardous Industrial Waste. In September 1997, we applied for licensing authority to build and operate a facility that will process and dispose non-hazardous industrial waste. Permits were issued to us in February 1999, and operations began in the third quarter of 1999. Our market includes refiners, manufacturers, service companies and municipalities.

Injection Wells. Our injection technology is distinguished from conventional methods in that it utilizes very low pressure, typically less than 100 pounds per square inch (“psi”), to move the waste into the injection zone. Conventional injection wells typically use pressures of 2,000 psi or more. If there were to be a formation failure or the face of the injection zone were to become blocked, this pressure could force waste material beyond the intended zone, posing a potential hazard to the environment. The low pressure used by us is inadequate to drive the injected waste from its intended geologic injection zone.

We began using injection for E&P waste disposal in April 1993. Under a permit from the Texas Railroad Commission, we currently operate a 50-acre injection well facility in the Big Hill Field and a facility at a 400-acre site near Fannett, both located in Jefferson County, Texas. The Fannett site was placed in service in September 1995 and is our primary facility for disposing of E&P waste. We have subsequently acquired several additional injection disposal sites, and now hold

an inventory of approximately 1,250 acres of injection disposal property in Texas and Louisiana. Recent geological studies of sites that we presently operate indicate a total volumetric capacity sufficient to inject approximately two billion barrels of slurry. We have injected a total of 40.7 million barrels of slurry into the formations at these sites since we began injection operations. Based on these studies, we have utilized less than 2% of the total injection capacity available at these sites.

We have identified a number of additional sites in the U.S. Gulf Coast region as suitable for disposal facilities. We believe our current processing and disposal capacity will be adequate to provide for expected future demand for our oilfield and other waste disposal services. However, we continue to identify and, where appropriate, obtain permits for other locations as a contingency measure should transportation economics or changes in other market factors make it necessary to develop other sites in order to provide the most cost effective disposal solution to our customers.

Sources and Availability of Raw Materials and Equipment

We believe that our sources of supply for materials and equipment used in our businesses are adequate for our needs and that we are not dependent upon any one supplier. Barite used in our drilling fluids business is primarily provided by our specialty milling company. In addition, barite is obtained from third-party mills under contract grinding arrangements. The raw barite ore used by the mills is obtained under supply agreements from foreign sources, primarily China and India. Due to the lead times involved in obtaining barite, a 90 day or greater supply of barite is maintained at the grinding facilities at all times. Other materials used in the drilling fluids business are obtained from various third party suppliers. No serious shortages or delays have been encountered in obtaining any raw materials, and we do not currently anticipate any shortages or delays.

We obtain certain chemical compounds under long-term supply contracts with various chemical manufacturers, and we believe that we could arrange suitable supply agreements with other manufacturers if the current supplier became unable to provide the products in sufficient quantities.

The new composite mats are manufactured through a joint venture in which we have a 49% interest. The resins, chemicals and other materials used to manufacture the mats are widely available.

We acquire the majority of our hardwood needs in our mat business from our own sawmill. The hardwood logs are obtained from loggers who operate close to the mill. Logging generally is conducted during the drier weather months of July through November. During this period, inventory at the sawmill increases significantly for use throughout the remainder of the year.

Patents and Licenses

We seek patents and licenses on new developments whenever feasible. On December 31, 1996, we were granted a U.S. patent on our E&P waste and NORM waste processing and injection disposal system. We have the exclusive, worldwide license for the life of the patent to use, sell and lease the wooden and composite mats that we use in our site preparation business. The licensor of the wooden mats continues to fabricate the mats for us and has the right to sell mats in locations where we are not engaged in business, but only after giving us the opportunity to take advantage of the opportunity. We have the exclusive right to use and resell the new composite mats. Both licenses are subject to a royalty, which we can satisfy by purchasing specified quantities of mats annually from the licensor. In our drilling fluids business, we have obtained patents related to our DeepDrill™ and FlexDrill™ products and own the patent on the primary components and a number of related products.

Using proprietary technology and systems is an important aspect of our business strategy. For example, we rely on a variety of unpatented proprietary technologies and know-how to process

E&P waste. Although we believe that this technology and know-how provide us with significant competitive advantages in the environmental services business, competitive products and services have been successfully developed and marketed by others. We believe that our reputation in our industry, the range of services we offer, ongoing technical development and know-how, responsiveness to customers and understanding of regulatory requirements are of equal or greater competitive significance than our existing proprietary rights.

Customers

Our customers are principally major and independent oil and gas exploration and production companies operating in the markets that we serve. During the year ended December 31, 2003, approximately 41% of our revenues were derived from 20 major customers, including two major oil companies. No one customer accounted for more than 10% of our consolidated revenues. Given current market conditions and the nature of the products involved, we do not believe that the loss of any single customer would have a material adverse effect on our business.

We perform services either pursuant to standard contracts or under longer term negotiated agreements. As most agreements with our customers are cancelable upon limited notice, our backlog is not significant.

We do not derive a significant portion of our revenues from government contracts of any kind.

Competition

We operate in several niche markets where we are a leading provider of services. In our disposal business, we often compete with our major customers, who continually evaluate the decision to use internal disposal methods or to utilize a third-party disposal company, such as Newpark. We also compete in this business with several small, independent companies who generally serve specific geographic markets. The markets for our mat and integrated services business are fragmented and competitive, with five or six small competitors providing various forms of wooden mat products and services. No competitors provide a product similar to our composite mat system. In the drilling fluids industry, we face competition from larger companies that may have broader geographic coverage.

We believe that the principal competitive factors in our businesses are price, reputation, technical proficiency, reliability, quality, breadth of services offered and managerial experience. We believe that we effectively compete on the basis of these factors. We also believe that our competitive position benefits from our proprietary, patented mat systems used in our site preparation business, our proprietary treatment and disposal methods for both E&P waste and NORM waste streams, the unique nature of our DeepDrill™ and FlexDrill™ fluids products, our ability to provide our customers with drilling fluids services on a “performance services basis” and our ability to provide integrated well site services, including environmental, drilling fluids and general oilfield services. It is often more efficient for the site operator to contract with a single company that can prepare the well site and provide the required onsite and offsite environmental services. We believe our ability to provide a number of services as part of a comprehensive program enables us to price our services competitively.

Environmental Disclosures

We have sought to comply with all applicable regulatory requirements concerning environmental quality. We derive a significant portion of our revenue from environmental services provided to our customers. These services have become necessary in order for our customers to comply with regulations governing discharge of materials into the environment. We have made, and expect to continue to make, the necessary expenditures for environmental protection and compliance

at our facilities, but we do not expect that these will become material in the foreseeable future. No material expenditures for environmental protection or compliance were made during 2003 or 2002.

Employees

At January 31, 2004, we employed 1,363 full and part-time personnel, none of which are represented by unions. We consider our relations with our employees to be satisfactory.

Environmental Regulation

We deal primarily with E&P waste, NORM, E&P waste containing NORM and nonhazardous industrial waste in our waste disposal business. These wastes are generally described as follows:

E&P Waste. Oilfield exploration and production waste, or E&P waste, is waste generated in exploring for or producing oil and gas. These wastes typically contain levels of oil and grease, salts or chlorides, and heavy metals exceeding concentration limits defined by state regulations. E&P waste also includes soils that have become contaminated by these materials. In the environment, oil and grease and chlorides disrupt the food chain and have been determined by regulatory authorities to be harmful to plant and animal life. Heavy metals are toxic and can become concentrated in living tissues.

NORM. Naturally occurring radioactive material, or NORM, is present throughout the earth's crust at very low levels. Among the radioactive elements, only Radium 226 and Radium 228 are slightly soluble in water. Because of their solubility, Radium 226 and Radium 228 can be dissolved in the salt water that is produced with the hydrocarbons. Radium can co-precipitate with scale out of the production stream as it is drawn to the surface and encounters a pressure or temperature change in the well tubing or production equipment, forming a rust-like scale. This scale contains radioactive elements that can become concentrated on tank bottoms or at water discharge points at production facilities. Thus, NORM waste is E&P waste that has become contaminated with these radioactive elements above concentration levels defined by state regulations.

Nonhazardous Industrial Waste. This category of waste is generated by industries not associated with the exploration or production of oil and gas. This would include refineries and petrochemical plants.

For many years, prior to current regulation, industry practice was to allow E&P waste to remain in the environment. Onshore, surface pits were used for disposing E&P waste; offshore or in inland waters, E&P waste was discharged directly into the water. Since 1990, E&P waste has become subject to increased public scrutiny and increased federal and state regulation. These regulations have imposed strict requirements for ongoing drilling and production activities in certain geographic areas, as well as for remediating sites contaminated by past disposal practices and, in many respects, have prohibited the prior disposal practices. In addition, operators have become increasingly concerned about long-term liability for remediation, and landowners have become more aggressive in requiring land restoration. For these reasons, operators are increasingly retaining service companies such as Newpark to devise and implement comprehensive waste management techniques to handle waste on an ongoing basis and to remediate past contamination of oil and gas properties.

Between 1990 and 1995, substantially all discharges of waste from drilling and production operations on land (the "onshore subcategory") and in the transition zone (the "coastal subcategory") were prohibited. This "zero discharge" standard has become the expected pattern for the industry. Effective December 4, 1997, discharges of waste from drilling operations in state territorial waters of the Gulf of Mexico (the "territorial waters subcategory"), were prohibited. We immediately noticed an increase in waste volume received from this subcategory in our daily operations. However, as

drilling projects in progress as of that date were completed, most of the rigs subsequently moved outside of the area covered by those regulations. Since December 4, 1997, the offshore waters of the Gulf of Mexico have been the only surface waters of the United States into which these waste discharges are allowed. Recent EPA rulemaking efforts have been directed towards further restricting discharges into those waters. Final regulations establishing technology based effluent limitation guidelines and standards for the discharge of synthetic-based drilling fluids were published on January 22, 2001 in the Federal Register and became effective February 21, 2001. These requirements were incorporated into the National Pollutant Discharge Elimination System (NPDES) general permit for the Western Gulf of Mexico on December 18, 2001. The new permit became effective on February 19, 2002. This is another step in the stricter enforcement of the requirements of the Clean Water Act, which ultimately requires the elimination of discharges into the waters of the United States.

NORM regulations require more stringent worker protection, handling and storage procedures than those required of E&P waste under Louisiana regulations. Equivalent rules governing NORM disposal have also been adopted in Texas, and similar regulations have been adopted in Mississippi, New Mexico, and Arkansas.

Our business is affected both directly and indirectly by governmental regulations relating to the oil and gas industry in general, as well as environmental, health and safety regulations that have specific application to our business. We also handle, process and dispose of nonhazardous regulated materials that are not generated from oil and gas activities. This section discusses various federal, state and provincial pollution control, health and safety programs that are administered and enforced by regulatory agencies, including, without limitation, the U.S. Environmental Protection Agency (“EPA”), the U.S. Coast Guard, the U.S. Army Corps of Engineers, the Texas, Commission on Environmental Quality, the Texas Department of Health, the Texas Railroad Commission, the Louisiana Department of Environmental Quality, the Louisiana Department of Natural Resources, the Wyoming Department of Environmental Quality, the Wyoming Oil & Gas Conservation Commission, the Oklahoma Corporation Commission, the Oklahoma Department of Environmental Quality, the Mississippi State Oil & Gas Board, the Mississippi State Department of Health, the Mississippi Department of Environmental Quality, Environment Canada, the Alberta Energy and Utilities Board, and the Canada-Nova Scotia Offshore Petroleum Board. These programs are applicable or potentially applicable to our current operations. Although we intend to make capital expenditures to expand our environmental services capabilities in response to customers’ needs, we believe that we are not presently required to make material capital expenditures to remain in compliance with federal, state and local provisions relating to protecting the environment.

RCRA. The Resource Conservation and Recovery Act of 1976, as amended in 1984 (“RCRA”), is the principal federal statute governing hazardous waste generation, treatment, storage and disposal. RCRA and state hazardous waste management programs govern the handling and disposal of “hazardous wastes.” The EPA has issued regulations pursuant to RCRA, and states have promulgated regulations under comparable state statutes, that govern hazardous waste generators, transporters and owners and operators of hazardous waste treatment, storage or disposal facilities. These regulations impose detailed operating, inspection, training and emergency preparedness and response standards and requirements for closure, financial responsibility, manifesting of waste, record-keeping and reporting, as well as treatment standards for any hazardous waste intended for land disposal.

Our primary operations involve E&P waste, which is exempt from classification as a RCRA-regulated hazardous waste. Many state counterparts to RCRA also exempt E&P waste from classification as a hazardous waste; however, extensive state regulatory programs govern the management of this waste. In addition, in performing other services for our customers, we are subject to both federal (RCRA) and state solid or hazardous waste management regulations as contractor to the waste generator. This act also defines the required characteristics of a waste that

allow for disposal as a nonhazardous versus a hazardous waste. This differentiation is required for the profiling of waste into our nonhazardous industrial waste disposal facilities.

Proposals have been made in the past to rescind the exemption that excludes E&P waste from regulation as hazardous waste under RCRA. If this exemption is repealed or modified by administrative, legislative or judicial process, we could be required to significantly change our method of doing business. There is no assurance that we would have the capital resources available to do so, or that we would be able to adapt our operations to the changed regulations.

Subtitle I of RCRA regulates underground storage tanks in which liquid petroleum or hazardous substances are stored. States have similar regulations, many of which are more stringent in some respects than the federal regulations. The regulations require that each owner or operator of an underground tank notify a designated state agency of the existence of the underground tank, specifying the age, size, type, location and use of each tank. The regulations also impose design, construction and installation requirements for new tanks, tank testing and inspection requirements, leak detection, prevention, reporting and cleanup requirements, as well as tank closure and removal requirements.

In the past, we have removed underground storage tanks that were subject to RCRA and applicable state programs. Violators of any of the federal or state regulations may be subject to enforcement orders or significant penalties by the EPA or the applicable state agency. We are not aware of any existing conditions or circumstances that would cause us to incur liability under RCRA for failure to comply with regulations relating to underground storage tanks.

CERCLA. The Comprehensive Environmental Response, Compensation and Liability Act, as amended in 1986 (“CERCLA”), provides for immediate response and removal actions coordinated by the EPA in response to certain releases of hazardous substances into the environment and authorizes the government, or private parties, to respond to the release or threatened release of hazardous substances. The government may also order persons responsible for the release to perform any necessary cleanup. Liability extends to the present owners and operators of waste disposal facilities from which a release occurs, persons who owned or operated the facilities at the time the hazardous substances were released, persons who arranged for disposal or treatment of hazardous substances and waste transporters who selected the facilities for treatment or disposal of hazardous substances. CERCLA has been interpreted to create strict joint and several liability for removal and remediation costs, other necessary response costs and damages for injury to natural resources.

Among other things, CERCLA requires the EPA to establish a National Priorities List (“NPL”) of sites at which hazardous substances have been or are likely to be released and that require investigation or cleanup. The NPL is subject to change, with additional sites being added and remediated sites being removed from the list. In addition, the states where we conduct operations have enacted similar laws and keep similar lists of sites that may need remediation.

Although we primarily handle oilfield waste classified as E&P waste, this waste typically contains constituents designated by the EPA as hazardous substances under RCRA, despite the current exemption of the E&P waste itself from hazardous substance classification. Where our operations result in the release of hazardous substances, including releases at sites owned by other entities where we perform our services, we could incur CERCLA liability. Businesses we once owned may also have disposed or arranged for disposal of hazardous substances that could result in the imposition of CERCLA liability on us in the future. In particular, divisions and subsidiaries that we once owned were involved in extensive mining operations at facilities in Utah and Nevada and in waste generation and management activities in numerous other states. These activities involved substances that may be classified as RCRA hazardous substances. Any of those sites or activities potentially could be the subject of future CERCLA damage claims.

With the exception of the sites discussed in “Environmental Proceedings” below, we are not aware of any present claims against us that are based on CERCLA or comparable state statutes. Nonetheless, we could be subject to liabilities if additional sites are identified at which clean-up action is required. These liabilities could have a material adverse effect on our consolidated financial statements.

The Clean Water Act. The Clean Water Act regulates the discharge of pollutants, including E&P waste, into waters of the United States. The Clean Water Act establishes a system of standards, permits and enforcement procedures for discharging pollutants from industrial and municipal wastewater sources. The law sets treatment standards for industries and waste water treatment plants, requires permits for industrial and municipal discharges directly into waters of the United States and requires pretreatment of industrial waste water before discharge into municipal systems. The Clean Water Act gives the EPA the authority to set pretreatment limits for direct and indirect industrial discharges.

In addition, the Clean Water Act prohibits certain discharges of oil or hazardous substances and authorizes the federal government to remove or arrange for removal of this oil or hazardous substances. Under the Clean Water Act, the owner or operator of a vessel or facility from which oil or a hazardous substance is discharged into navigable waters may be liable for penalties, the costs of cleaning up the discharge and natural resource damage caused by the spill.

We treat and discharge sanitary waste waters at certain of our facilities. These activities are subject to the Clean Water Act, and comparable state statutes, and federal and state enforcement of these regulations.

The Clean Water Act also imposes requirements that are applicable to our customers and are material to our business. EPA Region 6, which includes our market, continues to issue new and amended National Pollutant Discharge Elimination System (“NPDES”) general permits. These permits further limit or restrict substantially all discharges of produced water from the Oil and Gas Extraction Point Source Category into waters of the United States.

The Clean Air Act. The Clean Air Act provides for federal, state and local regulation of emissions of air pollutants into the atmosphere. Any modification or construction of a facility with regulated air emissions must be permitted. The Clean Air Act provides for administrative and judicial enforcement against owners and operators of regulated facilities, including substantial penalties. In 1990, the Clean Air Act was reauthorized and amended, substantially increasing the scope and stringency of the Clean Air Act’s requirements. The Clean Air Act has very little impact on our operations.

Oil Pollution Act of 1990. The Oil Pollution Act of 1990 contains liability provisions for cleanup costs, natural resource damages and property damages resulting from discharges of oil into navigable waters, as well as substantial penalty provisions. The OPA also requires double hulls on all new oil tankers and barges operating in waters subject to the jurisdiction of the United States. All marine vessels operated by our E&P waste disposal operations meet this requirement.

State Regulation. In 1986, the Louisiana Department of Natural Resources (“DNR”) promulgated Order 29-B. Order 29-B contains extensive rules governing pit closure and E&P waste generation, treatment, storage, transportation and disposal. Under Order 29-B, onsite disposal of E&P waste is limited and is subject to stringent guidelines. If these guidelines cannot be met, E&P waste must be transported and disposed of offsite in accordance with the provisions of Order 29-B. Moreover, under Order 29-B, most, if not all, active waste pits must be closed or modified to meet regulatory standards; those pits that continue to be allowed may be used only for a limited time. A material number of these pits may contain concentrations of radium that are sufficient to require the waste material to be categorized as NORM. A series of emergency rules were issued over the past

year resulting in a study of oilfield waste disposed at commercial disposal facilities. The study is now complete and the DNR revised Order 29-B on November 20, 2001.

Rule 8 of the Texas Railroad Commission also contains detailed requirements for managing and disposing of E&P waste and Rule 94 governs NORM management and disposal. In addition, Rule 91 regulates the cleanup of spills of crude oil from oil and gas exploration and production activities, including transportation by pipeline. In general, contaminated soils must be remediated to total petroleum hydrocarbons content of less than 1%. The State of Texas also has established an Oilfield Cleanup Fund to be administered by the Texas Railroad Commission to plug abandoned wells if the Commission deems it necessary to prevent pollution, and to control or clean up certain oil and gas wastes that cause or are likely to cause surface or subsurface water pollution. Other states where we operate have similar regulations.

Many states maintain licensing and permitting procedures for constructing and operating facilities that emit pollutants into the air. In Texas, the Texas Commission on Environmental Quality (the “TCEQ”) requires companies that emit pollutants into the air to apply for an air permit or to satisfy the conditions for an exemption. We have obtained certain air permits related to our barite grinding and transfer sites, and believe we are exempt from obtaining other air permits at our Texas facilities, including our Port Arthur, Texas, E&P waste facility. We met with the TCEQ and filed for an air permit exemption for our Port Arthur facility in the fall of 1991, which exemption was granted. A subsequent renewal letter was filed and granted in 1995. Based upon communications with the TCEQ, we expect that our operations at the Port Arthur facility will continue to remain exempt from air permitting requirements. However, should it not remain exempt, we believe that compliance with the permitting requirements of the TCEQ would not have a material adverse effect on our consolidated financial statements.

Other Environmental Laws. We are subject to the Occupation Safety and Health Act that imposes requirements for employee safety and health and applicable state provisions adopting worker health and safety requirements. Moreover, it is possible that other developments, such as increasingly stricter environmental, safety and health laws, and regulations and enforcement policies under these, could result in our being subject to substantial additional regulation and further scrutiny of how we handle, manufacture, use or dispose of substances or pollutants. We cannot predict the extent to which our operations may be affected by future enforcement policies as applied to existing laws or by the enactment of new statutes and regulations.

The U.S. Department of Transportation (DOT) regulates our transportation activities. DOT regulations define labeling, marking and placarding requirements. This is specifically important in the shipment of NORM wastes.

Risk Management

Our business exposes us to substantial risks. For example, our environmental services business routinely handles, stores and disposes of nonhazardous regulated materials and waste. We could be held liable for improper cleanup and disposal, which liability could be based upon statute, negligence, strict liability, contract or otherwise. As is common in the oil and gas industry, we often are required to indemnify our customers or other third-parties against certain risks related to the services we perform, including damages stemming from environmental contamination.

We have implemented various procedures designed to ensure compliance with applicable regulations and reduce the risk of damage or loss. These include specified handling procedures and guidelines for regulated waste, ongoing employee training and monitoring and maintaining insurance coverage.

We have also implemented a corporate-wide web-based environmental management system. This system, EMS Works™, is ISO14001 compliant. EMS Works™ is composed of modules designed

to capture information related to the planning, decision-making, and general operations of environmental regulatory activities within our operations. EMS Works™ is also used to capture the information generated by third party audits that are regularly done to validate the findings of our internal monitoring and auditing procedures.

We carry a broad range of insurance coverage that we consider adequate for protecting our assets and operations. This coverage includes general liability, comprehensive property damage, workers' compensation and other coverage customary in our industries; however, this insurance is subject to coverage limits, and certain policies exclude coverage for damages resulting from environmental contamination. We could be materially adversely affected by a claim that is not covered or only partially covered by insurance. There is no assurance that insurance will continue to be available to us, that the possible types of liabilities that may be incurred will be covered by our insurance, that our insurance carriers will meet their obligations or that the dollar amount of any liability will not exceed our policy limits.

Available Information

You can find more information about us at our Internet website located at www.newpark.com. Our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and any amendments to those reports are available free of charge on or through our Internet website as soon as reasonably practicable after we electronically file these materials with the SEC.

ITEM 2. Properties

We lease our corporate offices in Metairie, Louisiana, consisting of approximately 7,800 square feet, at an annual rental of approximately $147,000. The lease for this space expires in December 2005.

We lease an office building in Lafayette, Louisiana, consisting of approximately 35,000 square feet. This building houses the administrative offices of our E&P waste disposal and mat and integrated services segments. The lease of this facility calls for annual rental of approximately $376,000 and expires in November 2017.

We lease approximately 53,000 square feet of office space in Houston, Texas, which houses the administrative offices of our fluids sales and engineering segment and regional sales offices for our environmental services and mat sales and rental segments. The lease has an annual rent of approximately $1.2 million and expires in October 2009.

We lease approximately 17,000 square feet of office space in Calgary, Alberta, which houses the administrative offices of our Canadian operations. The underlying leases have annual rents totaling approximately $365,000 and expire in September 2007.

We lease approximately 5,500 square feet of office space in Rome, Italy, which houses the administrative offices of our Mediterranean operations. The lease has an annual rent of approximately $73,000 and expires in June 2004. We also lease three warehouses throughout the Mediterranean region. Total annual rents under these leases are approximately $203,000. These leases expire in December 2004.

We own approximately 11,000 square feet of office space in Oklahoma City, Oklahoma, which houses the administrative and sales offices of the Mid-continent operations of our fluids sales and engineering segment. We also own four warehouse facilities in Oklahoma that serve as distribution points for these operations.

Our Port Arthur, Texas, E&P waste facility, which is used in our E&P waste disposal segment, is subject to annual rentals totaling approximately $522,000 under three separate leases. A total of six acres are under lease under several leases that originally expired during 2002. These facilities are currently under lease on a month to month arrangement while we negotiate extensions to the original leases.

We own two injection disposal sites used in our E&P waste disposal segment. These disposal sites are both in Jefferson County, Texas, one on 50 acres and the other on 400 acres. Fifteen wells are currently operational at these sites. In January 1997, we purchased 120 acres adjacent to one of the disposal sites, on which we have constructed a non-hazardous industrial waste injection disposal facility. We also own an additional injection facility, which includes three active injection wells on 37 acres, adjacent to our Big Hill, Texas facility.

In October 1997, we acquired land and facilities in west Texas at Andrews, Big Springs, Plains and Fort Stockton, Texas at which brine is extracted and sold and E&P waste is disposed in the bedded salt caverns created by the extraction process. A total of 125 acres was acquired in this transaction, which is used in our E&P waste disposal segment.

We own 29 acres of land in the Boulder Oilfield Waste Recycling Facility near Boulder, Wyoming used in our disposal activities for the Jonah-Pinedale trend.

We lease a fleet of 51 double-skinned barges used in our E&P waste disposal segment under leases with terms from five to ten years. The barges are used to transport waste to processing stations and are certified for this purpose by the U. S. Coast Guard. Annual rentals under the barge leases totaled approximately $3.9 million during 2003.

We operate five specialty product grinding facilities in our fluids sales and engineering segment. One is on 6.6 acres of leased land in Channelview, Texas, with an annual rental rate of approximately $79,000, currently under a month-to-month leasing arrangement. We are presently in the process of moving these facilities to a new location in Channelview, Texas. The new facility is located on approximately 18 acres of owned land. The second plant is on 13.7 acres of leased land in New Iberia, Louisiana, with an annual rental rate of approximately $98,000 under a lease expiring in 2006. The third plant is in Morgan City, Louisiana on 13.82 acres of leased land pursuant to a lease purchase contract with an annual rental rate of $80,000, currently under a month-to-month leasing arrangement. The fourth plant is in Corpus Christi, Texas on 6.0 acres of leased land with annual rental payments of approximately $36,000 under a lease expiring in 2006. The fifth plant, which has recently been placed in service, is in Dyersburg, Tennessee and is on 13.2 acres of owned land.

In our E&P waste disposal segment, we use seven leased transfer facilities located along the Gulf Coast, at an annual total rental of $1.5 million. These leases have various expiration dates through 2008. In our fluids sales and engineering segment, we serve customers from six leased bases located along the Gulf Coast, at an annual total rental rate of approximately $1.7 million. These leases also have various expiration dates through 2009.

We own 80 acres occupied as a sawmill facility near Batson, Texas, which is used in our mat and integrated services segment.

ITEM 3. Legal Proceedings

We are involved in litigation and other claims or assessments on matters arising in the normal course of our business. In the opinion of management, any recovery or liability in these matters should not have a material effect on our consolidated financial statements.

On August 25, 2003, OLS Consulting Services, Inc. (“OLS”), the grantor of an exclusive license to us for the sale and distribution of composite mats, purportedly on behalf of the Loma Company (“LOMA”), the manufacturer of the composite mats, filed a Petition for Damages and Declaratory Relief in the 15th Judicial District, Parish of Lafayette, State of Louisiana, against us and several of our officers claiming breach of contract, breach of fiduciary duty and unfair trade practices arising out of the claims described in Note S of the Notes to Consolidated Financial Statements contained elsewhere in this report. We intend to vigorously contest this litigation, which we believe to be frivolous. As disclosed in Note A of the Notes to Consolidated Financial Statements contained elsewhere in this report, litigation is already pending concerning the pricing formula that LOMA utilizes to invoice us for mats. The pricing litigation was tried in November 2003. We have filed our post-trial brief and OLS and LOMA are expected to file their post-trial brief shortly. We do not believe that these matters will have a material adverse affect on our financial statements.

In December 2003, one of our subsidiaries, Newpark Drilling Fluids, L.L.C., filed a lawsuit in the District Court of Harris County, Texas, 334th Judicial District, against Spirit Drilling Fluids, LTD, Spirit Fluids GP, L.L.C., Well Site Performance Services, L.L.C., J. Broadsources, L.L.C., and certain individuals alleging misappropriation of trade secrets and unfair competition and seeking a temporary restraining order, injunctive relief and damages. We allege that some or all of the individual defendants, all but one of whom are disgruntled former employees of our subsidiary, have systematically misappropriated our trade secrets and have used these trade secrets in connection with their services for the named entities.

In response to the filing of the lawsuit, certain of the individual defendants alleged that our subsidiary and certain of our officers, employees and agents have engaged in misconduct, and, on February 10, 2004, these individuals filed stockholder derivative claims with respect to this alleged misconduct as a cross-complaint to the lawsuit. While we believe these allegations are without merit and filed solely in response to the lawsuit filed by our subsidiary, a Special Committee, with the assistance of independent legal counsel, is in the process of investigating these allegations. Once the Special Committee has completed its investigation, it will decide whether a derivative claim should be pursued.

Environmental Proceedings

In the ordinary course of conducting our business, we become involved in judicial and administrative proceedings involving governmental authorities at the federal, state and local levels, as well as private party actions. Pending proceedings that allege liability related to environmental matters are described below. We believe that none of these matters involves material exposure. There is no assurance, however, that this exposure does not exist or will not arise in other matters relating to our past or present operations.

We continue to be involved in the voluntary cleanup associated with the DSI sites in southern Mississippi. This includes three facilities known as Clay Point, Lee Street and Woolmarket. The Mississippi Department of Environmental Quality is overseeing the cleanup. The DSI Technical Group that represents the potentially responsible parties, including Newpark, awarded us a contract to perform the remediation work at the three sites. The cleanup of Clay Point and Lee Street has been completed. We believe that payments previously made into an escrow account by all potentially responsible parties are sufficient to cover any remaining costs of cleanup at the Woolmarket site.

We were identified as a contributor of material to the MAR Services facility, a state voluntary cleanup site located in Louisiana. The Louisiana Department of Natural Resources is overseeing voluntary cleanup at the site. The oversight group awarded us the contract for the initial phase of cleanup at this site. In 2002, we agreed to pay $429,000 to Margone, LLC, a group of major

oil and gas companies that have assumed full responsibility for final cleanup of the MAR facility. Upon signing of the agreement, we were indemnified by Margone, LLC against any future liability at the MAR facility.

Recourse against our insurers under general liability insurance policies for reimbursement in the actions described above is uncertain as a result of conflicting court decisions in similar cases. In addition, certain insurance policies under which coverage may be afforded contain self-insurance levels that may exceed our ultimate liability.

We believe that any liability incurred in the matters described above will not have a material adverse effect on our consolidated financial statements.

ITEM 4. Submission of Matters to a Vote of Shareholders

None.

PART II

ITEM 5. Market for the Registrant's Common Equity and Related Stockholder Matters

Our common stock is traded on the New York Stock Exchange under the symbol "NR."

The following table sets forth the range of the high and low sales prices for our common stock for the periods indicated:

Period	High	Low
2003		
1st Quarter	$4.68	$3.43
2nd Quarter	$6.24	$4.11
3rd Quarter	$6.08	$4.07
4th Quarter	$4.89	$3.67
2002:		
1st Quarter	$7.98	$6.01
2nd Quarter	$9.12	$6.80
3rd Quarter	$7.75	$3.22
4th Quarter	$4.85	$2.88

At December 31, 2003, we had 2,579 stockholders of record as determined by our transfer agent.

Our Board of Directors currently intends to retain earnings for use in our business, and we do not intend to pay any cash dividends in the foreseeable future, except for the dividends required under the terms of our outstanding series of preferred stock. In addition, our credit facility, the indenture relating to our outstanding Senior Subordinated Notes and the certificates of designations relating to our outstanding series of preferred stock contain covenants which significantly limit the payment of dividends on the common stock.

ITEM 6. Selected Financial Data

The selected consolidated historical financial data presented below for the five years ended December 31, 2003, are derived from our audited consolidated financial statements. The following data should be read in conjunction with our Consolidated Financial Statements and the Notes thereto, which are included elsewhere in this Form 10-K, and with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 below.

	Years Ended December 31,				
	2003	2002(1)	2001	2000	1999
	(In Thousands, Except Per Share Data)				
Consolidated Statements of Operations:					
Revenues	$373,179	$321,195	$408,605	$266,593	$198,225
Cost of services provided	238,720	207,795	252,185	161,541	139,954
Operating costs	109,443	89,021	82,137	61,475	60,566
General and administrative expenses	5,342	5,323	5,170	3,042	2,589
Goodwill amortization	–	–	4,861	4,965	4,996
Provision for uncollectible accounts	1,000	–	–	–	2,853
Write-down of abandoned and disposed assets	–	–	–	–	44,870
Impairment of long-lived assets	350	–	–	–	23,363
Terminated merger expenses	–	–	–	–	2,957
Operating income (loss)	18,324	19,056	64,252	35,570	(83,923)
Foreign currency exchange (gain) loss	(831)	(170)	359	–	–
Interest income	(633)	(741)	(1,378)	(822)	(987)
Interest expense	15,251	12,286	15,438	19,077	16,651
Income (loss) before income taxes and cumulative effect of accounting changes	4,537	7,681	49,833	17,315	(99,587)
Provision (benefit) for income taxes	2,460	3,060	17,927	6,165	(29,461)
Income (loss) before cumulative effect of accounting changes	2,077	4,621	31,906	11,150	(70,126)
Cumulative effect of accounting changes (net of income tax effect)	–	–	–	–	1,471
Net income (loss)	$ 2,077	$ 4,621	$ 31,906	$ 11,150	$ (68,655)
Less:					
Preferred stock dividends and accretion	1,583	3,071	3,900	5,516	850
Other noncash preferred stock charges	–	1,037	–	–	–
Net income (loss) applicable to common and common equivalent shares	$ 494	$ 513	$ 28,006	$ 5,634	$ (69,505)
Net income (loss) per common and common equivalent shares:					
Basic	$ 0.01	$ 0.01	$ 0.40	$ 0.08	$ (1.01)
Diluted	$ 0.01	$ 0.01	$ 0.37	$ 0.08	$ (1.01)
Consolidated Balance Sheet Data (at period end):					
Working capital	$133,909	$116,434	$103,359	$110,050	$ 48,244
Total assets	575,500	542,256	522,488	507,443	450,541
Short-term debt	13,869	9,879	3,355	329	1,618
Long-term debt	183,600	172,049	176,954	203,520	209,210
Stockholders' equity	313,961	305,423	293,954	260,055	186,339
Consolidated Cash Flow Data:					
Net cash provided by operations	$ 6,805	$ 11,368	$ 40,919	$ 3,240	$ 2,242
Net cash used in investing activities	(20,470)	(17,249)	(27,047)	(30,441)	(20,925)
Net cash provided by (used in) financing activities	15,632	1,102	(37,613)	53,929	16,589

	Years Ended December 31,				
	2003	2002(1)	2001	2000	1999
	(In Thousands, Except Per Share Data)				
Pro Forma Disclosures (2):					
Net income (loss) applicable to common and common equivalent shares:					
As reported	$ 494	$ 513	$28,006	$ 5,634	$(69,505)
Add goodwill amortization, net of taxes	–	–	3,847	3,985	3,997
As adjusted	$ 494	$ 513	$31,853	$ 9,619	$(65,508)
Basic income (loss) per share:					
As reported	$ 0.01	$ 0.01	$ 0.40	$ 0.08	$ (1.01)
Add goodwill amortization, net of taxes	–	–	0.05	0.06	0.06
As adjusted	$ 0.01	$ 0.01	$ 0.45	$ 0.14	$ (0.95)
Diluted income (loss) per share:					
As reported	$ 0.01	$ 0.01	$ 0.37	$ 0.08	$ (1.01)
Add goodwill amortization, net of taxes	–	–	0.05	0.06	0.06
As adjusted	$ 0.01	$ 0.01	$ 0.42	$ 0.14	$ (0.95)
EBITDA (3):					
Net income (loss)	$ 2,077	$ 4,621	$31,906	$11,150	$(68,655)
Add:					
Interest expense	15,251	12,286	15,438	19,077	16,651
Income taxes (benefit)	2,460	3,060	17,927	6,165	(29,461)
Depreciation and amortization	21,329	21,843	27,427	23,566	26,881
EBITDA	$41,117	$41,810	$92,698	$59,958	$(54,584)

(1) 2002 includes the effects of the acquisition of AVA S.p.A., which was accounted for by the purchase method of accounting. The results for AVA since the May 2002 acquisition date are included in the results for the fluids sales and engineering segment.

(2) On January 1, 2002, we adopted Statement of Financial Accounting Standards No. 142, “Goodwill and Other Intangible Assets” (“FAS 142”). FAS 142, among other requirements, provides that goodwill not be amortized in any circumstance. This table reconciles our net income (loss) and earnings (loss) per share as reported to the amounts that would have been reported had FAS 142 been adopted as of January 1, 1999.

(3) Earnings before interest, taxes, depreciation, and amortization (“EBITDA”) is an important financial performance measure that is used by some of our investors, particularly those who invest in our Senior Subordinated Notes. This table reflects the calculation of EBITDA. Calculations of EBITDA should not be viewed as a substitute for calculations under generally accepted accounting principles, including cash flows from operations, operating income, income from continuing operations and net income. In addition, EBITDA calculations by one company may not be comparable to EBITDA calculations made by another company.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition, results of operations, liquidity and capital resources should be read together with our "Consolidated Financial Statements" and the "Notes to Consolidated Financial Statements" included elsewhere in this report.

Operating Environment and Recent Developments

Our operating results depend in large measure on oil and gas drilling activity levels in the markets we serve, as well as on the depth of drilling, which governs the revenue potential of each well. These levels, in turn, depend on oil and gas commodities pricing, inventory levels and product demand. Rig count data is the most widely accepted indicator of drilling activity. Key average rig count data for the last five years ending December 31 is listed in the following table:

	2003	2002	2001	2000	1999
U.S. Rig Count	1,032	830	1,156	918	625
Newpark's primary Gulf Coast market	223	216	295	252	189
Newpark's primary market to total	21.6%	26.0%	25.5%	27.4%	30.2%
Canadian Rig Count	372	263	351	343	245

Source: Baker Hughes Incorporated

Key Market Developments

Our primary Gulf Coast market includes: (1) South Louisiana Land; (2) Texas Railroad Commission Districts 2 and 3; (3) Louisiana and Texas Inland Waters; and (4) Offshore Gulf of Mexico. In addition to our primary Gulf Coast Market, we operate in several other key markets including Canada, the U.S. central region (including the U.S. mid-continent and U.S. Rocky Mountain regions), west Texas and areas surrounding the Mediterranean Sea. Unlike our primary Gulf Coast market, the majority of these markets experienced significant growth in 2003 as compared to 2002. Revenues by key markets are as follows (dollars in millions):

	Years ended December 31,					
	2003		2002		2001	
	$	%	$	%	$	%
Gulf Coast	$217.4	58%	$213.9	67%	$286.9	70%
Canada	50.6	14	28.0	9	61.5	15
U.S. Central and West Texas	59.1	16	44.7	14	45.7	11
Mediterranean	36.7	10	21.9	7	–	–
Other	9.4	2	12.7	3	14.5	4
Total	$373.2	100%	$321.2	100%	$408.6	100%

	2003 vs. 2002		2002 vs. 2001	
	$	%	$	%
Gulf Coast	$ 3.5	2%	$(73.0)	(25)%
Canada	22.6	81	(33.5)	(54)
U.S. Central and West Texas	14.4	32	(1.0)	(2)
Mediterranean	14.8	68	21.9	NM
Other	(3.3)	(26)	(1.8)	(12)
Total	$52.0	16%	$(87.4)	(21)%

NM – Not meaningful

Our primary Gulf Coast market accounted for approximately 58% of 2003 revenues, as compared to 97% as recently as 1997. The decline in the percentage of Gulf Coast revenues is the result of relatively flat Gulf Coast market activity during 2003 as compared to growth in most other markets.

The Canadian market accounted for approximately 14% of 2003 revenues, compared to 9% in 2002. The increase in Canadian rig activity over the prior year reflects the improving commodity gas market. Much of the terrain throughout the oil and gas producing region of Canada presents soil stability and access problems similar to those encountered in the marsh areas of the U.S. Gulf Coast region. Much of the drilling activity in Canada has historically been conducted when winter temperatures freeze the soil and stabilize it, allowing safe access. Quarterly fluctuations in the Canadian rig count generally reflect the seasonal nature of drilling activity related to these access issues.

The U.S. Central region and West Texas regions accounted for approximately 16% of 2003 revenues, compared to 14% in 2002. Revenue growth in 2003 is primarily associated with the increase in rig activity and an increase in market share. The increase in market share is principally related to growth in the acceptance of our proprietary drilling fluids products and a reduction in the number of competitors in our liquid mud and fluids transportation business unit.

Our Mediterranean operations were acquired in May 2002. These operations accounted for approximately 10% of 2003 revenues as compared to approximately 7% in 2002. This recent acquisition provides new market opportunities in the Mediterranean, Eastern Europe and North Africa.

Other Market Trends

Current short-term industry forecasts suggest that we could see a slight increase in the number of rigs active in our primary Gulf Coast market, but this increase is expected to develop slowly as customers react to the changing risk profile of the market. We anticipate continued market penetration of critical, deep water and geologically deeper wells with our DeepDrill™ and FlexDrill™ families of products, which should help to provide revenue growth as the market recovers.

Current long-term industry forecasts reflect a stable to growing demand for natural gas, predicated upon improving economic conditions. In addition, current gas reserves are being depleted at a rate faster than current replacement through drilling activities. Because many shallow fields in the Gulf Coast market have been heavily exploited, and because of improved economics, producers are increasing drilling depth to reach the larger gas reserves. We expect gas-drilling activity to be increasingly associated with deeper, more costly wells. We view this trend as favorable to demand for product offerings in all of our segments.

Recent Product Developments

Over the last several years we have developed several new products and product enhancements in each of our business segments. We have invested a significant amount of financial and human resources in the development of these new products. A large portion of these investments in product developments and enhancements have been made during an extended period of market stagnation or decline, primarily in the Gulf Coast market. We believe that these investments will be the prime drivers of our anticipated growth in 2004.

Fluids Sales and Engineering. We continue to develop a niche in the drilling fluids market by expanding our customer base, drawing upon increasing acceptance of our proprietary DeepDrill™ technology. We have recently expanded on this technology by introducing the FlexDrill™ system

that draws from the technology introduced in the DeepDrill™ system several years ago. FlexDrill™ allows the key components of the system to be added to the fluid as the well progresses, reducing total system cost and simplifying the fluid management process. This product line extension has been well received, and we anticipate that, as our Gulf Coast customers increase their activity levels, FlexDrill™ will become a significant part of our revenue mix in that market.

Mat and Integrated Services. We continue to develop the worldwide market for our Dura-Base™ composite mat system. Our marketing efforts for this product continue to be focused in nine key markets, including Canada, Alaska and the Arctic, Russia, the Middle East, South America, Mexico, Indonesia, the U.S. military and the U.S. utilities markets. We now have completed sales in all of these key markets.

Over the past several years of marketing this product and evaluating customer acceptance, we have gained valuable information and have begun to modify our marketing and product development strategies accordingly. We have determined that for several of our markets, the current sales price and the long-term life of the Dura-Base™ mat does not correspond well with the short-term nature of customer projects or the unique budgetary constraints of governmental customers. As a result, we are pursuing more rental opportunities, particularly in markets developing in Mexico, and are considering product line extensions that would be more cost competitive.

We have recently begun marketing the first production run of our new lightweight Bravo Mat™ system and believe that it will substantially broaden the opportunities in mat sales in 2004. This new mat system has been designed specifically for personnel applications by the U.S. military, including walkways and tent flooring, but is likely to have many other applications.

E&P Waste Disposal. We continue to enter new markets for our environmental services as opportunities arise. During the third quarter of 2003 we opened a disposal facility serving Wyoming’s Jonah-Pinedale trend, and we have already committed to an expansion of that facility. Each geographic area has its unique challenges with respect to environmental matters, and we continue to meet these challenges by developing and applying new and innovative technologies.

Results of Operations

Summarized financial information concerning our reportable segments is shown below in the following table (dollars in millions):

	Years ended December 31,			2003 vs. 2002		2002 vs. 2001	
	2003	2002	2001	$	%	$	%
Revenues by segment:							
E&P waste disposal	$ 53,436	$ 51,240	$ 60,998	$ 2,196	4%	$ (9,758)	(16)%
Fluids sales and engineering	230,863	194,271	216,923	36,592	19	(22,652)	(10)
Mat and integrated services	88,880	75,684	130,684	13,196	17	(55,000)	(42)
Total	$373,179	$321,195	$408,605	$51,984	16%	$(87,410)	(21)%
Operating income by segment:							
E&P waste disposal	$ 11,534	$ 8,111	$ 14,932	$ 3,423	42%	$ (6,821)	(46)%
Fluids sales and engineering	12,967	12,681	26,502	286	2	(13,821)	(52)
Mat and integrated services	515	3,587	32,849	(3,072)	(86)	(29,262)	(89)
Total by segment	25,016	24,379	74,283	637	3	(49,904)	(67)
G&A expenses	5,342	5,323	5,170	19	0	153	3
Provision for uncollectible accounts	1,000	–	–	1,000	NM	–	–
Impairment of long-lived assets	350	–	–	350	NM	–	–
Goodwill amortization	–	–	4,861	–	–	(4,861)	(100)
Total operating income	$ 18,324	$ 19,056	$ 64,252	$ (732)	(4)%	$(45,196)	(70)%

Figures shown above are net of intersegment transfers.
NM – Not meaningful

On January 1, 2002, we adopted Statement of Financial Accounting Standards No. 142 “Goodwill and Other Intangible Assets” (FAS 142). FAS 142, among other requirements, (i) provides that goodwill not be amortized in any circumstance, and (ii) requires that goodwill be tested for impairment based on a fair value concept. We completed our fair value testing of goodwill balances during the quarter ended March 31, 2002 and determined that our existing goodwill balances were not impaired under the new standard. Upon adoption of FAS 142 on January 1, 2002, we ceased to amortize our remaining goodwill balance. Goodwill amortization was approximately $4.9 million, or $3.8 million net of tax, for the year ended December 31, 2001.

Effective January 1, 2004, we implemented a financial reporting change in our Canadian operations following a change in management reporting implemented earlier in 2003. As a result of this change, the operating results for the environmental services business unit in Canada will be reported as a component of the E&P waste disposal segment effective January 1, 2004 rather than as a component of the fluids sales and engineering segment. In addition, a portion of the operating costs of the Canadian business unit will begin to be reported as a component of G&A expenses effective January 1, 2004. In future filings, all previously reported segment data will be restated to reflect these changes.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Revenues

E&P Waste Disposal: Total revenue for this segment consists of the following for 2003 and 2002 (dollars in millions):

			2003 vs. 2002	
	2003	2002	$	%
E&P Waste	$47.8	$45.0	$2.8	6%
NORM	3.4	4.0	(.6)	(15)
Industrial	2.2	2.2	–	–
Total	$53.4	$51.2	$2.2	4%

E&P revenues increased $2.8 million or 6%, on a 10% increase in waste volumes received. During 2003, we received 3.6 million barrels of E&P waste, compared to 3.3 million barrels in 2002. The increase in waste volumes received exceeded the 3% increase in Gulf Coast market rigs active during the comparable periods. We believe this is an indication of the impact of the new discharge limitations on synthetic-based fluids that became fully effective in August 2002. The average revenue per barrel declined 3%, to $12.52, as compared to an average of $12.94 in 2002, as a result of changes in the mix of waste streams received. NORM revenues declined in 2003 due to a decline in event-driven projects.

Based on new bid activity, we believe that the volume of waste received for remediation projects will increase in 2004 as a result of recent court decisions in landowner litigation. In addition, we continue to believe that the trend towards deeper drilling, particularly in our primary Gulf Coast market, should result in increased volumes of E&P waste receipts for 2004, even if rig activity in this market does not increase.

As noted above, effective January 1, 2004, we implemented a management reporting change in our Canadian operations. As a result of this change, the operating results for the environmental services business unit in Canada will be reported as a component of the E&P waste disposal segment effective January 1, 2004 rather than as a component of the fluids sales and engineering segment. The Canadian business unit operations included results for the newly opened facilities in the Jonah-Pinedale field discussed below. Total revenues for the Canadian environmental services business unit were $15.4 million in 2003 and $11.0 million in 2002.

Fluids Sales and Engineering: Total revenue by region for this segment was as follows for 2003 and 2002 (dollars in millions):

			2003 vs. 2002	
	2003	2002	$	%
Gulf Coast	$ 93.9	$102.6	$ (8.7)	(8)%
Canada	41.2	25.1	16.1	64
U.S. Central and West Texas	59.1	44.7	14.4	32
Total North American	194.2	172.4	21.8	13
Mediterranean	36.7	21.9	14.8	68
Total	$230.9	$194.3	$36.6	19%

The average number of rigs we serviced in the North American market increased by 14%, from 121 in 2002 to 138 in 2003. Average revenue per rig in the North American market remained relatively flat at approximately $1.4 million. The operations serving the Mediterranean market were acquired effective May 1, 2002.

Activity in our primary Gulf Coast market did not recover in 2003 as in other North American markets. After a slow 2003 in the Gulf Coast, we believe that our customer base in that market is showing signs of increased activity. As of January 1, 2004, we have over 22 customers for whom we are preferred providers or have annual contracts in place. We believe their choice of Newpark is driven in large part by acceptance of our proprietary high-performance water-based fluid technology. During 2003, we successfully provided these fluids to over 70 customers and 250 wells. An early indicator of that progress was reflected in record December revenue levels that have been sustained thus far in 2004, although we suspect that this trend will be unpredictable in its early stages.

Revenues in the Canadian market increased 64% on a 41% increase in average rigs active in the Canadian market. We serviced an average of 27 rigs in the Canadian market in 2003, as compared to 21 in 2002, an increase of 29%. Revenues in the U.S. Central and West Texas regions increased 32%. We serviced an average of 64 rigs in these regions in 2003, as compared to 49 in 2002, an increase of 31%. The significant difference between the increase in revenues and the increase in the number of rigs serviced in these markets reflects the increase in the depth of wells serviced.

During the second half of 2003, we opened a new liquid waste disposal facility to serve the Jonah-Pinedale field in Wyoming, a very active North American natural gas trend. As currently configured, the Jonah-Pinedale facility could add $2.5 million in annual revenue in 2004. We are currently working on applying a new technology that would boost the effective capacity of the facility and open the door to on-site processing in the field. We believe this would improve revenue and earnings by eliminating transportation cost and strengthening our competitive position in that market. The results for this facility, along with the results for the Canadian environmental business unit, will be reclassified to the E&P Waste Disposal Segment beginning January 1, 2004.

Mat and Integrated Services: Total revenue for this segment consists of the following for 2003 and 2002 (dollars in millions):

			2003 vs. 2002	
	2003	2002	$	%
Installation	$15.5	$11.4	$ 4.1	36%
Re-rental	8.6	5.6	3.0	54
Total Gulf Coast mat rental	24.1	17.0	7.1	42
Integrated services and other	46.2	43.1	3.1	7
Canadian operations	9.3	2.9	6.4	221
Composite mats	9.3	12.7	(3.4)	(27)
Total	$88.9	$75.7	$13.2	17%

Average rental pricing for the mat rental market increased to $0.93 per square foot in 2003 from $0.74 per square foot in 2002, an increase of 26%. The highly competitive pricing in this market experienced in 2003 and 2002 began to subside in the fourth quarter as a result of lower mat inventories of all industry participants. The volume of mat installations increased to 16.6 million square feet in 2003 as compared to 15.4 million square feet in 2002, an increase of 8%. Re-rental income (i.e., revenues related to our customer's extension of agreements beyond the initial contractual period) increased due to the continued trend to longer duration installations resulting from increased well depth. We expect the Gulf Coast mat rental market to show stronger results in 2004 as the industry's inventory of rental mats continues to decline to new historic lows. Already in 2004 we have begun to see an increase in pricing on new projects, without a corresponding increase in industry activity, primarily as a result of the decline in industry capacity.

Integrated services and other revenues, our lowest-margin business unit for this segment, includes a comprehensive range of environmental services necessary for our customers' oil and gas exploration and production activities. These revenues also include the operations of our sawmill in

Batson, Texas. The increase in 2003 revenues is principally associated with an increase in revenues at our sawmill. The operations of our sawmill are approximately break-even.

The principal reason for the increase in Canadian revenue was the sale of the majority of the wooden mat rental inventory in 2003 without significant margin contribution. These sales, which totaled $6.4 million, were made in keeping with the strategic shift to become a seller of both wood and composite mats to regional service companies in the geographically diverse Canadian market.

During 2003, we sold approximately 4,800 composite mats, resulting in $9.3 million in revenues, as compared to $12.7 million of revenue on approximately 7,700 mats sold in 2002. During the past three years, we have sold over 35,000 mats into nine targeted markets worldwide. Some of these markets will remain sales markets, while others will become rental markets over time. Based on market data gathered in 2003, we believe there is a significant rental opportunity in support of expanding exploration and development activity in Mexico. As a result, we plan on opening a new business unit in that country in the first quarter. We will be the majority owner of the business with the Mexican principals who are assisting us in development of the market holding a minority stake.

Operating Income

E&P Waste Disposal: Operating income for this segment increased $3.4 million, or 42%, on a $2.2 million, or 4%, increase in revenues. The significant increase in operating margin as compared to the increase in revenues is principally due to cost reduction measures implemented beginning in late 2001 and completed by June 30, 2002. The cost reductions included, among other things, our decision not to exercise our option to renew a disposal agreement with U.S. Liquids beyond the June 30, 2002 expiration date. With the termination of this agreement and completion of other cost reduction measures, operating margins for this segment improved significantly beginning in the third quarter of 2002.

As previously noted, effective January 1, 2004, we implemented a financial reporting change in our Canadian operations following a change in management reporting implemented earlier in 2003. As a result of this change, the operating results for the environmental services business unit in Canada will be reported as a component of the E&P waste disposal segment effective January 1, 2004 rather than as a component of the fluids sales and engineering segment. The Canadian business unit operations included results for the newly opened facilities in the Jonah-Pinedale field discussed above. Total operating income for the Canadian environmental services business unit were $1.5 million in 2003 and $883,000 in 2002.

Fluids Sales and Engineering: Operating income from fluids sales and engineering increased $286,000, or 2%, in 2003 as compared to 2002. Operating margins for this segment declined from 6.5% in 2002 to 5.6% in 2003. The decline in operating margin principally reflects the decline in Gulf Coast revenues and the resulting operating loss for this business unit and continued market development costs in 2003 that added new customers for 2004. In addition, the operating margin declined as a result of an increase in lower-margin revenue from the Mediterranean and North African markets associated with the acquisition of AVA. The effects of the operating loss for the Gulf Coast business unit and the lower operating margin in our Mediterranean operations were not fully offset by operating profit increases in the other drilling fluids business units.

We anticipate activity in the Gulf of Mexico market will increase in 2004. This market represents the premium-priced business for this segment. We expect to see margin improvement throughout 2004 as we continue to penetrate the offshore Gulf of Mexico market and gain wider customer acceptance of our higher-margin premium products, such as our DeepDrill™ and FlexDrill™ family of products.

Mat and Integrated Services: Segment operating contribution declined by $3.1 million to $515,000 for the year. This decline in operating income in spite of the increase in revenues is due to

higher marketing and operating costs, principally associated with composite mats, and changes in the mix of revenues in 2003 as compared to 2002. Declines in composite mat sales revenue were offset by increases in sales of wooden mats from our rental inventory in Canada and an increase in integrated services revenues with insignificant operating margin contribution.

The keys to improvement in operating results for this segment in 2004 are anticipated to be increases in composite mat sales and rentals, the continued increase in utilization and, as a result, better pricing for our Gulf Coast inventory due to the decline in industry capacity, and increased non-oilfield projects which generate higher margins than our oilfield projects.

Provision for Uncollectible Accounts

The provision for uncollectible accounts was recorded in the fourth quarter of 2003 and relates principally to changes in our evaluation of the collectibility of two receivable balances from customers that are in bankruptcy proceedings, and was based upon adverse developments in those proceedings. These customer balances were included in the assets of the Fluids Sales and Engineering Segment.

Impairment of Long-lived Assets

The charge for impairment of long-lived assets was recorded in the fourth quarter and relates to our evaluation of the net realizable value of assets at our old barite grinding facilities in Channelview, Texas that will either be abandoned or sold when the relocation of these facilities is completed in 2004. The underlying assets were included in the assets of the Fluids Sales and Engineering Segment.

Foreign Currency Exchange Gains

Net foreign currency gains were $831,000 in 2003 as compared to $170,000 in 2002. The principal components of this increase were realized and unrealized gains on short-term intercompany payable balances of our Canadian operations due to the significant decline in the U.S. dollar against the Canadian dollar in 2003.

Interest Income and Interest Expense

Net interest expense was $14.6 million for 2003, an increase of $3.1 million, or 27%, as compared to $11.5 million for 2002. The increase in net interest cost is principally due to the absence in 2003 of the $2.2 million benefit recorded in 2002 from an interest rate swap arrangement settled on July 10, 2002. Interest expense was also higher in 2003 compared to the prior year due to an increase of $11.1 million in average outstanding borrowings, principally associated with a temporary year-end draw of $8.0 million to secure a letter of credit arrangement as further discussed in Liquidity and Capital Resources. The increase in the average outstanding borrowings was partially offset by a decline in the average effective interest rate from 8.4% in 2002 to 8.3% in 2003, exclusive of the effect of the swap. The decrease in the effective interest rate resulted from the general decline in interest rates experienced during 2002 and 2003, which were offset in part by higher pricing spreads on our credit facility due to lower earnings and the corresponding reduction in our debt coverage ratios.

Provision for Income Taxes

We recorded income tax expense of $2.5 million in 2003 and $3.1 million in 2002. This equates to 54.2% of pre-tax income in 2003 and 39.8% of pre-tax income in 2002. The higher effective tax rate in 2003 results principally from the higher mix of foreign income to total consolidated income and from the level of non-deductible business expenses in relation to low pretax income.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Revenues

E&P Waste Disposal: Total revenue for this segment consists of the following for 2002 and 2001 (dollars in millions):

			2002 vs. 2001	
	2002	2001	$	%
E&P Waste	$45.0	$54.2	$(9.2)	(17)%
NORM	4.0	5.0	(1.0)	(20)
Industrial	2.2	1.8	.4	22
Total	$51.2	$61.0	$(9.8)	(16)%

E&P waste disposal revenue declined $9.2 million, or 17%, on a 24% decline in waste volumes received. During 2002, we received 3.3 million barrels of E&P waste, compared to 4.3 million barrels in 2001. This decline in waste volumes received is due primarily to the 28% decline in average rigs. The average revenue per barrel increased 6.6% to $12.9 in 2002, as compared to an average of $12.1 in 2001, as a result of favorable changes in the mix of waste streams received, with an increasing proportion of the waste coming from the offshore market in response to regulatory changes.

Results for the second half of 2002 were impacted by adverse tropical weather. In spite of these weather effects, the decline in receipts during the second half of 2002 as compared to the comparable period in 2001 was only 12%, significantly less than the 24% decline in active rigs in our primary market during this period. This was principally due to the impact of the new discharge limitations on synthetic-based fluids that had recently became fully effective.

In the third quarter of 2002 we opened a new facility at Galveston, Texas that immediately began to receive waste from customers in that area. NORM revenues declined in 2002 due to a decline in event-driven projects.

Fluids Sales and Engineering: Total revenue by region for this segment was as follows for 2002 and 2001 (dollars in millions):

			2002 vs. 2001	
	2002	2001	$	%
Gulf Coast	$102.6	$137.0	$(34.4)	(25)%
Canada	25.1	34.2	(9.1)	(27)
U.S. Central and West Texas	44.7	45.7	(1.0)	(2)
Total North American	172.4	216.9	(44.5)	(21)
Mediterranean	21.9	–	21.9	NM
Total	$194.3	$216.9	$(22.6)	(10)%

NM – Not meaningful

The average number of rigs we serviced in the North American market declined by 34%, from 183 in 2001 to 120 in 2002. The revenue decline was less than the decline in the number of rigs serviced, as we continued to benefit from our focus on deeper drilling projects in key markets. As a result of this trend, the average annual revenue per rig increased 21% to approximately $1.4 million in 2002, as compared to approximately $1.2 million in 2001. The increased revenue generation per rig is due principally to increasing market participation in the U.S. Gulf of Mexico market, and the improving quality (depth of drilling and difficulty of drilling) of work assigned to us by our customers.

In May 2002, we acquired 100% of the outstanding capital stock of AVA, S.p.A., a 48 year old company that provides drilling fluids and related products to exploration companies in the Mediterranean region, Eastern Europe and North Africa. Results of operations for AVA subsequent to the effective date of the acquisition provided $21.9 million in revenues during 2002.

Mat and Integrated Services: Total revenue for this segment consists of the following for 2002 and 2001 (dollars in millions):

			2002 vs. 2001	
	2002	2001	$	%
Installation	$11.4	$ 19.5	$ (8.1)	(42)%
Re-rental	5.6	15.2	(9.6)	(63)
Total Gulf Coast mat rental	17.0	34.7	(17.7)	(51)
Integrated services and other	43.1	54.0	(10.9)	(20)
Canadian operations	2.9	8.8	(5.9)	(67)
Composite mats	12.7	33.2	(20.5)	(62)
Total	$75.7	$130.7	$(55.0)	(42)%

Pricing of mats rented in the core Gulf Coast market declined substantially compared to a year ago due to reduced drilling activity in this market during 2002, while installation volume remained flat at 15.4 million square feet. Average rental pricing for this market declined to $0.74 per square foot in 2002 from $1.27 per square foot in 2001, a decline of 42%. The volume of re-rentals declined 63% during 2002, as compared to 2001, also as a result of reduced activity. The highly competitive pricing in the Gulf Coast mat rental market experienced in 2002 began to subside in the fourth quarter as a result of increased activity and lower mat inventories.

During 2002, we sold approximately 7,700 composite mats, resulting in $12.7 million in revenues, as compared to $34.0 million of revenue on approximately 21,000 mats sold in 2001. The decline in Canadian wooden mat rental revenues was principally related to the significant decline in Canadian rig activity and the effects of our customers' utilization of composite mats sold in 2001.

Operating Income

E&P Waste Disposal: Operating income for this segment declined $6.8 million on a $9.8 million decline in revenues. As noted previously, in late 2001, we began to reduce costs in this segment, principally associated with our U.S. Liquids contract, in response to reduced market activities. These cost reductions were fully in place by June 30, 2002 and were slightly offset by the costs associated with opening our new Galveston facility and expanding two key service facilities.

With completion of our cost reduction strategy and the termination of the USL agreement, operating margins for this segment improved significantly beginning in the third quarter of 2002.

Fluids Sales and Engineering: Operating income from fluids sales and engineering declined $13.8 million, or 52%, in 2002 as compared to 2001. Operating margins for this segment declined from 12.2% in 2001 to 6.5% in 2002. This decline in operating income and operating margin is due in part to lower revenues in 2002, our internal operating leverage and the mix of product sales.

The operating leverage of this segment was impacted in 2002 by our decision to increase our technical staffing during the downturn. This decision was made in anticipation of an improving market and expansion of our customer base. As a result of this decision, along with the AVA acquisition, operating costs for this segment increased during 2002, in spite of the decline in revenues.

The gross margin for this segment was 45.0% in 2002, as compared to 43.8% in 2001. Revenues in 2002 reflected an increase in sales of our higher-margin proprietary products, including our DeepDrill™ family of products. The increase in percentage of these higher-margin product revenues was partially offset by an increase in lower-margin revenue from the Mediterranean and North African markets associated with the acquisition of AVA.

Mat and Integrated Services: Mat and integrated services operating income declined $29.3 million in 2002 as compared to 2001, on a $55.0 million decline in revenues. The large decline in operating income is primarily due to two factors. First, we experienced lower rental income in our primary oilfield rental business due to a reduction in pricing (from $1.27 to $0.74 per square foot installed) and a significant reduction in re-rental income of $9.6 million, or 63%. Second, we experienced lower composite mat sales in 2002. Composite mat sales generated a gross margin contribution of approximately 45% in 2001.

In December 2001, we converted approximately $12.1 million of remaining obligations under operating leases for certain equipment to a capital lease. This conversion was made to reduce operating costs, reduce the interest rates charged and extend the payment terms. This conversion reduced operating costs in 2002 by approximately $2 million and helped to partially offset the effects of the revenue declines noted above.

Interest Income and Interest Expense

Net interest expense was $11.5 million for 2002, a decrease of $2.6 million, or 18%, as compared to $14.1 million for 2001. The decrease in net interest cost is principally due to the interest rate swap arrangement entered into in November 2001 and settled on July 10, 2002. The total benefit from this arrangement, recognized entirely in 2002, was $2.2 million. In addition to the swap arrangement, interest expense was lower in 2002 compared to the prior year due to a decrease of $3.7 million in average outstanding borrowings and a decline in the average effective interest rate from 8.8% in 2001 to 8.4% in 2002, exclusive of the effect of the swap. The decrease in the effective interest rate resulted from the general decline in interest rates experienced during 2001 and 2002, which were partially offset by higher pricing spreads on our credit facility due to lower earnings and the corresponding reduction in our debt coverage ratios.

Provision for Income Taxes

We recorded income tax expense of $3.1 million in 2002 and $17.9 million in 2001. This equates to 39.8% of pre-tax income in 2002 and 36.0% of pre-tax income in 2001. The higher effective tax rate in 2002 results from certain non-deductible business expenses in relation to low pretax income.

Liquidity and Capital Resources

Our working capital position was as follows as of December 31:

	2003	2002	2001
Working Capital (000s)	$133,909	$116,434	$103,359
Current Ratio	2.76	2.82	3.03

During the year ended December 31, 2003, our working capital position increased by $17.5 million. This increase in working capital was principally due to the temporary effect of $8.0 million in restricted cash at December 31, 2003 used to secure a letter of credit obligation and increases in drilling fluids raw materials inventory, principally barite. In January 2003, we acquired the entire raw barite inventory, which had previously been held on a consignment basis. This change from a consignment basis resulted in an increase in inventory of approximately $7.1 million in 2003.

During 2003, we reduced our purchase of composite mats to approximately 5,000 units. The manufacturing facility ("LOMA") is currently not producing any mats due to low demand, and we have reduced the number of planned purchases of composite mats in 2004 to approximately 2,500 units, equal to the remaining inventory held by LOMA. Purchases in 2004 will be based on LOMA's cash flow requirements until its inventory on hand is exhausted. With this decline in purchases, along with anticipated composite mat sales in 2004, we expect to reduce the level of composite mat inventory by the end of 2004.

Net trade accounts receivable increased $2.3 million during 2003 on a $52 million increase in revenues. During 2003, days sales in receivable declined by 13 days, from 111 days in 2002 to 98 days in 2003. We continue to monitor our accounts receivable positions and anticipate a further reduction in our collection cycles in 2004, although not as significant as the reduction experienced in 2003.

We anticipate that our working capital requirements for 2004 will increase as a result of the expected improvement in revenue, related principally to expected market penetration and to modest gains in rig activity. Some of this expected increase in working capital requirements should be offset by our continued focus on improving our collection cycle and anticipated reductions in composite mat inventory. If market conditions improve in 2004 as anticipated, we will likely have to supplement our operating cash flows with borrowings under our credit facility to fund the resulting increase in working capital. We believe we have adequate capacity under our revised credit facility to meet these anticipated working capital needs.

Cash generated from operations during 2003 totaled $14.8 million, excluding the effects of the $8.0 million restricted cash investment discussed below. This cash was supplemented by net borrowing on our line of credit arrangements to principally fund net capital expenditures of $22.0 million. Net capital expenditures in 2003 were slightly above 2003 depreciation amounts and we anticipate that 2004 capital expenditures will be below 2004 depreciation. We have less than $1.1 million in commitments associated with capital projects for 2004, principally associated with expansion of our environmental operations in the Jonah-Pinedale market. The remaining amounts of 2004 capital improvements are expected to be used principally to expand drilling fluids and environmental service capacity in growing markets as and when needed. Our commitments to expand drilling fluids and environmental capacity will be monitored and adjusted depending on market conditions, our operating cash flows and other available cash resources. We expect to fund 2004 capital expenditures with cash generated from operations.

Our long term capitalization was as follows as of December 31:

	2003	2002	2001
Long-term debt (excluding current maturities):			
Credit facility	$ 52,500	$ 37,500	$ 39,715
Senior Subordinated Notes	125,000	125,000	125,000
Other	6,100	9,549	12,239
Total long-term debt	183,600	172,049	176,954
Stockholders' equity	313,961	305,423	293,954
Total capitalization	$497,561	$477,472	$470,908
Long-term debt to long-term capitalization	36.9%	36.0%	37.6%

On February 25, 2004 our bank credit facility the ("Credit Facility") was amended and restated whereby the form of the facility was converted into an asset-based lending facility (the "New Credit Facility"). Under the New Credit Facility, we can borrow up to $85 million in the form of $15 million in term debt and $70 million in revolving debt. Availability under the revolving portion of the New Credit Facility is based on a percentage of our eligible consolidated accounts receivable and inventory as defined in the New Credit Facility. The New Credit Facility bears interest at either a

specified prime rate or the LIBOR rate, plus a spread determined quarterly based upon a fixed charge coverage ratio.

The New Credit Facility is secured by a pledge of substantially all of our domestic assets. The New Credit Facility contains a fixed charge coverage ratio covenant and a tangible net worth covenant. In addition, the New Credit Facility includes a requirement that we maintain a minimum excess availability of $5 million from May 15, 2004 to June 15, 2004.

As a result of the conversion of the Credit Facility to the New Credit Facility we anticipate approximately a one percent reduction in the effective cost of outstanding borrowings. In addition, the number of financial covenants was significantly reduced in the New Credit Facility. Due to consistently low operating results in 2003, financial covenants under the Credit Facility were modified on numerous occasions, resulting in additional fees. We believe that the structure of the New Credit Facility provides a better source of capital given our current operating environment.

AVA maintains its own credit arrangements, consisting primarily of lines of credit with several banks, with the lines renewed on an annual basis. Advances under these credit arrangements are typically based on a percentage of AVA's accounts receivable or firm contracts with certain customers. As of December 31, 2003, AVA had a total of $10.6 million outstanding under these facilities. We do not provide a corporate guaranty of AVA's debt.

With respect to off balance sheet liabilities, we lease most of our office and warehouse space, rolling stock and certain pieces of operating equipment under operating leases. We have issued a guaranty of certain debt obligations of the manufacturer of our composite mats ("LOMA"). This guaranty is backed by a letter of credit. The amount of this guaranty as of December 31, 2003 was $8.0 million. In December 2003, we temporarily secured this letter of credit with a certificate of deposit while we negotiated an extension of the Credit Facility, drawing $8.0 million under the Credit Facility for that purpose. With the closing of the New Credit Facility, the obligation to secure this guarantee terminated, and in early March we will cash the certificate of deposit, which was reported as restricted cash in our balance sheet at December 31, 2003, and pay down the New Credit Facility with the proceeds.

The underlying debt obligation of LOMA matures in approximately five years. The LOMA plant suspended production in May 2003 and has not resumed operations. The ability of LOMA to continue to repay its debt obligations is dependent upon sales of composite mats. We have agreed to purchase from LOMA the mats remaining in its inventory at December 31, 2003 during 2004. Should an increase in composite mat sales not occur, LOMA would not restart production and our guarantee may be called upon to fulfill LOMA's debt obligation. Since our guarantee is secured by a letter of credit, there would not be any impact on the availability under our New Credit Facility should performance under the guarantee be required.

We have also issued a guaranty for certain debt obligations of a joint venture ("MOCTX"), which supplies a portion of our wooden mats on a day rate leasing basis. The amount of this guaranty as of December 31, 2003 was $7.4 million.

Except as described in the preceding paragraphs, we are not aware of any material expenditures, significant balloon payments or other payments on long-term obligations or any other demands or commitments, including off-balance sheet items to be incurred within the next 12 months. Inflation has not materially impacted our revenues or income.

A summary of our outstanding contractual and other obligations and commitments at December 31, 2003 is as follows (in millions):

	Payments Due By Period				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term debt and capital leases	$197.5	$ 13.9	$58.6	$125.0	$ –
Operating leases (1)	46.2	15.4	17.9	7.8	5.1
Trade accounts payable and accrued liabilities reflected in balance sheet under GAAP	62.3	62.3	–	–	–
Purchase commitments, not accrued (2)	9.3	9.3	–	–	–
Other long-term liabilities reflected in balance sheet under GAAP	1.7	–	1.7	–	–
Performance bond obligations	5.2	–	–	–	5.2
Secured guarantees	8.0	1.8	3.5	2.7	–
Standby letter of credit commitments not included elsewhere	1.0	1.0	–	–	–
Total contractual obligations	$331.2	$103.7	$81.7	$135.5	$10.3

(1) Includes commitments under an operating lease with MOCTX. This future commitment is also guaranteed as described elsewhere in this report.

(2) Includes purchase order commitments for inventory (including $2.3 million secured by standby letters of credit) or equipment not received as of December 31, 2003. Also includes commitments under construction contracts as of December 31, 2003.

We anticipate that the obligations and commitments listed above that are due in less than one year will be paid from operating cash flows.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with United States generally accepted accounting principles, which requires us to make assumptions, estimates and judgments that affect the amounts reported. We periodically evaluate our estimates and judgments related to uncollectible accounts and notes receivable, inventory, customer returns, impairments of long-lived assets, including goodwill and other intangibles and our valuation allowance for deferred tax assets. Note A to the consolidated financial statements contains the accounting policies governing each of these matters. Our estimates are based on historical experience and on our future expectations that are believed to be reasonable. The combination of these factors forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from our current estimates and those differences may be material.

We believe the critical accounting policies described below affect our more significant judgements and estimates used in preparing our consolidated financial statements.

Revenue Recognition

For the fluids sales and engineering segment, revenues are recognized for sales of drilling fluid materials upon shipment of the materials, less an allowance for product returns. Engineering and related services are provided to customers at agreed upon hourly or daily rates and are recognized when the services are performed. The reserve for estimated product returns is based on our historical experience of the percentage of returns, which in turn is based on the size and type of

rig serviced and the nature of the products consumed by the customer. These percentages are periodically reviewed and updated and are applied to our drilling fluids product sales to determine the required reserve. Revisions to the return reserve are charged or credited to income in the period in which they occur.

For the E&P waste disposal segment, revenues are recognized when we take title to the waste, which is upon its receipt.

For the mat and integrated services segment, revenues are recognized on both fixed price and unit-priced contracts, which are short-term in duration, on the percentage of completion method as measured using specific units delivered or project milestones completed. This method is used because we believe it reflects the level of effort expended by us in proportion to the total effort required to complete the contract. Revenues for services provided to customers at agreed upon hourly or daily rates are recognized when the services are performed. Revenues for sales of composite mats are recognized when title passes to the customer.

For revenues recognized on the percentage of completion basis, provisions for estimated losses on uncompleted contracts are made in the period in which these losses are determined. Changes in job performance, job conditions and estimated profitability may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Profit incentives are included in revenues when their realization is reasonably assured. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated.

Allowance for Doubtful Accounts

Reserves for uncollectible accounts receivable and notes receivable are determined on a specific identification basis when we believe that the required payment of specific amounts owed to us is not probable. For notes receivable, our judgments with respect to collectibility includes evaluating any underlying collateral. The majority of our revenues are from mid-sized and international oil companies and government-owned or government-controlled oil companies, and we have receivables in several foreign jurisdictions. Changes in oil and gas drilling activity or changes in economic conditions in foreign jurisdictions could cause our customers to be unable to repay these receivables, resulting in additional allowances. Since amounts due from individual customers can be significant, future adjustments to the allowance can be material.

Inventory

Reserves for inventory obsolescence are determined based on our historical usage of inventory on-hand as well as our future expectations related to our customers needs, market conditions and the development of new products. We have recently developed several new products, including our DeepDrill™ family of products and our Dura-Base™ composite plastic mat system. Our inability to obtain market acceptance of these products, changes in oil and gas drilling activity and the development of new technologies associated with the drilling industry could require additional allowances to reduce the value of inventory to the lower of its cost or net realizable value.

Asset Impairments

We perform goodwill and intangible asset impairment tests on at least an annual basis in accordance with the guidance in Statement of Financial Accounting Standards No. 142, “Goodwill and Other Intangible Assets” (FAS 142). We perform long-lived asset impairment tests in accordance with Statement of Financial Accounting Standards No. 144, “Accounting for Impairment or Disposal of Long-Lived Assets” (FAS 144). In accordance with FAS 142, impairments are calculated based on a fair value concept. In accordance with FAS 144, impairments are calculated based on a future cash flow concept.

We assess the impairment of identifiable intangibles, long-lived assets and related goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important, which could trigger an impairment review, include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in our use of the acquired assets or the strategy for our overall business;
- significant negative industry or economic trends;
- significant changes in the market value of assets;
- significant decline in our stock price for a sustained period and in our market capitalization relative to our net book value.

When we determine that the carrying value of intangibles, long-lived assets and related goodwill may not be recoverable based on one or more of the above indicators, any impairment is calculated in accordance with FAS 142 and FAS 144 and recorded as an impairment loss.

In 2002, Statement of Financial Accounting Standards No. 142, “Goodwill and Other Intangible Assets,” became effective and, as a result, we ceased to amortize our goodwill. In lieu of amortization, we are required to perform an annual impairment review of goodwill.

Income Taxes

We have net deferred tax assets of $17.5 million at December 31, 2003. We provide for deferred taxes in accordance with FAS 109, “Accounting for Income Taxes.” Under FAS 109, a valuation allowance must be established to offset a deferred tax asset if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax asset will not be realized. At December 31, 2003, we had recorded a valuation allowance for all state NOLs. We have considered future taxable income and tax planning strategies in assessing the need for our valuation allowance. Should we determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income in the period this determination was made.

New Accounting Standards

In July 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (“FAS”) 141, “Business Combinations,” and FAS 142, “Goodwill and Other Intangible Assets.” We adopted these Standards on January 1, 2002, which among other requirements, (i) prohibit the use of the pooling-of-interests method of accounting for business combinations, (ii) create more specific criteria for identifying other intangible assets which are acquired in a business combination, (iii) provide that goodwill not be amortized in any circumstance, and (iv) require that goodwill be tested for impairment annually or when events or circumstances occurring between annual tests indicate that goodwill for a reporting unit might be impaired. FAS 142 established a new method for testing goodwill for impairment based on a fair value concept. We completed our fair value testing of goodwill balances during the quarter ended March 31, 2003 and determined that our existing goodwill balances were not impaired under the new standards. Upon adoption of the Standards on January 1, 2002, we ceased to amortize our remaining goodwill balance. Goodwill amortization was approximately $4.9 million for the year ended December 31, 2001.

In June 2001, the FASB issued FAS 143, “Accounting for Asset Retirement Obligations”, which is effective for fiscal years beginning after June 15, 2002. FAS 143 requires legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time that the obligations are incurred. Upon initial recognition of a liability, that cost should be

capitalized as part of the related long-lived asset and allocated to expense over the useful life of the asset. Our principal retirement obligations consist of expected costs of site restoration and other cleanup costs at leased facilities for all of our business units, and costs to plug and abandon wells at our disposal facilities owned or leased by our E&P waste disposal segment. We anticipate that the majority of the costs related to asset retirement obligations will be incurred between the years 2022 and 2052. Based on our current business plans, no material expenditures for asset retirement obligations are expected prior to 2012.

We adopted FAS 143 on January 1, 2003, at which time a liability of $343,000 was recorded as a component of other non-current liabilities, representing the fair value of the expected future liability for asset retirement obligations at the date of adoption. In addition, upon adoption, net assets of $184,000 were recorded, reflecting the unamortized value of the net assets that would have been recorded at the time the obligations originated, less accumulated depreciation from that date to the date of adoption. The gross difference between the net liability and net assets as of the date of adoption was $159,000 and has been recorded as a component of operating expenses. This amount was considered immaterial and was not disclosed as a cumulative effect of accounting change.

In January 2003, the FASB issued Financial Interpretation Number ("FIN") 46 "Consolidation of Variable Interest Entities," which clarifies the application of Accounting Research Bulletin 51, "Consolidated Financial Statements", to certain entities (called variable interest entities) in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The disclosure requirements of FIN 46 were effective for all financial statements issued after January 31, 2003. The consolidation requirements apply to all variable interest entities created after January 31, 2003. In addition, public companies must apply the consolidation requirements to variable interest entities that existed prior to February 1, 2003 and remain in existence as of the beginning of annual or interim periods beginning after March 15, 2004.

We are currently assessing the impact of FIN 46 on the reporting for our two variable interest entities. These variable interest entities consist of the 49% interest in LOMA and in MOCTX. These variable interest entities are currently accounted for under the equity method and are not consolidated in our financial statements. It is possible that we could conclude, after completion of our assessment, that one or both of these entities would need to be consolidated in our financial statements. If this were to occur, the assets and the liabilities of the variable interest entity and the operating results of that entity would be consolidated into our financial statements. In addition, the recorded investments in these entities, representing our 49% interest in the equity of the entities, would be eliminated in consolidation and a minority interest, representing the 51% uncontrolled interest, would be recorded.

If these entities were consolidated, the impact would not be considered material to our results of operations, since all of the operating activity of these variable interest entities is with Newpark or one of our wholly-owned subsidiaries and this activity would be eliminated in consolidation.

The unaudited assets and liabilities of LOMA that would be consolidated with our balance sheet, after consideration of elimination entries, at December 31, 2003 are as follows:

Cash	$ 374
Inventory	2,627
Other current assets	93
Total current assets	3,094
Property, plant & equipment, net	6,141
Intangible assets, net	1,422
Other non-current assets	141
Total assets	10,798
Current portion of long-term debt	2,087
Other current liabilities	238
Total current liabilities	2,325
Long-term debt	6,500
Total liabilities	8,825
Net assets, after consideration of eliminations	$ 1,973

In May 2003, the FASB issued FAS 150 “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.” FAS 150 requires that certain financial instruments issued in the form of shares that are mandatorily redeemable, as well as certain other financial instruments, be classified as liabilities in the financial statements. FAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise was effective beginning with our third quarter of 2003. The provisions of this statement did not have a material impact on our consolidated financial statements.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to certain market risks that are inherent in our financial instruments arising from transactions that are entered into in the normal course of business. Historically, we have not entered into derivative financial instrument transactions to manage or reduce market risk or for speculative purposes. However, in November 2001, we did enter into an interest-rate swap arrangement. A discussion of our primary market risk exposure in financial instruments is presented below.

Long-Term Debt

We are subject to interest rate risk on our long-term fixed interest rate Senior Subordinated Notes. Our Credit Facility has a variable interest rate and, accordingly, is not subject to interest rate risk. All other things being equal, the fair market value of debt with a fixed interest rate will increase as interest rates fall. Conversely, the fair market value of this debt will decrease as interest rates rise. Our policy has historically been to manage exposure to interest rate fluctuations by using a combination of fixed and variable-rate debt.

In November 2001, we entered into an interest-rate swap instrument, which effectively converted our Senior Subordinated Notes to a floating rate for a two-year period ending in December 2003. On July 10, 2002, we terminated the swap instrument and received a payment of $1,040,000. The total benefit recognized under the swap instrument as a reduction to interest expense, including the termination fee, was $2.2 million for the year ended December 31, 2002.

Our Senior Subordinated Notes mature on December 15, 2007. There are no scheduled principal payments under the Notes prior to the maturity date. However, all or some of the Notes

may be redeemed at a premium after December 15, 2002. We have no current plans to repay the Notes ahead of their scheduled maturity.

Foreign Currency

Our principal foreign operations are conducted in Canada and, since the acquisition of AVA in 2002, in areas surrounding the Mediterranean Sea. There is exposure to future earnings due to changes in foreign currency exchange rates when transactions are denominated in currencies other than our functional currencies. We primarily conduct our business in the functional currency of the jurisdictions in which we operate. Historically, we have not used off-balance sheet financial hedging instruments to manage foreign currency risks when we enter into a transaction denominated in a currency other than our local currencies because the dollar amount of these transactions has not warranted our using hedging instruments.

FORWARD-LOOKING STATEMENTS

The foregoing discussion contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words "anticipates," "believes," "estimates," "expects," "plans," "intends," and similar expressions are intended to identify these forward-looking statements but are not the exclusive means of identifying them. These forward-looking statements reflect the current views of our management; however, various risks, uncertainties and contingencies, including the risks identified below, could cause our actual results, performance or achievements to differ materially from those expressed in, or implied by, these statements, including the success or failure of our efforts to implement our business strategy.

We assume no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this report might not occur.

Among the risks and uncertainties that could cause future events and results to differ materially from those anticipated by us in the forward-looking statements included in this report are the following:

- A material decline in the level of oil and gas exploration and production and any reduction in the industry's willingness to spend capital on environmental and oilfield services could adversely affect the demand for our services;
- Material changes in oil and gas prices, expectations about future prices, the cost of exploring for, producing and delivering oil and gas, the discovery rate of new oil and gas reserves and the ability of oil and gas companies to raise capital could adversely affect the demand for our services;
- Changes in domestic and international political, military, regulatory and economic conditions may adversely affect the demand for oil and gas or production volumes;
- A rescission or relaxation of government regulations affecting E&P and NORM waste disposal could reduce the demand for our services and reduce our revenues and income.
- Changes in existing regulations could require us to change the way we do business, which may have a material adverse affect on our consolidated financial statements;
- Our patents or other proprietary technology may not prevent our competitors from developing substantially similar technology, which would reduce any competitive advantages we may have from these patents and proprietary technology;
- We may not be able to keep pace with the continual and rapid technological developments that characterize the market for our products and services, and our failure to do so may result in our loss of market share;

- We face intense competition in our existing markets and expect to face tough competition in any markets into which we seek to expand, which will put pressure on our ability to maintain our current market share and may limit our ability to expand our market share or enter into new markets;

- We may not be able to successfully integrate our recent acquisitions, including AVA, into our operations, and these acquisitions may not achieve sales and profitability levels that justify our investment in them, which could result in these businesses placing downward pressure on our margins or our disposing of these businesses at a loss;

- The demand for our services may be adversely affected by shortages of critical supplies or equipment in the oil and gas industry and personnel trained to operate this equipment;

- We may not be able to successfully replace our wooden mat fleet with our new composite mats or introduce our other new products and services, including our DeepDrill™ technology and our new Dura-Base™ SP-12 mat, and we may not be successful in gaining acceptance or market share for these products and services;

- We may not be able to maintain the necessary permits to operate our non-hazardous waste disposal wells or we may not be able to successfully compete in this market;

- Adverse weather conditions could disrupt drilling operations and reduce the demand for our services;

- We would be adversely affected if there were any delays in implementing the new synthetic fluids disposal regulations or if these regulations failed to materially impact waste disposal volumes or drilling fluids revenues;

- We may fail to comply with any of the numerous Federal, state and local laws, regulations and policies that govern environmental protection, zoning and other matters applicable to our business, or these regulations and policies may change, and we may face fines or other penalties if we fail to comply with these new regulations, or be forced to make significant capital expenditures or changes to our operations;

- Our business exposes us to potential environmental or regulatory liability, and we could be required to pay substantial amounts with respect to these liabilities, including the costs to clean up and close contaminated sites;

- We may not have adequate insurance for potential liabilities, and any significant liability not covered by insurance or in excess of our coverage limits could have a material adverse affect on our financial condition;

- Our international operations are subject to uncertainties which could limit our ability to expand or reduce the revenues and profitability of these operations, including difficulties and cost associated with complying with a wide variety of complex foreign laws, treaties and regulations, unexpected changes in regulatory environments, inadequate protection of intellectual property in foreign countries, legal uncertainties, timing delays and expenses associated with tariffs, export licenses and other trade barriers, among other risks; and

- Any increases in interest rates under our credit facility, either as a result of increases in the prime or LIBOR rates or as a result of changes in our funded debt to cash flow ratio, would increase our cost of borrowing and have an adverse affect on our consolidated financial statements.

- We may not be able to retire or refinance our long-term debt at or before its maturity, whether due to conditions in financial markets or our own financial condition at that future time. We also can’t provide any assurances that we will be able to obtain any replacement long-term financing on terms as favorable to us as under our current financing.

For further information regarding these and other factors, risks and uncertainties affecting us, we refer you to the risk factors set forth in the Prospectus included in our Registration Statement on Form S-3 filed on May 8, 2002 (File No. 333-87840), and to the section entitled “Forward-Looking Statements” on page 17 of that Prospectus.

ITEM 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Newpark Resources, Inc.

We have audited the accompanying consolidated balance sheets of Newpark Resources, Inc. (a Delaware corporation) as of December 31, 2003 and 2002, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits. The financial statements of Newpark Resources, Inc. for the year ended December 31, 2001 were audited by other auditors who have ceased operations and whose report, dated February 22, 2002, expressed an unqualified opinion on those financial statements before the transitional disclosures described in Note C.

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

In our opinion, the 2003 and 2002 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Newpark Resources, Inc. as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the two years then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note A to the financial statements, effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("FAS 142").

As discussed above, the financial statements of Newpark Resources, Inc. as of December 31, 2001 and for the year then ended were audited by other auditors who have ceased operations. As described in Note C, these financial statements have been revised to include the transitional disclosures required by FAS 142. Our audit procedures with respect to the disclosures in Note C for 2001 included (a) agreeing the previously reported net income and net income applicable to common and common equivalent shares to the previously issued financial statements and the adjustments representing goodwill amortization expense (including any related tax effects) recognized in those periods to the Company's underlying records obtained from management, and (b) testing the mathematical accuracy of the reconciliation of adjusted net income and adjusted net income applicable to common and common equivalent shares and the related earnings-per-share amounts. In our opinion, the disclosures described above for 2001 in Note C are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 financial statements of the Company other than with respect to such disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 financials statements taken as a whole.

/s/ Ernst & Young LLP

New Orleans, Louisiana
March 1, 2004

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

This is a copy of the audit report previously issued by Arthur Andersen LLP in connection with Newpark's filing on Form 10-K for the fiscal year ended December 31, 2001. This audit report has not been reissued by Arthur Andersen LLP in connection with this filing on Form 10-K for the fiscal year ended December 31, 2003.

The Board of Directors and Stockholders
Newpark Resources, Inc.

We have audited the accompanying consolidated balance sheets of Newpark Resources, Inc. (a Delaware corporation) and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Newpark Resources, Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

As explained in Note A to the financial statements, effective January 1, 1999, the Company changed its method of accounting for depreciation on certain of its waste disposal assets and its barite grinding mills from the straight-line method to the units-of-production method.

/s/ Arthur Andersen LLP

New Orleans, Louisiana
February 22, 2002

Newpark Resources, Inc.
Consolidated Balance Sheets
December 31,

(In thousands, except share data)	2003	2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,692	$ 2,725
Restricted cash	8,029	–
Trade accounts receivable, less allowance of $2,920 in 2003 and $2,102 in 2002	99,948	97,657
Notes and other receivables	5,428	3,307
Inventories	74,846	55,473
Deferred tax asset	8,698	11,094
Prepaid expenses and other current assets	8,510	10,039
Total current assets	210,151	180,295
Property, plant and equipment, at cost, net of accumulated depreciation	206,238	204,703
Goodwill	115,869	110,727
Deferred tax asset	8,778	8,950
Other intangible assets, net of accumulated amortization	14,947	15,786
Other assets	19,517	21,795
	$ 575,500	$ 542,256
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Foreign bank lines of credit	$ 10,610	$ 6,621
Current maturities of long-term debt	3,259	3,258
Accounts payable	40,479	35,568
Accrued liabilities	21,894	18,414
Total current liabilities	76,242	63,861
Long-term debt, less current portion	183,600	172,049
Other noncurrent liabilities	1,697	923
Stockholders' equity:		
Preferred Stock, $0.01 par value, 1,000,000 shares authorized, 120,000 and 167,500 shares outstanding at December 31, 2003 and 2002, respectively	30,000	41,875
Common Stock, $0.01 par value, 100,000,000 shares authorized, 81,073,222 and 77,710,192 shares outstanding at December 31, 2003 and 2002, respectively	811	777
Paid-in capital	390,788	376,278
Unearned restricted stock compensation	(803)	(281)
Accumulated other comprehensive income	5,033	(864)
Retained deficit	(111,868)	(112,362)
Total stockholders' equity	313,961	305,423
	$ 575,500	$ 542,256

See Accompanying Notes to Consolidated Financial Statements

Newpark Resources, Inc.
Consolidated Statements of Operations
Year Ended December 31,

(In thousands, except share data)	2003	2002	2001
Revenues	$373,179	$321,195	$408,605
Operating costs and expenses:			
Cost of services provided	238,720	207,795	252,185
Operating costs	109,443	89,021	82,137
	348,163	296,816	334,322
General and administrative expenses	5,342	5,323	5,170
Provision for uncollectible accounts	1,000	–	–
Impairment of long-lived assets	350	–	–
Goodwill amortization	–	–	4,861
Operating income	18,324	19,056	64,252
Foreign currency exchange (gain) loss	(831)	(170)	359
Interest income	(633)	(741)	(1,378)
Interest expense	15,251	12,286	15,438
Income before income taxes	4,537	7,681	49,833
Provision for income taxes	2,460	3,060	17,927
Net income	2,077	4,621	31,906
Less:			
Preferred stock dividends and accretion	1,583	3,071	3,900
Other noncash preferred stock charges	–	1,037	–
Net income applicable to common and common equivalent shares	$ 494	$ 513	$ 28,006
Income per common and common equivalent share:			
Basic	$ 0.01	$ 0.01	$ 0.40
Diluted	$ 0.01	$ 0.01	$ 0.37

See Accompanying Notes to Consolidated Financial Statements

Newpark Resources, Inc.
Consolidated Statements of Comprehensive Income
Year Ended December 31,

(In thousands)	2003	2002	2001
Net income	$2,077	$4,621	$31,906
Other comprehensive income (loss):			
Foreign currency translation adjustments	5,897	1,168	(1,425)
Comprehensive income	$7,974	$5,789	$30,481

See Accompanying Notes to Consolidated Financial Statements

Newpark Resources, Inc.
Consolidated Statements of Stockholders' Equity
Year Ended December 31,

(In thousands)	Preferred Stock	Common Stock	Paid-In Capital	Unearned Restricted Stock	Accumulated Other Compre-hensive Income	Retained Deficit	Total
Balance at January 1, 2001	$ 73,521	$696	$329,650	$(2,339)	$ (607)	$(140,866)	$260,055
Employee stock options and ESPP	–	4	2,798	–	–	–	2,802
Amortization of restricted stock	–	–	–	1,399	–	–	1,399
Foreign currency translation	–	–	–	–	(1,425)	–	(1,425)
Preferred stock dividends and accretion	449	3	2,669	–	–	(3,904)	(783)
Net income	–	–	–	–	–	31,906	31,906
Balance at December 31, 2001	73,970	703	335,117	(940)	(2,032)	(112,864)	293,954
Employee stock options and ESPP	–	5	2,752	–	–	–	2,757
Amortization of restricted stock	–	–	–	617	–	–	617
Cancellations of restricted stock	–	–	(378)	42	–	–	(336)
Foreign currency translation	–	–	–	–	1,168	–	1,168
Preferred stock dividends and accretion	1,030	5	3,023	–	–	(4,119)	(61)
Issuance of common stock	–	20	16,280	–	–	–	16,300
Redemption of Series A preferred stock	(15,000)	–	–	–	–	–	(15,000)
Conversion of Series C preferred stock	(18,125)	42	18,083	–	–	–	–
Shares issued in acquisition	–	2	1,401	–	–	–	1,403
Net income	–	–	–	–	–	4,621	4,621
Balance at December 31, 2002	41,875	777	376,278	(281)	(864)	(112,362)	305,423
Employee stock options and ESPP	–	–	303	–	–	–	303
Amortization of restricted stock	–	–	–	277	–	–	277
Issuances of restricted stock	–	2	881	(883)	–	–	–
Cancellations of restricted stock	–	–	(100)	84	–	–	(16)
Foreign currency translation	–	–	–	–	5,897	–	5,897
Preferred stock dividends and accretion	–	4	1,579	–	–	(1,583)	–
Conversion of Series C preferred stock	(11,875)	28	11,847	–	–	–	–
Net income	–	–	–	–	–	2,077	2,077
Balance at December 31, 2003	$ 30,000	$811	$390,788	$ (803)	$ 5,033	$(111,868)	$313,961

See Accompanying Notes to Consolidated Financial Statements

Newpark Resources, Inc.
Consolidated Statements of Cash Flows
Year Ended December 31,

(In thousands)	2003	2002	2001
Cash flows from operating activities:			
Net income	$ 2,077	$ 4,621	$ 31,906
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation	18,765	19,467	20,056
Amortization	2,564	2,376	7,371
Provision for deferred income taxes	564	3,837	15,348
Provision for doubtful accounts	1,000	–	–
Impairment of long-lived assets	350	–	–
Gain (loss) on sale of assets	249	(43)	(178)
Change in assets and liabilities, net of acquisitions:			
Increase in restricted cash	(8,029)	–	–
Increase in accounts and notes receivable	(3,470)	(3,991)	(12,645)
Increase in inventories	(20,293)	(8,059)	(19,146)
Decrease (increase) in other assets	3,728	(3,781)	(5,957)
Increase (decrease) in accounts payable	5,128	2,239	925
Increase (decrease) in accrued liabilities and other	4,172	(5,298)	3,239
Net cash provided by operations	6,805	11,368	40,919
Cash flows from investing activities:			
Capital expenditures	(22,726)	(15,187)	(29,673)
Proceeds from sale of property, plant and equipment	683	532	1,710
Payments received on notes receivable	1,573	2,180	916
Acquisitions, net of cash acquired	–	(4,774)	–
Net cash used in investing activities	(20,470)	(17,249)	(27,047)
Cash flows from financing activities:			
Net borrowings (payments) on lines of credit	19,097	395	(38,361)
Principal payments on notes payable and long-term debt	(3,768)	(2,825)	(831)
Proceeds from exercise of stock options and ESPP	303	2,338	2,254
Net proceeds from common stock issue	–	16,300	–
Repurchase of preferred stock	–	(15,000)	–
Preferred stock dividends paid in cash	–	(106)	(675)
Net cash provided by (used in) financing activities	15,632	1,102	(37,613)
Net increase (decrease) in cash and cash equivalents	1,967	(4,779)	(23,741)
Cash and cash equivalents at beginning of year	2,725	7,504	31,245
Cash and cash equivalents at end of year	$ 4,692	$ 2,725	$ 7,504

See Accompanying Notes to Consolidated Financial Statements

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies

Organization and Principles of Consolidation. Newpark Resources, Inc., a Delaware corporation, ("Newpark") provides integrated fluids management, environmental and oilfield services to the oil and gas exploration and production industry, principally in the Louisiana and Texas Gulf Coast, the U.S. Mid-continent , U.S. Rocky Mountain, Canada and the Mediterranean regions. The consolidated financial statements include the accounts of Newpark and its wholly-owned subsidiaries. Investments in which Newpark owns 20 percent to 50 percent and exercises significant influence over operating and financial policies are accounted for using the equity method. All material inter-company transactions are eliminated in consolidation.

Use of Estimates and Market Risks. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Newpark's operating results depend primarily on oil and gas drilling activity levels in the markets served, which reflect budgets set by the oil and gas exploration and production industry. These budgets, in turn, depend on oil and gas commodities pricing, inventory levels and product demand. Oil and gas prices and activity are volatile. This market volatility has a significant impact on Newpark's operating results.

Cash Equivalents. All highly liquid investments with a remaining maturity of three months or less at the date of acquisition are classified as cash equivalents.

Restricted Cash. At December 31, 2003, Newpark had invested $8.0 million in a certificate of deposit that was designated as restricted cash. The certificate of deposit secures a portion of borrowings under Newpark's credit facility. In December 2003, Newpark borrowed this amount in order to secure its obligation to guaranty the debt of the manufacturer of Newpark's composite mats. Prior to December, this guaranty was secured by a bank letter of credit. In March, after completing the restructuring of the credit facility, the certificate of deposit will be converted to cash, the proceeds will be used to pay down the credit facility, and a new letter of credit for $8.0 million will be issued to secure Newpark's guaranty.

Fair Value Disclosures. Newpark's significant financial instruments consist of cash and cash equivalents, receivables, payables and long-term debt. The estimated fair value amounts have been developed based on available market information and appropriate valuation methodologies. However, considerable judgment is required in developing the estimates of fair value. Therefore, these estimates are not necessarily indicative of the amounts that could be realized in a current market exchange. After this analysis, except as described below, management believes the carrying values of these instruments approximate fair values at December 31, 2003 and 2002.

The estimated fair value of Newpark's Senior Subordinated Notes payable at December 31, 2003 and 2002, based upon available market information, was $128.3 million and $119.1 million, respectively, as compared to the carrying amount of $125.0 million on those dates.

Inventories. Inventories are stated at the lower of cost (principally average and first-in, first-out) or market. Certain costs associated with the acquisition of inventory in Newpark's fluids sales and

engineering segment are capitalized as a component of the carrying value of the inventory and expensed as a component of operating costs as the products are sold. These costs include freight costs specifically identifiable to the initial receipt of products. In addition, these costs include those determined to be directly attributable to purchasing, receiving and storing this inventory.

As of December 31, 2001, Newpark had recorded a reserve of approximately $1.1 million related to certain synthetic fluid inventories that would not be in compliance with new synthetic discharge regulations effective February 19, 2002. This reserve represented the estimated amount necessary to reduce the carrying value of these synthetic fluid inventories to net realizable value after consideration of disposal, re-blending and other costs. During 2002, there were approximately $1.1 million of charges against this reserve.

Property, Plant and Equipment. Property, plant and equipment are recorded at cost. Additions and improvements are capitalized. Maintenance and repairs are charged to expense as incurred. The cost of property, plant and equipment sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the property and related accumulated depreciation accounts, and any gain or loss is credited or charged to income.

For financial reporting purposes, except as described below, depreciation is provided by utilizing the straight-line method over the following estimated useful service lives:

Computers, autos and light trucks	2-5 years
Wooden mats	3-5 years
Composite mats	15 years
Tractors and trailers	10-15 years
Machinery and heavy equipment	10-15 years
Owned buildings	20-35 years
Leasehold improvements	lease term, including all renewal options

Newpark computes the provision for depreciation on certain of its E&P waste and NORM disposal assets (“the waste disposal assets”) and its barite grinding mills using the unit-of-production method. In applying this method, Newpark has considered certain factors which affect the expected production units (lives) of these assets. These factors include obsolescence, periods of nonuse for normal maintenance and economic slowdowns and other events which are reasonably predictable.

Goodwill and Other Intangibles. Goodwill represents the excess of the purchase price of acquisitions over the fair value of the net assets acquired.

In July 2001, the Financial Accounting Standards Board (“FASB”) issued FAS 141, “Business Combinations,” and FAS 142, “Goodwill and Other Intangible Assets.” These standards, among other requirements, (i) prohibit the use of the pooling-of-interests method of accounting for business combinations, (ii) create more specific criteria for identifying other intangible assets which are acquired in a business combination, (iii) provide that goodwill not be amortized in any circumstance, and (iv) require that goodwill be tested for impairment based on a fair value concept. FAS 142 requires that goodwill balances at the date of adoption be tested and that another impairment test be performed during the fiscal year of adoption. Impairment tests should generally be performed annually thereafter, with interim testing required if circumstances warrant.

Prior to fiscal 2002, Newpark amortized goodwill on a straight-line basis over 15 to 35 years, except for $2,211,000 relating to acquisitions prior to 1971 that had not been amortized. Effective January 1, 2002, Newpark ceased to amortize goodwill pursuant to FAS 142.

Through December 31, 2001, Newpark’s management had historically conducted impairment reviews of its goodwill to assess the recoverability of the unamortized balance based on expected future profitability, undiscounted future cash flows of the acquisitions and their contribution to

Newpark's overall operation. An impairment loss would have been recognized for the amount identified in the review by which the goodwill balance exceeded the recoverable goodwill balance. Subsequent to December 31, 2001, Newpark has performed impairment reviews by reporting unit based on a fair value concept, in accordance with FASB 142. Newpark's goodwill impairment reviews conducted upon adoption and after indicated that Newpark's goodwill was not impaired.

Newpark also has recorded other identifiable intangible assets which were acquired in business combinations or in separate transactions. These other identifiable intangible assets include permits, patents and similar exclusivity arrangements, customer intangibles, trademarks and non-compete agreements, which are being amortized over their contractual life of 5 to 17 years on a straight-line basis, except for certain assets acquired in an acquisition in 2002, which are not being amortized (see Note C).

Newpark periodically assesses the recoverability of the unamortized balance of its other intangible assets based on an expected future profitability and undiscounted future cash flows and their contribution to Newpark's overall operation. Should the review indicate that the carrying value is not fully recoverable, the excess of the carrying value over the fair value of the intangibles would be recognized as an impairment loss.

Financial Instruments, Interest Rate Swap Arrangement. Historically, Newpark has not used off-balance sheet financial hedging instruments to manage foreign currency risks when it enters into a transaction denominated in a currency other than its local currency because the dollar amount of such transactions has not warranted the use of hedging instruments.

In November 2001, Newpark entered into an interest-rate swap arrangement, effectively converting its $125 million fixed-rate Senior Subordinated Notes to a floating rate for a two-year period ending in December 2003. On July 10, 2002, Newpark terminated the swap instrument and received a payment of $1,040,000. Newpark accounted for this instrument under the provisions of FAS 133, "Accounting for Derivative Instruments and Hedging Activities." The total benefit recognized under the swap instrument as a reduction to interest expense, including the termination fee, was $2.2 million for the year ended December 31, 2002.

Revenue Recognition. For the fluids sales and engineering segment, revenues are recognized for sales of drilling fluid materials upon shipment of the materials, less an allowance for product returns. Engineering and related services are provided to customers at agreed upon hourly or daily rates and are recognized when the services are performed.

For the E&P waste disposal segment, revenues are recognized when Newpark takes title to the waste, which is upon its receipt by Newpark.

For the mat and integrated services segment, revenues are recognized on both fixed price and unit-priced contracts, which are short-term in duration, on the percentage of completion method as measured using specific units delivered or project milestones completed. This method is used because management believes it reflects the level of effort expended by Newpark in proportion to the total required to complete the contract. Revenues for services provided to customers at agreed upon hourly or daily rates are recognized when the services are performed. Revenues for sales of composite mats are recognized when title passes to the customer.

For revenues recognized on the percentage of completion basis, provisions for estimated losses on uncompleted contracts are made in the period in which these losses are determined. Changes in job performance, job conditions and estimated profitability may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Profit incentives are included in revenues when their realization is reasonably assured. An amount equal to contract costs attributable to claims is included in revenues when collection is probable and the amount can be reliably estimated.

All reimbursements by customers of shipping and handling costs are included in revenues. The costs for shipping and handling are included in cost of services provided in the income statement.

Income Taxes. Newpark provides for deferred taxes in accordance with FAS 109, "Accounting for Income Taxes," which requires an asset and liability approach for measuring deferred tax assets and liabilities due to temporary differences existing at year end using currently enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Investment in Unconsolidated Joint Ventures. Newpark owns a 49% interest in the LOMA Company, LLC ("LOMA"), the manufacturer of its composite mats. During the start up phase of operations for LOMA, Newpark recorded its 49% interest in the cumulative operating losses of the joint venture as a separate item in the Consolidated Statements of Operations. In 1999, full production began at the LOMA manufacturing facility. Given that all production from the facility is for Newpark and all of LOMA's operations are production of composite mats, since 1999, Newpark has recorded its 49% interest in the income of LOMA as a reduction to its cost of composite mats included in property, plant and equipment, inventory, or costs of goods sold, as applicable.

Newpark purchased composite mats from LOMA at a total cost of $7.2 million in 2003, $12.1 million in 2002 and $30.4 million in 2001. The purchase price of the mats is based on a contract with LOMA and is equal to the total of specified costs of producing the mats, as defined in the contract, plus a percentage markup on these costs.

Newpark has filed a petition for declaratory judgment and for monetary damages against LOMA in connection with a dispute related to the pricing of composite mats. In this dispute, Newpark contends that certain indirect and general and administrative expenses have been improperly included in the calculation of the sales price by LOMA. Management of Newpark believes that the results of any litigation regarding this dispute will not have a significant negative impact on Newpark's results of operations or financial condition.

In December 2002, Newpark formed a joint venture ("MOCTX") with the leading producer of wooden mat systems. Newpark has a 49% interest in this joint venture and is accounting for its investment under the equity method of accounting. During 2003, Newpark entered into an agreement with the joint venture to lease certain wooden mats.

In January 2003, the FASB issued Financial Interpretation Number ("FIN") 46 "Consolidation of Variable Interest Entities," which clarifies the application of Accounting Research Bulletin 51, "Consolidated Financial Statements", to certain entities (called variable interest entities) in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The disclosure requirements of FIN 46 were effective for all financial statements issued after January 31, 2003. The consolidation requirements apply to all variable interest entities created after January 31, 2003. In addition, public companies must apply the consolidation requirements to variable interest entities that existed prior to February 1, 2003 and remain in existence as of the beginning of annual or interim periods beginning after March 15, 2004.

Management is currently assessing the impact of FIN 46 on the reporting for Newpark's two variable interest entities. These variable interest entities consist of the 49% interest in LOMA and MOCTX. As noted above, both of these variable interest entities are accounted for under the equity method and are not consolidated in Newpark's financial statements. It is possible that management could conclude, after completion of its assessment, that one or both of these entities would need to be consolidated in Newpark's financial statements. If this were to occur, the assets and the liabilities of the variable interest entity and the operating results of that entity would be consolidated into Newpark's financial statements. In addition, the recorded investments in these entities,

representing Newpark's 49% interest in the equity of the entities, would be eliminated in consolidation and a minority interest, representing the 51% uncontrolled interest, would be recorded.

If these entities were consolidated, the impact would not be considered material to Newpark's results of operations, since all of the operating activity of these variable interest entities is with Newpark or one of its wholly-owned subsidiaries and this activity would be eliminated in consolidation. The unaudited assets and liabilities of LOMA that would be consolidated with Newpark's balance sheet, after consideration of elimination entries, at December 31, 2003 are as follows:

Cash	$ 374
Inventory	2,627
Other current assets	93
Total current assets	3,094
Property, plant & equipment, net	6,141
Intangible assets, net	1,422
Other non-current assets	141
Total assets	10,798
Current portion of long-term debt	2,087
Other current liabilities	238
Total current liabilities	2,325
Long-term debt	6,500
Total liabilities	8,825
Net assets, after consideration of eliminations	$ 1,973

MOCTX principally operates through an operating lease arrangement for wooden mats. Mats are leased from a third party and in turn leased to a subsidiary of Newpark. There are no significant assets or liabilities recorded on the balance sheet of MOCTX that would be consolidated with Newpark's balance sheet. The total future minimum lease payment obligation for MOCTX is approximately $7.4 million as of December 31, 2003 and is included in total future minimum lease payments in Note N. Newpark guarantees the MOCTX operating lease as well as the long-term debt of LOMA (see *Restricted Cash* above).

Stock-Based Compensation. FAS 123, "Accounting for Stock-Based Compensation," ("FAS 123") encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value. Newpark has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB 25") and related interpretations, and has adopted the disclosure-only provisions of FAS 123.

Foreign Currency Transactions. The majority of Newpark's transactions are in U.S. dollars; however, Newpark's Canadian and Italian subsidiaries maintain their accounting records in the respective local currency. These currencies are converted to U.S. dollars with the effect of the foreign currency translation reflected in "accumulated other comprehensive income," a component of stockholders' equity, in accordance with FAS No. 52 and FAS No. 130, "Reporting Comprehensive Income." Foreign currency transaction gains (losses), if any, are credited or charged to income. Net transaction gains totaling $831,000 were recorded in 2003. Net transaction gains totaling $170,000 were recurred in 2002. Cumulative foreign currency translation gains related to foreign subsidiaries reflected in stockholders' equity amounted to $5.0 million at December 31, 2003. Cumulative foreign currency translation losses related to foreign subsidiaries reflected in stockholders' equity amounted to $864,000 and $2.0 million at December 31, 2002 and 2001, respectively. At December 31, 2003 Newpark's foreign subsidiaries had net assets of approximately $28.4 million.

New Accounting Standards. In July 2001, the FASB issued FAS 141 and FAS 142 as previously discussed above in *Goodwill and Other Intangibles*. In January 2003, the FASB issued FIN 46 as previously discussed above in *Investment in Unconsolidated Joint Ventures*.

In June 2001, the FASB issued FAS 143, "Accounting for Asset Retirement Obligations", which is effective for fiscal years beginning after June 15, 2002. FAS 143 requires legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time that the obligations are incurred. Upon initial recognition of a liability, that cost should be capitalized as part of the related long-lived asset and allocated to expense over the useful life of the asset. The principal retirement obligations of Newpark consist of expected costs of site restoration and other cleanup costs at leased facilities for all of our business units and costs to plug and abandon wells at our disposal facilities owned or leased by our E&P waste disposal segment. Newpark anticipates that the majority of the costs related to asset retirement obligations will be incurred between the years 2022 and 2052. Based on Newpark's current business plans, no material expenditures for asset retirement obligations are expected prior to 2012.

Newpark adopted FAS 143 on January 1, 2003, at which time a liability of $343,000 was recorded, representing the fair value of the expected future liability for asset retirement obligations at the date of adoption. In addition, upon adoption, net assets of $184,000 were recorded, reflecting the unamortized value of the net assets that would have been recorded at the time the obligations originated, less accumulated depreciation from that date to the date of adoption. The gross difference between the net liability and net assets as of the date of adoption was $159,000 and has been recorded as a component of operating expenses. This amount was considered immaterial and was not disclosed as a cumulative effect of accounting change. As of December 31, 2003, the recorded liability related to asset retirement obligations was $381,000, which amount is included as a component of other non-current liabilities.

In May 2003, the FASB issued FAS 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." FAS 150 requires that certain financial instruments issued in the form of shares that are mandatorily redeemable, as well as certain other financial instruments, be classified as liabilities in the financial statements. FAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise was effective beginning with Newpark's third quarter of 2003. The provisions of this statement did not have a material impact on Newpark's consolidated financial statements.

B. Acquisitions

On May 23, 2002, Newpark acquired 100% of the outstanding capital stock of AVA, S.p.A ("AVA"), a privately owned provider of drilling fluids headquartered in Rome, Italy. Subsequent to this transaction, AVA acquired the remaining 75% interest in a subsidiary which principally operates in Algeria and Tunisia. The total purchase price in these acquisitions was $7.7 million, which was paid through the issuance of 170,704 shares of Newpark common stock, valued at approximately $1.4 million (based on the fair market value of Newpark stock on the date of acquisition), and approximately $6.3 million in cash. AVA was founded in 1954 and provides drilling fluids and related products to exploration companies in the Mediterranean, Eastern Europe and North Africa. AVA's pre-acquisition operating results were not significant relative to Newpark. The primary reason for the acquisition of AVA and its related subsidiaries was to expand Newpark's international presence. While AVA's operations have been associated with drilling fluids, Newpark intends to use the acquired infrastructure to assist in the marketing of all its products and services on an international basis.

The acquisition was accounted for in accordance with FAS 141. The purchase price, including approximately $405,000 of acquisition costs, was allocated to the net assets of AVA based on preliminary estimated fair values at the date of acquisition. These preliminary estimates were

revised during 2003 to the following final allocated amounts, principally in connection with the recording of deferred tax liabilities (in thousands):

Current assets, net of cash acquired	$ 12,775
Property, plant and equipment	1,342
Intangible assets:	
Customer relationships (10-year life)	827
Trademarks (indefinite, non-amortizing)	580
Noncompete agreements (5-year life)	383
Operating rights and licenses (indefinite life, non-amortizing)	407
Other assets	397
Goodwill	5,987
Liabilities assumed	(16,117)
Total purchase price, net of cash acquired	6,581
Less value of common stock issued	(1,403)
Cash purchase price, net of cash acquired	$ 5,178

C. Goodwill and Other Intangibles

Effective January 1, 2002, Newpark adopted FAS 141 and FAS 142. Therefore, Newpark ceased to amortize goodwill. For the year ended December 31, 2001, goodwill amortization was approximately $4.9 million.

FAS 142 requires that prior year results should not be restated. The table below reconciles Newpark's net income and earnings per share as reported for the year ended December 31, 2001 to the amounts that would have been reported had FAS 142 been adopted as of January 1, 2001 (in thousands, except per share amounts):

(In Thousands)	2001
Net income:	
As reported	$31,906
Goodwill amortization, net of tax	3,847
As adjusted	$35,753
Net income applicable to common and common equivalent shares:	
As reported	$28,006
Goodwill amortization, net of tax	3,847
As adjusted	$31,853
Basic earnings per share:	
As reported	$ 0.40
Goodwill amortization, net of tax	0.05
As adjusted	$ 0.45
Diluted earnings per share:	
As reported	$ 0.37
Goodwill amortization, net of tax	0.05
As adjusted	$ 0.42

The changes in the carrying amount of goodwill for 2002 and 2003 are as follows (in thousands):

	E&P Waste	Drilling Fluids	Mat and Integrated	Total
Balance at January 1, 2002	$58,134	$37,721	$9,912	$105,767
Goodwill acquired during period	–	4,213	–	4,213
Effects of foreign currency	–	747	–	747
Balance at December 31, 2002	58,134	42,681	9,912	110,727
Goodwill adjustments for final purchase price allocation of 2002 acquisition	–	1,774	–	1,152
Effects of foreign currency	–	3,368	–	3,368
Balance at December 31, 2003	$58,134	$47,823	$9,912	$115,869

Other intangible assets consist of the following (in thousands):

		December 31, 2003			December 31, 2002		
	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Patents and exclusivity agreements	15–17 years	$14,718	$6,299	$ 8,419	$14,642	$5,188	$ 9,454
Permits, operating rights and licenses	Non-amortizing	4,472	–	4,472	4,353	–	4,353
Customer relationships	10 years	1,157	182	974	955	55	900
Noncompete agreements	5 years	535	264	271	454	50	404
Trademarks	Non-amortizing	810	–	811	675	–	675
		$21,692	$6,745	$14,947	$21,079	$5,293	$15,786

All of Newpark's intangible assets are subject to amortization in accordance with FASB 142, except for the permits, operating rights, licenses and trademarks, which are deemed to have an indefinite life. Total amortization expense for the years ended December 31, 2003, 2002 and 2001 related to other intangibles was $1,452,000, $1,046,000 and $1,073,000, respectively.

Estimated future amortization expense for the years ended December 31 is as follows (in thousands):

2004	$1,109
2005	$1,109
2006	$1,075
2007	$1,025
2008	$ 966

D. Inventory

Newpark's inventory consisted of the following items at December 31, 2003 and 2002:

(In Thousands)	2003	2002
Finished Goods:		
Composite mats	$21,307	$17,039
Raw materials and components:		
Logs	3,982	3,040
Drilling fluids raw materials and components	47,856	34,108
Supplies	308	354
Other	1,393	932
Total raw materials and components	53,539	38,434
Total inventory	$74,846	$55,473

In January 2003, Newpark acquired the entire raw barite inventory, which had previously been held on a consignment basis, for $10.5 million. This inventory is included in drilling fluids raw materials and components inventory.

E. Property, Plant and Equipment

Newpark's investment in property, plant and equipment at December 31, 2003 and 2002 is summarized as follows:

(In Thousands)	2003	2002
Land	$ 11,203	$ 10,995
Buildings and improvements	58,174	54,656
Machinery and equipment	171,025	154,941
Construction in progress	22,729	15,047
Mats	43,546	49,980
Other	3,164	6,116
	309,841	291,735
Less accumulated depreciation	(103,603)	(87,032)
	$ 206,238	$204,703

F. Financing Arrangements

Financing arrangements consisted of the following at December 31, 2003 and 2002 (in thousands):

	2003	2002
Senior subordinated notes	$125,000	$125,000
Domestic bank lines of credit	52,500	37,500
Foreign bank lines of credit	10,610	6,621
Other, principally capital leases secured by composite mats, machinery and equipment with a total net book value of $17.0 million at December 31, 2003, payable through 2007, with interest at 4.9% to 10.25%	9,359	12,807
	197,469	181,928
Less: current portion	(13,869)	(9,879)
Long-term portion	$183,600	$172,049

On December 17, 1997, Newpark issued $125 million of unsecured Senior Subordinated Notes (the "Notes"), which mature on December 15, 2007. Interest on the Notes accrues at the rate of 8-5/8% per annum and is payable semi-annually on each June 15 and December 15, commencing June 15, 1998. The Notes may be redeemed by Newpark, in whole or in part, at a premium after December 15, 2002. The Notes are subordinated to all senior indebtedness, as defined in the subordinated debt indenture, including Newpark's bank revolving credit facility.

The Notes are guaranteed by substantially all North American operating subsidiaries of Newpark (the "Subsidiary Guarantors"). The guarantee obligations of the Subsidiary Guarantors (which are all direct or indirect wholly owned subsidiaries of Newpark) are full, unconditional and joint and several. See Note R.

In November 2001, Newpark entered into an interest-rate swap arrangement, effectively converting the Notes to a floating rate for a two year period ending in December 2003. On July 10,

2002, Newpark terminated the swap instrument and received a payment of $1,040,000. The total benefit recognized under the swap instrument as a reduction to interest expense, including the termination fee, was $2.2 million for the year ended December 31, 2002.

As of December 31, 2003, Newpark maintained a $100.0 million bank credit facility (the “Credit Facility”), including up to $25.0 million in standby letters of credit, in the form of a revolving line of credit commitment, which originally expired January 31, 2003 and now expires February 27, 2005. At December 31, 2003, $3.3 million in letters of credit were issued and outstanding under the Credit Facility and $52.5 million was outstanding under the revolving facility, leaving $14.2 million of availability under this facility at December 31, 2003.

The Credit Facility bears interest at either a specified prime rate (4.00% at December 31, 2003), plus a spread determined quarterly based on Newpark’s funded debt to cash flow ratio, or the LIBOR rate (1.16% at December 31, 2003), plus a spread determined quarterly based Newpark’s funded debt to cash flow ratio. The weighted average interest rate on the outstanding balance under the Credit Facility in 2003, 2002 and 2001 was 5.9%, 6.0% and 7.7%, respectively.

The Credit Facility contains certain financial covenants. As of December 31, 2003, Newpark was in compliance with the covenants contained in the Credit Facility, as amended. The Notes do not contain any financial covenants; however, if Newpark does not meet the financial covenants of the Credit Facility and is unable to obtain an amendment from the banks, Newpark would be in default of the Credit Facility which would cause the Notes to be in default and immediately due. The Notes, the Credit Facility and the certificate of designations relating to Newpark’s preferred stock also contain covenants that significantly limit the payment of dividends on Newpark’s common stock.

On February 25, 2004, the Credit Facility was amended and restated whereby the form of the facility was converted into an asset-based lending facility (the “New Credit Facility”). The New Credit Facility matures on February 25, 2007. Under the New Credit Facility, Newpark can borrow up to $85 million in the form of $15 million in term debt and $70 million in revolving debt. Availability under the revolving portion of the New Credit Facility is based on a percentage of Newpark’s eligible consolidated accounts receivable and inventory as defined in the New Credit Facility. The New Credit Facility bears interest at either a specified prime rate or the LIBOR rate, plus a spread determined quarterly based upon a fixed charge coverage ratio.

The New Credit Facility is secured by substantially all domestic assets of Newpark and its domestic subsidiaries. The New Credit Facility contains a fixed charge coverage ratio covenant and a tangible net worth covenant. In addition, the New Credit Facility includes a requirement that Newpark maintain a minimum excess availability of $5 million from May 16, 2004 to June 16, 2004.

AVA maintains its own credit arrangements, consisting primarily of lines of credit with several banks, with the lines renewed on an annual basis. Advances under these credit arrangements are typically based on a percentage of AVA’s accounts receivable or firm contracts with certain customers. As of December 31, 2003, AVA had a total of $10.6 million outstanding under these facilities. Newpark does not provide a corporate guaranty of AVA’s debt.

For the years ended December 31, 2003, 2002 and 2001, Newpark incurred interest cost of $15,945,000, $13,011,000 and $16,095,000, respectively, of which $694,000, $725,000 and $656,000, respectively, was capitalized on qualifying construction projects.

Scheduled maturities of long-term debt are $13,869,000 in 2004, $55,908,000 in 2005, $2,661,000 in 2006, $125,013,000 in 2007 and $4,000 in 2008.

G. Income Taxes

The provision (benefit) for income taxes charged to operations is as follows:

(In Thousands)	Year Ended December 31, 2003	2002	2001
Current tax expense (benefit):			
U.S. Federal	$ –	$ –	$ 923
Foreign	1,896	(777)	1,656
Total current	1,896	(777)	2,579
Deferred tax expense (benefit):			
U.S. Federal	564	3,837	15,348
Foreign	–	–	–
Total deferred	564	3,837	13,348
Total provision	$2,460	$3,060	$17,927

The effective income tax rate is reconciled to the statutory federal income tax rate as follows:

	Year Ended December 31, 2003	2002	2001
Income tax expense at statutory rate	35.0%	35.0%	35.0%
Nondeductible expenses	7.3	7.9	3.3
Higher rates on earnings (losses) of foreign operations	9.3	(1.0)	–
Decrease in valuation allowance	–	–	(1.8)
Other	2.6	(2.1)	(0.5)
Total income tax expense	54.2%	39.8%	36.0%

Temporary differences and carryforwards which give rise to a significant portion of deferred tax assets and liabilities at December 31, 2003 and 2002 are as follows (in thousands):

	2003	2002
Deferred tax assets:		
Net operating losses	$66,275	$61,822
Accruals not currently deductible	1,532	1,873
Bad debts	612	427
Alternative minimum tax credits	2,341	2,341
All other	1,757	2,438
Total deferred tax assets	72,517	68,901
Valuation allowance	(9,640)	(7,907)
Total deferred tax assets, net of allowances	62,877	60,994
Deferred tax liabilities:		
Accelerated depreciation and amortization	43,707	40,310
All other	1,694	640
Total deferred tax liabilities	45,401	40,950
Total net deferred tax assets	$17,476	$20,044

For U.S. federal income tax purposes, Newpark has net operating loss carryforwards ("NOLs") of approximately $155.5 million (net of amounts disallowed pursuant to IRC Section 382) that, if not used, will expire in 2018 through 2023. Newpark also has approximately $2.3 million of alternative minimum tax credit carryforwards, which are not subject to expiration and are available to offset future regular income taxes subject to certain limitations. Additionally, for state income tax purposes, Newpark has NOLs of approximately $229 million available to reduce future state taxable income. These NOLs expire in varying amounts beginning in year 2004 through 2017.

Under FAS 109, a valuation allowance must be established to offset a deferred tax asset if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. At December 31, 2003 and December 31, 2002, Newpark has recorded a valuation allowance for all state NOLs. At December 31, 2003, Newpark has recognized a net deferred tax asset of $17.5 million, the realization of which is dependent on Newpark's ability to generate taxable income in future periods. Management believes that its estimate of its ability to generate future earnings based on current market outlook supports recognition of this amount.

Deferred tax expense includes a decrease in the valuation allowance for deferred tax assets of $917,000 in 2001. This decrease was associated with certain federal NOLs, for which a valuation allowance had been previously recorded, which Newpark believed were more likely than not to be utilized as a result of estimated future taxable income.

Unremitted foreign earnings reinvested abroad upon which deferred income taxes have not been provided aggregated approximately $3.2 million at December 31, 2003

H. Preferred Stock

Newpark has been authorized to issue up to 1,000,000 shares of Preferred Stock, $0.01 par value, of which 120,000 shares were outstanding at December 31, 2003, and 167,500 shares were outstanding at December 31, 2002.

On December 28, 2000, Newpark completed the sale of 120,000 shares of Series C Convertible Preferred Stock, $0.01 par value per share (the "Series C Preferred Stock"). There are no redemption features to the Series C Preferred Stock. The aggregate purchase price for this instrument was $30.0 million. On June 1, 2000, Newpark completed the sale of 120,000 shares of Series B Convertible Preferred Stock, $0.01 par value per share (the "Series B Preferred Stock"), and a warrant (the "Series B Warrant") to purchase up to 1,900,000 shares of the Common Stock of Newpark at an exercise price of $10.075 per share, subject to anti-dilution adjustments. The Series B Warrant has a term of seven years, expiring June 1, 2007. There are no redemption features to the Series B Preferred Stock. The aggregate purchase price for these instruments was $30.0 million, of which approximately $26.5 million was allocated to the Series B Preferred Stock and approximately $3.5 million to the Series B Warrant. The net proceeds from these sales were used to repay indebtedness. No underwriting discounts or commissions were paid in connection with the sales of these securities.

Cumulative dividends are payable on the Series C and Series B Preferred Stock quarterly in arrears. The dividend rate is 4.5% per annum, based on the stated value of $250 per share of Series C and Series B Preferred Stock. Dividends payable on the Series C and Series B Preferred Stock may be paid at the option of Newpark either in cash or by issuing shares of Newpark's Common Stock that have been registered under the Securities Act of 1933, as amended (the "Act"). All dividends paid in 2002 and 2003 were paid in the form of common stock. The number shares of Common Stock of Newpark to be issued as dividends is determined by dividing the cash amount of the dividend otherwise payable by the market value of the Common Stock determined in accordance with the provisions of the certificate relating to the Series C and Series B Preferred Stock. If Newpark fails to pay any dividends when due, these dividends will accumulate and accrue additional dividends at the then existing dividend rate.

So long as shares of the Series C and Series B Preferred Stock are outstanding, no dividends may be paid on the Common Stock or any other securities of Newpark ranking junior to the Series C or Series B Preferred Stock with respect to dividends and distributions on liquidation ("Junior Securities"), except for dividends payable solely in shares of Common Stock. Subject to certain exceptions, no shares of Junior Securities or securities of Newpark having a priority equal to the Series C and Series B Preferred Stock with respect to dividends and distributions on liquidation may be purchased or otherwise redeemed by Newpark unless all accumulated dividends on the Series C and Series B Preferred Stock have been paid in full.

The holders of the Series C Preferred Stock have the right to convert all or any part of the Series C Preferred Stock into Common Stock at a conversion rate based on the then current market value of the Common Stock, or $11.2125 per share of Common Stock, whichever is less, but not less than $4.1325 per share. However, both the maximum and minimum conversion rates are subject to adjustment under certain circumstances. The holders of the Series B Preferred Stock have the right to convert all or any part of the Series B Preferred Stock into Common Stock at a conversion rate based on the then current market value of the Common Stock, or $10.075 per share of Common Stock, whichever is less. For purposes of any conversion, each share of Series C or Series B Preferred Stock will have a value equal to its stated value, plus any accrued and unpaid dividends.

The agreements pursuant to which the Series C and Series B Preferred Stock and the Warrant were issued (the "Agreements") require Newpark to use its best efforts to register under the Act all of the shares of Common Stock issuable upon exercise of the Warrant and 1.5 times the number of shares of Common Stock issuable as of the effective date of the registration statement upon conversion of the Series C and Series B Preferred Stock or as dividends on the Series C and Series B Preferred Stock. Newpark will be required to increase the number of shares registered under the registration statement if the total number of shares of Common Stock issued and issuable under the Warrant and with respect to the Series C and Series B Preferred Stock exceeds 80% of the number of shares then registered. The registration statements currently cover approximately 13.7 million shares of Common Stock.

During the second quarter of 2003, the holder of Series C Preferred Stock converted a total of 47,500 shares of the Series C Preferred Stock in accordance with the terms of the Agreements. The converted shares of Series C Stock had a total stated value of $11.9 million. In connection with these conversions, Newpark issued a total of 2.8 million shares of its common stock, valued at the conversion price of $4.3125, and cancelled the 47,500 shares of Series C Preferred Stock. During the third and fourth quarters of 2002, the holder of Series C Preferred Stock converted a total of 72,500 shares of the Series C Preferred Stock in accordance with the terms of the Agreements. The converted shares of Series C Stock had a total stated value of $18.1 million. In connection with these conversions, Newpark issued a total of 4.2 million shares of its common stock, valued at the conversion price of $4.3125, and cancelled the 72,500 shares of Series C Preferred Stock. Subsequent to December 31, 2003, the holder of Series B Preferred Stock converted a total of 40,000 shares of the Series B Preferred Stock in accordance with the terms of the Agreements. The converted shares of Series B Stock had a total stated value of $10.0 million. In connection with this conversion, Newpark issued a total of 2.6 million shares of its common stock, valued at the conversion price of $3.804, and cancelled the 40,000 shares of Series B Preferred Stock.

On April 16, 1999, Newpark, issued 150,000 shares of Series A Cumulative Perpetual Preferred Stock, $0.01 par value per share (the "Series A Preferred Stock"), and a warrant (the "Series A Warrant") to purchase up to 2,400,000 shares of the Common Stock of Newpark at an exercise price of $8.50 per share, subject to anti-dilution adjustments. The Series A Warrant has a term of seven years, expiring April 15, 2006. The aggregate purchase price for these instruments was $15.0 million, of which approximately $12.8 million was allocated to the Series A Preferred Stock and approximately $2.2 million to the Series A Warrant. The net proceeds from the sale were used to repay indebtedness. No underwriting discounts, commissions or similar fees were paid in connection with the sale of the securities.

On May 15, 2002, Newpark repurchased all of the outstanding shares of Series A Preferred Stock. As a result of this repurchase, Newpark recorded a non-recurring, non-cash charge of $861,350 ($.01 per share) for the remaining unamortized balance of the discount received upon the issuance of the Series A Stock in April 1999, which was previously being amortized over a period of five years.

The Series A Warrants and Series B Warrants contain anti-dilution provisions. During 2002, Newpark recorded adjustments totaling $176,000 to its equity accounts to reflect the value assigned to the adjustments made to these warrants in connection with the anti-dilution provisions. As of December 31, 2003, the Series A Warrant provides for the right to purchase up to 2,568,271 shares of the Common Stock of Newpark at an exercise price of $8.50 per share. As of December 31, 2003, the Series B Warrant provides for the right to purchase up to 1,909,092 shares of the Common Stock of Newpark at an exercise price of $10.03 per share.

The total of 2002 charges associated with the anti-dilution provisions and the write off of the unamortized discount was $1,037,000 and is included in other non-cash preferred stock charges in the income statement for 2002.

Cumulative dividends were payable on the Series A Preferred Stock quarterly in arrears at the initial dividend rate of 5% per annum, based on the stated value of $100 per share of Series A Preferred Stock. Dividends through the date of repurchase were payable in Newpark Common Stock, based on the average closing price of Newpark's Common Stock for the five business days preceding the record date.

I. Common Stock

On May 15, 2002, Newpark issued two million shares of common stock in a public offering. The shares were sold at a price of $8.50 per share, with Newpark receiving a total of $16.3 million in proceeds after commissions and legal and accounting costs. The principal use of proceeds was to repurchase all of the outstanding shares of Series A Preferred Stock. The total repurchase price for the Series A Stock was $15.0 million, including $106,249 of dividends earned from the last dividend payment date through the date of repurchase. The remaining proceeds were used to repay debt.

Changes in outstanding Common Stock for the years ended December 31, 2003, 2002 and 2001 were as follows:

(In Thousands of Shares)	2003	2002	2001
Outstanding, beginning of year	77,710	70,332	69,588
Shares issued upon conversion of preferred stock	2,754	4,202	–
Shares issued under new equity offering	–	2,000	–
Shares issued in acquisition	–	171	–
Shares issued (cancelled) under deferred compensation plan	169	(38)	–
Shares issued under employee stock purchase plan	74	110	77
Shares issued for preferred stock dividends	360	534	296
Shares issued upon exercise of options	6	399	371
Outstanding, end of year	81,073	77,710	70,332

J. Earnings per Share

The following table presents the reconciliation of the numerator and denominator for calculating earnings per share in accordance with the disclosure requirements of SFAS 128 as follows (in thousands, except per share data):

	Years Ended December 31,		
	2003	2002	2001
Income applicable to common and common equivalent shares	$ 494	$ 513	$28,006
Add:			
Series B and Series C Preferred Stock dividends	–	–	2,025
Adjusted income applicable to common and common equivalent shares	$ 494	$ 513	$30,031
Weighted average number of common shares outstanding	79,785	72,777	70,023
Add:			
Shares assumed issued upon conversion of Series B and Series C Preferred Stock	–	–	9,509
Net effect of dilutive stock options and warrants	120	236	788
Adjusted weighted average number of common shares outstanding	79,905	73,013	80,320
Income applicable to common and common equivalent shares:			
Basic	$ 0.01	$ 0.01	$ 0.40
Diluted	$ 0.01	$ 0.01	$ 0.37

At December 31, 2003, 2002 and 2001, Newpark had dilutive stock options of 686,648, 1,865,465 and 4,578,000, respectively, which were assumed exercised using the treasury stock method. The resulting net effect of stock options was used in calculating diluted income per share for the periods ended December 31, 2003 and 2002. Options and warrants to purchase a total of 10,321,000 shares of common stock, at exercise prices ranging from $4.94 to $21.00 per share, were outstanding at December 31, 2003 but were not included in the computation of diluted income per share because they were anti-dilutive. Options and warrants to purchase a total of 9,006,000 shares of common stock, at exercise prices ranging from $6.00 to $21.00 per share, were outstanding at December 31, 2002 but were not included in the computation of diluted income per share because they were anti-dilutive. Options and warrants to purchase a total of 5,938,000 shares of common stock, at exercise prices ranging from $8.40 to $21.00 per share, were outstanding at December 31, 2001 but were not included in the computation of diluted income per share because they were antidilutive.

K. Stock Option Plans

At December 31, 2003, Newpark had three stock-based compensation plans, which are described below. Newpark applies Accounting Principles Board Opinion 25 (“APB 25”) and related Interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for its stock option plans as the exercise price of all stock options granted there under is equal to the fair value at the date of grant. Had compensation costs for Newpark’s stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method of Financial Accounting Standards Board Statement No. 123, Newpark’s net income (loss) and net income (loss) per share would have been reduced to the pro forma amounts indicated below:

(In Thousands, except per share data)	Year Ended December 31, 2003	2002	2001
Income (loss) applicable to common and common equivalent shares:			
As reported	$ 494	$ 513	$28,006
Add recorded stock compensation expense, net of related taxes	172	383	895
Deduct stock-based employee compensation expense determined under fair value based method for all awards, net of related taxes	(2,264)	(2,880)	(3,599)
Pro forma	(1,598)	(1,984)	25,302
Earnings (loss) per share:			
Basic			
As reported	$ 0.01	$ 0.01	$ 0.40
Pro forma	$ (0.02)	$ (0.03)	$ 0.36
Diluted			
As reported	$ 0.01	$ 0.01	$ 0.37
Pro forma	$ (0.02)	$ (0.03)	$ 0.34

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model, with the following assumptions:

	Year Ended December 31, 2003	2002	2001
Risk-free interest rate	2.5%	2.9%	4.5%
Expected years until exercise	4	4	4
Expected stock volatility	67.8%	73.0%	73.6%
Dividend yield	0.0%	0.0%	0.0%

A summary of the status of Newpark's stock option plans as of December 31, 2003, 2002 and 2001 and changes during the periods ending on those dates is presented below:

	Years Ended December 31, 2003		2002		2001	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	6,264,214	$7.41	6,167,337	$7.33	5,676,919	$7.18
Granted	922,000	4.67	1,251,000	6.58	1,266,000	7.44
Exercised	(5,666)	5.03	(398,799)	4.38	(360,223)	5.34
Expired or canceled	(1,304,979)	7.87	(755,324)	5.77	(415,359)	7.48
Outstanding at end of year	5,875,569	$6.88	6,264,214	$7.41	6,167,337	$7.33
Options exercisable at end of year	3,924,637	$7.38	4,007,440	$7.82	4,061,436	$7.74
Weighted-average fair value of options granted during the year		$2.45		$3.71		$4.30

The following table summarizes information about all stock options outstanding at December 31, 2003:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$2.90 to $5.13	2,042,681	3.79	$ 4.46	1,426,543	$ 4.88
$5.19 to $7.50	2,006,418	5.00	6.89	887,384	7.04
$7.60 to $8.19	559,999	4.34	7.80	375,338	7.83
$8.40 to $10.00	1,166,471	1.16	9.88	1,148,972	9.90
$12.11 to $21.00	100,000	5.51	16.08	86,400	17.70
	5,875,569	3.76	$ 6.88	3,924,637	$ 7.38

The Amended and Restated Newpark Resources, Inc. 1988 Incentive Stock Option Plan (the “1988 Plan”) was adopted by the Board of Directors on June 22, 1988 and thereafter was approved by the stockholders. The 1988 Plan was amended several times and provided for approximately 4,000,000 shares to be issuable there under. Under the terms of the 1988 Plan, an option could not be granted for an exercise price less than the fair market value on the date of grant and could have a term of up to ten years. No future grants are available under the 1988 Plan.

The 1993 Non-Employee Directors’ Stock Option Plan (the “1993 Non-Employee Directors’ Plan”) was adopted on September 1, 1993 by the Board of Directors and, thereafter, was approved by the stockholders in 1994. Non-employee directors are not eligible to participate in any other stock option or similar plans currently maintained by Newpark. The purpose of the 1993 Non-Employee Directors’ Plan is to promote an increased incentive and personal interest in the welfare of Newpark by those individuals who are primarily responsible for shaping the long-range plans of Newpark, to assist Newpark in attracting and retaining on the Board persons of exceptional competence and to provide additional incentives to serve as a director of Newpark. Since January 1998, the 1993 Non-Employee Directors’ Plan provides for automatic grants to each Non-Employee Director of stock options to purchase 10,000 shares of Common Stock each time the Non-Employee director is re-elected to the Board of Directors. No future grants are available under the Non-Employee Directors’ Plan.

On November 2, 1995, the Board of Directors adopted, and on June 12, 1996 the stockholders approved, the Newpark Resources, Inc. 1995 Incentive Stock Option Plan (the “1995 Plan”), pursuant to which the Compensation Committee may grant incentive stock options and non-statutory stock options to designated employees of Newpark. Initially, a maximum of 2,100,000 shares of Common Stock were issuable under the 1995 Plan. This maximum number is subject to increase on the last business day of each fiscal year by a number equal to 1.25% of the number of shares of Common Stock issued and outstanding on the close of business on such date, subject to a maximum limit of 8 million shares. This reflects an increase in the limit that was approved by Newpark stockholders in June 2000. As of December 31, 2003, a total of 6,998,000 options shares were available for grant under the 1995 Plan and 5,415,000 options were outstanding, leaving 1,583,000 options available for granting.

L. Incentive Plan, Deferred Compensation Plan and 401-K Plan

On March 12, 2003, the Board of Directors unanimously adopted the 2003 Long Term Incentive Plan (the “2003 Plan”), and the 2003 Plan was approved by the stockholders at the 2003 Annual Meeting. Under the 2003 Plan, awards of share equivalents will be made at the beginning of overlapping three-year performance periods. These awards will vest and become payable in Newpark common stock if certain performance criteria are met over the three-year performance period. The Compensation Committee has initially determined that a new three-year period will begin each January 1, with the first performance period starting January 1, 2003.

Subject to adjustment upon a stock split, stock dividend or other recapitalization event, the maximum number of shares of common stock that may be issued under the 2003 Plan is 1,000,000. The common stock issued under the 2003 Plan will be from authorized but unissued shares of Newpark's common stock, although shares issued under the 2003 Plan that are reacquired by Newpark due to a forfeiture or any other reason may again be issued under the 2003 Plan. The maximum number of shares of common stock that may be granted to any one eligible employee during any calendar year is 50,000.

The business criteria that the Compensation Committee may use to set the performance objectives for an award under the 2003 Plan include the following: total stockholder return, return on equity, growth in earnings per share, profits and/or return on capital within a particular business unit, regulatory compliance metrics, including worker safety measures, and other criteria as the Compensation Committee may from time to time determine. The performance criteria may be stated relative to other companies in the oil service sector industry group.

Initially, the Compensation Committee has determined that the performance criteria it will use are (i) Newpark's annualized total stockholder return compared to its peers in the PHLX Oil Service Sector^{sm} (OSX^{sm}) industry group index published by the Philadelphia Stock Exchange and (ii) Newpark's average return on equity over the three-year period. Partial vesting occurs when Newpark's performance achieves "expected" levels, and full vesting occurs if Newpark's performance is at the "over-achievement" level for both performance measures, in each case measured over the entire three-year performance period. No shares vest if Newpark's performance level is below the "expected" level, and straight-line interpolation will be used to determine vesting if performance is between "expected" and "over-achievement levels. For the initial performance period, the following performance levels have been adopted:

	Annualized Total Stockholder Return (50%)	Average Return on Equity (50%)	Portion of Contingent Award Vested
Expected level	50th percentile of OSX^{sm} industry group	8%	20%
Over-achievement level	75th percentile of OSX^{sm} industry group	14%	100%

Awards under the 2003 Plan are being accounted for using variable accounting. Based on Newpark's performance in 2003, as compared to the performance levels listed above, no expense was accrued under the 2003 Plan for the year ended December 31, 2003.

In March 1997, Newpark established a Long-Term Stock and Cash Incentive Plan (the "Plan"). By policy, Newpark has limited participation in the Plan to certain key employees of companies acquired subsequent to inception of the Plan. The intent of the Plan is to increase the value of the stockholders' investment in Newpark by improving Newpark's performance and profitability and to retain, attract and motivate key employees who are not directors or officers of Newpark but whose judgment, initiative and efforts are expected to contribute to the continued success, growth and profitability of Newpark.

Subject to the provisions of the Plan, a committee may (i) grant awards pursuant to the Plan, (ii) determine the number of shares of stock or the amount of cash or both subject to each award, (iii) determine the terms and conditions (which need not be identical) of each award, provided that stock will be issued without the payment of cash consideration other than an amount equal to the par value of the stock, (iv) establish and modify performance criteria for awards, and (v) make all of the determinations necessary or advisable with respect to awards under the Plan.

Each award under the Plan consists of a grant of shares of stock or an amount of cash (to be paid on a deferred basis) subject to a restriction period (after which the restrictions lapse), which

means a period commencing on the date the award is granted and ending on such date as the committee determines. The committee may provide for the lapse of restrictions in installments, for acceleration of the lapse of restrictions upon the satisfaction of such performance or other criteria or upon the occurrence of such events as the committee determines, and for the early expiration of the restriction period upon a participant's death, disability, retirement at or after normal retirement age or the termination of the participant's employment with Newpark by Newpark without cause.

The maximum number of shares of common stock of Newpark that may be issued pursuant to the Plan is 676,909, subject to adjustment pursuant to certain provisions of the Plan. The maximum amount of cash that may be awarded pursuant to the Plan is $1,500,000, and each such amount may be increased by the Board of Directors. If shares of stock or the right to receive cash awarded or issued under the Plan are reacquired by Newpark due to forfeiture or for any other reason, these shares or right to receive cash will be cancelled and thereafter will again be available for purposes of the Plan. At December 31, 2003, 676,909 shares of common stock had been issued under the Plan and $1,418,000 had been awarded.

The total cost associated with the stock portion of the Plan was $277,000 in 2003, $617,000 in 2002 and $1,399,000 in 2001.

During the periods reported, substantially all of Newpark's U.S. employees were covered by a defined contribution retirement plan (the "401(k) Plan"). Employees may voluntarily contribute up to 50% of compensation, as defined, to the 401(k) Plan. The participants' contributions, up to 6% of compensation, were matched 50% by Newpark. Under the 401(k) Plan, Newpark's cash contributions were approximately $887,000, $914,000, and $908,000, in 2003, 2002, and 2001, respectively.

M. Supplemental Cash Flow Information

Included in accounts payable and accrued liabilities at December 31, 2003, 2002 and 2001, were equipment purchases of $762,000, $1,196,000 and $867,000, respectively.

During the year ended December 31, 2001, Newpark entered into capital leases for the acquisition of property, plant and equipment totaling $15,651,000.

Interest of $15,079,000, $12,148,000 and $17,149,000 was paid in 2003, 2002 and 2001, respectively. Income tax refunds, net of income taxes paid totaled $665,000 in 2003. Income taxes paid, net of refunds, totaled $460,000 in 2002 and $1,465,000 in 2001.

N. Commitments and Contingencies

Newpark and its subsidiaries are involved in litigation and other claims or assessments on matters arising in the normal course of business. In the opinion of management, any recovery or liability in these matters will not have a material adverse effect on Newpark's consolidated financial statements.

In the normal course of business, in conjunction with its insurance programs, Newpark has established letters of credit in favor of certain insurance companies in the amount of $1 million at December 31, 2003 and $1.3 million at December 31, 2002. In addition, as of December 31, 2003, Newpark has established letters of credit in favor of two barite suppliers in the amount of $2.3 million. At December 31, 2003 and 2002, Newpark had outstanding guaranty obligations totaling $5.2 million and $752,000, respectively, in connection with facility closure bonds and other performance bonds issued by an insurance company. At December 31, 2002, Newpark had established letters of credit in favor of various state agencies in connection with facility closure obligations in the amount of $4.8 million.

Since July 1995, Newpark has held the exclusive worldwide right to use a patented composite mat system. Production of these mats did not commence until 1998. The license agreement requires, among other things, that Newpark purchase a minimum of 5,000 mats annually. Any purchases in excess of that level may be applied to future annual requirements. Newpark's annual commitment to maintain the agreement in force, absent any reductions resulting from excess purchases, is currently estimated to be $4.6 million as of December 31, 2003. Given the level of Newpark's cumulative purchases, the annual purchase commitment requirement has been covered for at least ten years beyond December 31, 2003. The LOMA manufacturing facility is currently not producing any mats due to low demand, and we have reduced the number of planned purchases of composite mats in 2004 to approximately 2,500 units, equal to the remaining inventory held by LOMA.

Newpark has guaranteed certain debt obligations of LOMA through the issuance of a letter of credit in the amount of $8.0 million as of December 31, 2003. This letter of credit was collateralized by a certificate of deposit in the amount of $8.0 million as of December 31, 2003 (See Note A). The guaranty is renewable annually and the amount is based on the outstanding balance of LOMA's bonds.

Newpark, along with its 51% joint venture partner, has issued a guaranty for certain lease obligations of the joint venture which supplies a portion of its wooden mats on a day rate leasing basis. This guaranty is joint and several and will remain outstanding for the term of the joint venture's debt, which presently matures in January of 2007. The amount of this guaranty as of December 31, 2003 was $7.4 million.

Newpark leases various manufacturing facilities, warehouses, office space, machinery and equipment, including transportation equipment and composite and wooden mats, under operating leases with remaining terms ranging from one to 14 years, with various renewal options. Substantially all leases require payment of taxes, insurance and maintenance costs in addition to rental payments. Total rental expenses for all operating leases were $24.0 million in 2003, $16.1 million in 2002 and $16.1 million in 2001.

Future minimum payments under non-cancellable operating leases, with initial or remaining terms in excess of one year are as follows (in thousands):

2004	$15,362
2005	11,126
2006	6,775
2007	4,638
2008 and Thereafter	8,270
	$46,171

Newpark is self-insured for health claims up to a certain policy limit. Claims in excess of $150,000 per incident and approximately $10.5 million in the aggregate per year are insured by third-party re-insurers. At December 31, 2003, Newpark had accrued a liability of $1.5 million for outstanding and incurred, but not reported, claims based on historical experience. These estimated claims are expected to be paid within one year of their occurrence.

O. Concentrations of Credit Risk

Financial instruments that potentially subject Newpark to significant concentrations of credit risk consist principally of cash investments and trade accounts and notes receivable.

Newpark maintains cash and cash equivalents with various financial institutions. These financial institutions are located throughout Newpark's trade area, and company policy is designed

to limit exposure to any one institution. As part of Newpark's investment strategy, Newpark performs periodic evaluations of the relative credit standing of these financial institutions.

Concentrations of credit risk with respect to trade accounts and notes receivable are generally limited due to the large number of entities comprising Newpark's customer base, and for notes receivable the required collateral. Newpark maintains an allowance for losses based upon the expected collectibility of accounts receivable. Changes in this allowance for 2003, 2002 and 2001 are as follows:

(In thousands)	2003	2002	2001
Balance at beginning of year	2,102	2,159	2,482
Provision for uncollectible accounts	1,000	–	–
Write-offs, net of recoveries	(182)	(57)	(323)
Balance at end of year	2,920	2,102	2,159

Newpark does not believe it is dependent on any one customer. During the years ended December 31, 2003, 2002 and 2001, no one customer accounted for more than 10% of total sales. Export sales are not significant.

Newpark periodically reviews the collectibility of its notes receivable and adjusts the carrying value to the net realizable value. Adjustments to the carrying value of notes receivable were not significant in 2003, 2002 or 2001.

As of December 31, 2003, Newpark holds a note receivable (the "Note") obtained in connection with the sale of its former marine repair operations. The Note is included in other assets and is recorded at its estimated fair value of approximately $8.2 million, including $1.9 million of accrued interest.. The Note was originally scheduled to mature in September 2003, at which time the anticipated outstanding balance of the Note, plus accrued interest (collectively, the "Obligation") would have been approximately $8.5 million, after application of a prepayment principal discount of approximately $2.2 million.

On April 30, 2003, Newpark entered into certain agreements (the "Agreements") with the issuer of the Obligation (the "Issuer") to amend the existing terms and conditions. Under the Agreements, the rate at which interest accrues on the Obligation increased from five percent to ten percent, effective March 31, 2003, and the maturity of the Obligation was extended to the earlier of September 30, 2005 or the Issuer's full payment of other obligations as defined. Upon maturity or acceleration, as defined, the Obligation, together with accrued interest thereon, may be paid or converted to an amortizing term note (the "New Note"). If the Obligation is converted, the New Note will require 59 monthly installments using a 180 month amortization schedule and a final balloon payment on the 60th month,

The Obligation is secured by a first lien on the assets sold as well as certain guarantees of the Issuer. Newpark believes that it will ultimately recover its recorded investment in the Obligation based on its secured position and the estimated value of the collateral. However, due to the current operating condition of the Issuer, Newpark is not accruing any additional interest on the Obligation.

As of December 31, 2003 and 2002, Newpark had an investment in convertible, redeemable preferred stock of a company that owns patented thermal desorption technology. This preferred stock investment was included in other assets at December 31, 2003 and 2002. The preferred stock is convertible into common stock and is redeemable by the issuer. Dividends are payable quarterly on the preferred stock at the rate of prime plus 1.5%. The balance of the preferred stock was $2.9 million at December 31, 2003 and 2002. The balance of accrued but unpaid dividends was $466,000 and $226,000, at December 31, 2003 and 2002, respectively.

P. Supplemental Selected Quarterly Financial Data (Unaudited)

(In Thousands, except per share amounts)	Quarter Ended Mar 31	Jun 30	Sep 30	Dec 31
Fiscal Year 2003				
Revenues	$90,577	$92,382	$95,593	$94,627
Operating income	5,881	6,866	5,160	417
Net income (loss)	1,224	1,774	446	(2,950)
Net income (loss) per share:				
Basic	0.02	0.02	0.01	(0.04)
Diluted	0.02	0.02	0.01	(0.04)
Fiscal Year 2002				
Revenues	$75,110	$77,555	$79,406	$89,124
Operating income	5,293	3,313	4,718	5,732
Net income (loss)	521	(786)	31	747
Net income (loss) per share:				
Basic	0.01	(0.01)	0.00	0.01
Diluted	0.01	(0.01)	0.00	0.01

Q. Segment and Related Information

Newpark's three business units have separate management teams and infrastructures that offer different products and services to a homogenous customer base. The business units form the three reportable segments of E&P Waste Disposal, Fluids Sales & Engineering and Mat & Integrated Services. Intersegment revenues are generally recorded at cost for items which are included in property, plant and equipment of the purchasing segment, and at standard markups for items which are included in cost of services provided or operating costs of the purchasing segment.

E&P Waste Disposal: This segment provides disposal services for both oilfield exploration and production ("E&P") waste and E&P waste contaminated with naturally occurring radioactive material. The primary method used for disposal is low pressure injection into environmentally secure geologic formations deep underground. The primary operations for this segment are in the Gulf Coast market and customers include major multinational and independent oil companies. This segment began operating its non-hazardous industrial waste disposal facility in 1999. Disposal of this type of waste could lead to an expansion of Newpark's customer base and geographic service points for this segment.

Fluids Sales & Engineering: This segment provides drilling fluids sales and engineering services and onsite drilling fluids processing services. The primary operations for this segment are in the U.S. Gulf Coast, U.S. Mid-continent, U.S. Rocky Mountains, West Texas, Canada, and areas around the Mediterranean. Customers include major multinational, independent and national oil companies.

Mat & Integrated Services: This segment provides prefabricated interlocking mat systems for constructing drilling and work sites. In addition, the segment provides fully-integrated onsite and offsite environmental services, including site assessment, pit design, construction and drilling waste management, and regulatory compliance services. The primary markets served include the Gulf Coast market and Canada. The principal customers are major independent and national oil companies. In addition, this segment provides temporary work site services to the pipeline, electrical utility and highway construction industries principally in the Southeastern portion of the United States.

Summarized financial information concerning Newpark's reportable segments for the years ended December 31, 2003, 2002 and 2001 are as follows (in thousands):

	Years Ended December 31,		
	2003	2002	2001
Revenues (1)			
E&P Waste Disposal	$ 53,436	$ 51,240	$ 60,998
Fluids Sales & Engineering	231,015	194,347	217,083
Mat & Integrated Services	88,978	76,332	131,757
Eliminations	(250)	(724)	(1,233)
Total Revenues	$373,179	$321,195	$408,605
(1) Segment revenues include the following intersegment transfers:			
E&P Waste Disposal	$ –	$ –	$ –
Fluids Sales & Engineering	152	76	160
Mat & Integrated Services	98	648	1,073
Total Intersegment Transfers	$ 250	$ 724	$ 1,233
Depreciation and Amortization, Excluding Goodwill Amortization			
E&P Waste Disposal	$ 3,797	$ 3,407	$ 3,353
Fluids Sales & Engineering	7,407	6,353	6,988
Mat & Integrated Services	9,602	12,033	12,157
Other	523	50	68
Depreciation and Amortization, Excluding Goodwill	$ 21,329	$ 21,843	$ 22,566
Operating Income			
E&P Waste Disposal	$ 11,534	$ 8,111	$ 14,932
Fluids Sales & Engineering	12,967	12,681	26,502
Mat & Integrated Services	515	3,587	32,849
Total Segment Operating Income	25,016	24,379	74,283
General and administrative expenses	(5,342)	(5,323)	(5,170)
Provision for doubtful accounts and write down of assets	(1,350)	–	–
Goodwill amortization	–	–	(4,861)
Total Operating Income	$ 18,324	$ 19,056	$ 64,252
Segment Assets			
E&P Waste Disposal	$147,144	$150,038	$157,269
Fluids Sales & Engineering	266,737	238,055	211,333
Mat & Integrated Services	115,290	122,328	125,351
Other	46,329	31,835	28,535
Total Assets	$575,500	$542,256	$522,488
Capital Expenditures			
E&P Waste Disposal	$ 3,829	$ 1,189	$ 5,105
Fluids Sales & Engineering	14,038	8,941	8,565
Mat & Integrated Services	2,685	3,549	15,443
Other	2,174	1,508	560
Total Capital Expenditures	$ 22,726	$ 15,187	$ 29,673

Effective January 1, 2004, Newpark implemented a financial reporting change in its Canadian operations. As a result of this change, the operating results for the environmental services business unit in Canada will be reported as a component of the E&P waste disposal segment effective January 1, 2004, rather than as a component of the fluids sales and engineering segment.

In addition, a portion of the operating costs of the Canadian business unit will begin to be reported as a component of G&A expenses effective January 1, 2004. In future filings, all previously reported segment data will be restated to reflect these changes.

The following table sets forth information about Newpark's operations by geographic area (in thousands):

	Years Ended December 31,		
	2003	2002	2001
Revenue			
Domestic	$285,788	$268,034	$347,857
Mediterranean areas	36,704	21,854	–
Canada	50,687	31,307	60,748
Total Revenue	$373,179	$321,195	$408,605
Operating Income (Loss)			
Domestic	$ 19,396	$ 19,229	$ 61,601
Mediterranean areas	2,261	1,794	–
Canada	3,359	(1,967)	2,651
Total Operating Income (Loss)	$ 25,016	$ 19,056	$ 64,252
Assets			
Domestic	$488,108	$478,204	$474,780
Mediterranean areas	45,894	33,389	–
Canada	41,498	30,663	47,708
Total Assets	$575,500	$542,256	$522,488

R. Condensed Consolidating Financial Information

On December 17, 1997, Newpark issued $125 million of unsecured Senior Subordinated Notes (the "Notes"), which mature on December 15, 2007. The Notes are fully and unconditionally guaranteed, on a joint and several basis, by certain wholly-owned subsidiaries of Newpark. Each of the guarantees is an unsecured obligation of the guarantor and ranks *pari passu* with the guarantees provided by and the obligations of such guarantor subsidiaries under the New Credit Facility. Each guarantee also ranks *pari passu* with all existing and future unsecured indebtedness of such guarantor for borrowed money that is not, by its terms, expressly subordinated in right of payment to such guarantee. The net proceeds from the issuance of the Notes were used by Newpark to repay all outstanding revolving indebtedness and for general corporate purposes, including working capital, capital expenditures and acquisitions of businesses.

The following condensed consolidating balance sheet as of December 31, 2003 and 2002 and the related condensed consolidating statements of income and cash flows for the years ended December 31, 2003 and 2002 should be read in conjunction with the notes to these consolidated financial statements (in thousands):

	Parent Company Only	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Condensed Consolidating Balance Sheet as of December 31, 2003					
Current assets:					
Cash and cash equivalents	$ 179	$ (485)	$ 4,998	$ –	$ 4,692
Restricted cash	8,029	–	–	–	8,029
Accounts receivable, net	–	70,446	32,536	(3,034)	99,948
Inventories	–	58,877	15,969	–	74,846
Other current assets	11,550	10,230	3,356	(2,500)	22,636
Total current assets	19,758	139,068	56,859	(5,534)	210,151
Investment in subsidiaries	430,482	–	–	(430,482)	–
Property and equipment, net	5,583	193,054	7,601	–	206,238
Goodwill	–	95,114	20,755	–	115,869
Identifiable intangibles, net	–	12,320	2,627	–	14,947
Other assets, net	40,048	6,065	(450)	(17,368)	28,295
Total assets	$ 495,871	$445,621	$ 87,392	$(453,384)	$ 575,500
Current liabilities:					
Foreign bank lines of credit	$ –	$ –	$ 10,610	$ –	$ 10,610
Current portion of long-term debt	–	3,259	–	–	3,259
Accounts payable	534	24,048	18,931	(3,034)	40,479
Accrued liabilities	3,742	10,787	9,865	(2,500)	21,894
Total current liabilities	4,276	38,094	39,406	(5,534)	76,242
Long-term debt	177,500	1,018	16,841	(11,759)	183,600
Other liabilities	134	(645)	2,783	(575)	1,697
Preferred stock	30,000	–	–	–	30,000
Common stock	811	2,613	12,670	(15,283)	811
Paid-in capital	390,788	425,504	22,116	(447,620)	390,788
Unearned restricted stock	(803)	–	–	–	(803)
Cumulative translation adjustment	5,033	–	5,033	(5,033)	5,033
Retained deficit	(111,868)	(20,963)	(11,457)	32,420	(111,868)
Total stockholders' equity	313,961	407,154	28,362	(435,516)	313,961
Total liabilities and equity	$ 495,871	$445,621	$ 87,392	$(453,384)	$ 575,500

	Parent Company Only	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Condensed Consolidating Statement of Income for the Year Ended December 31, 2003					
Revenue	$ –	$285,788	$87,391	$ –	$373,179
Cost of services provided	–	187,802	50,918	–	238,720
Operating costs	–	78,590	30,853	–	109,443
	–	266,392	81,771	–	348,163
General and administrative expense	5,342	–	–	–	5,342
Provision for uncollectible accounts	–	1,000	–	–	1,000
Impairment of long-lived assets	–	350	–	–	350
Operating income (loss)	(5,342)	18,046	5,620	–	18,324
Other (income) expense	(1,635)	(202)	(1,022)	1,395	(1,464)
Interest expense	13,959	657	2,030	(1,395)	15,251
Income (loss) before income taxes	(17,666)	17,591	4,612	–	4,537
Income taxes (benefit)	(8,591)	9,541	1,510	–	2,460
Equity in earnings of subsidiaries	11,152	–	–	(11,152)	–
Net income (loss)	$ 2,077	$ 8,050	$ 3,102	$(11,152)	$ 2,077
Condensed Consolidating Statement of Cash Flows for the Year Ended December 31, 2003					
Net cash provided by (used in) operating activities	$(30,935)	$ 37,599	$ 141	$ –	$ 6,805
Net cash provided by (used in) investing activities:					
Capital expenditures, net of sales proceeds	(2,174)	(16,524)	(3,345)	–	(22,043)
Investments	17,001	(19,108)	2,107	–	–
Payments received on notes receivable	512	1,061	–	–	1,573
	15,339	(34,571)	(1,238)	–	(20,470)
Net cash provided by (used in) financing activities:					
Net borrowings (payments) on lines of credit, notes payable and long-term debt	15,000	(3,755)	4,084	–	15,329
Other	303	–	–	–	303
	15,303	(3,755)	4,084	–	15,632
Net increase (decrease) in cash and cash equivalents	(293)	(727)	2,987	–	1,967
Cash and cash equivalents:					
Beginning of period	472	242	2,011	–	2,725
End of period	$ 179	$ (485)	$ 4,998	$ –	$ 4,692

	Parent Company Only	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Condensed Consolidating Balance Sheet as of December 31, 2002					
Current assets:					
Cash and cash equivalents	$ 472	$ 242	$ 2,011	$ –	$ 2,725
Accounts receivable, net	–	76,256	24,520	(3,119)	97,657
Inventories	–	46,833	8,640	–	55,473
Other current assets	5,737	19,367	3,076	(3,740)	24,440
Total current assets	6,209	142,698	38,247	(6,859)	180,295
Investment in subsidiaries	415,202	–	–	(415,202)	–
Property and equipment, net	11,283	186,598	6,822	–	204,703
Goodwill	–	95,114	15,613	–	110,727
Identifiable intangibles, net	–	13,309	2,477	–	15,786
Other assets, net	39,529	4,256	893	(13,933)	30,745
Total assets	$ 472,223	$441,975	$ 64,052	$(435,994)	$ 542,256
Current liabilities:					
Foreign bank lines of credit	$ –	$ –	$ 6,621	$ –	$ 6,621
Current portion of long-term debt	–	3,097	161	–	3,258
Accounts payable	444	23,494	14,749	(3,119)	35,568
Accrued liabilities	3,690	12,920	4,304	(2,500)	18,414
Total current liabilities	4,134	39,511	25,835	(5,619)	63,861
Long-term debt	162,500	5,318	14,223	(9,992)	172,049
Other liabilities	166	2,100	3,838	(5,181)	923
Preferred stock	41,875	–	–	–	41,875
Common stock	777	2,677	7,777	(10,454)	777
Paid-in capital	376,278	416,875	27,502	(444,377)	376,278
Unearned restricted stock	(281)	–	–	–	(281)
Cumulative translation adjustment	(864)	–	(864)	864	(864)
Retained deficit	(112,362)	(24,506)	(14,259)	38,765	(112,362)
Total stockholders' equity	305,423	395,046	20,156	(415,202)	305,423
Total liabilities and equity	$ 472,223	$441,975	$ 64,052	$(435,994)	$ 542,256
Condensed Consolidating Statement of Income for the Year Ended December 31, 2002					
Revenue	$ –	$271,949	$ 49,970	$ (724)	$ 321,195
Cost of services provided	–	178,200	30,319	(724)	207,795
Operating costs	–	69,099	19,922	–	89,021
	–	247,299	50,241	(724)	296,816
General and administrative expense	5,323	–	–	–	5,323
Operating income (loss)	(5,323)	24,650	(271)	–	19,056
Other (income) expense	(1,707)	(238)	(329)	1,363	(911)
Interest expense	11,028	959	1,662	(1,363)	12,286
Income (loss) before income taxes	(14,644)	23,929	(1,604)	–	7,681
Income taxes (benefit)	(6,052)	9,889	(777)	–	3,060
Equity in earnings of subsidiaries	13,213	–	–	(13,213)	–
Net income (loss)	$ 4,621	$ 14,040	$ (827)	$ (13,213)	$ 4,621

	Parent Company Only	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Condensed Consolidating Statement of Cash Flows for the Year Ended December 31, 2002					
Net cash provided by (used in) operating activities	$(14,994)	$ 28,384	$(2,022)	$–	$ 11,368
Net cash provided by (used in) investing activities:					
Capital expenditures, net of sales proceeds	(1,508)	(11,341)	(1,806)	–	(14,655)
Investments	15,515	(23,026)	7,511	–	–
Acquisitions, net of cash acquired	–	–	(4,774)	–	(4,774)
Payments received on notes receivable	–	2,180	–	–	2,180
	14,007	(32,187)	931	–	(17,249)
Net cash provided by (used in) financing activities:				–	
Net payments on lines of credit, notes payable and long-term debt	(2,215)	(2,826)	2,611	–	(2,430)
Proceeds from common stock issue	16,300	–	–	–	16,300
Repurchase of preferred stock	(15,000)	–	–	–	(15,000)
Other	2,232	–	–	–	2,232
	1,317	(2,826)	2,611	–	1,102
Net increase (decrease) in cash and cash equivalents	330	(6,629)	1,520	–	(4,779)
Cash and cash equivalents:					
Beginning of period	142	6,871	491	–	7,504
End of period	$ 472	$ 242	$ 2,011	$–	$ 2,725

S. Legal and Other Matters

Newpark, through a consolidated subsidiary, purchases composite mats from the Loma Company, LLC (“LOMA”), which manufactures the mats under an exclusive license granted by OLS Consulting Services, Inc. (“OLS”). Newpark, through a separate consolidated subsidiary, owns 49% of LOMA and OLS holds the remaining 51% interest. OLS has granted Newpark an exclusive license to use and sell these mats.

Newpark also purchases mats, other than the composite mats, from other suppliers. Recently, Newpark designed and has applied for a patent on a lightweight injection molded mat, called the Bravo Mat™, which is substantially smaller than and differs in other material respects from the mats manufactured by LOMA. In the first quarter of 2003, Newpark manufactured a prototype production run of Bravo Mats™, and sold 4,200 of the prototype units to a single customer. The general production of Bravo Mats™ began in the first quarter of 2004.

LOMA and OLS have taken the position that the Bravo Mats™ are covered by the exclusive license agreement, and that Newpark’s manufacturing of even a limited quantity of Bravo Mats™ is a material breach of the exclusive license agreement. LOMA and OLS have threatened to terminate Newpark’s exclusive license. LOMA has also taken the position that it has the right to sell composite mats to third parties, despite Newpark’s exclusive license to use and sell them. Newpark contends that no violation has occurred and that LOMA has no right to sell the composite mats it manufactures to anyone other than Newpark.

Recently, OLS, purportedly on LOMA's behalf, filed suit against Newpark and several of its officers claiming breach of contract, breach of fiduciary duty and unfair trade practices arising out of the above claims. Newpark intends to vigorously contest this litigation, which Newpark believes to be frivolous. As previously reported, litigation is already pending concerning the pricing formula that LOMA utilizes to invoice Newpark for mats (see Note A). The pricing litigation was tried in November 2003. Newpark has filed its post-trial brief, and OLS and LOMA are expected to file their post-trial brief shortly.

In December 2003, one of Newpark's subsidiaries, Newpark Drilling Fluids, L.L.C., filed a lawsuit in the District Court of Harris County, Texas, 334th Judicial District, against Spirit Drilling Fluids, LTD, Spirit Fluids GP, L.L.C., Well Site Performance Services, L.L.C., J. Broadsources, L.L.C. and certain individuals alleging misappropriation of trade secrets and unfair competition and seeking a temporary restraining order, injunctive relief and damages. Newpark alleges that some or all of the individual defendants, all but one of whom are disgruntled former employees of Newpark's subsidiary, have systematically misappropriated Newpark's trade secrets and have used these trade secrets in connection with their services for the named entities.

In response to the filing of the lawsuit, certain of the individual defendants alleged that Newpark's subsidiary and certain of Newpark's officers, employees and agents have engaged in misconduct, and, on February 10, 2004, these individuals filed stockholder derivative claims with respect to this alleged misconduct as a cross-complaint to the lawsuit. While Newpark believes these allegations are without merit and filed solely in response to the lawsuit filed by its subsidiary, a Special Committee, with the assistance of independent legal counsel, is in the process of investigating these allegations. Once the Special Committee has completed its investigation, it will decide whether a derivative claim should be pursued.

Management does not believe that these matters will have a material adverse affect on Newpark's financial statements.

ITEM 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

On June 27, 2002, we dismissed Arthur Andersen LLP as our independent auditors and engaged Ernst & Young LLP to serve as our independent auditors for the fiscal year ending December 31, 2002, as previously disclosed on Form 8-K dated July 2, 2002.

ITEM 9A. Controls and Procedures

Our chief executive officer and chief financial officer, with the participation of management, have evaluated the effectiveness of our "disclosure controls and procedures" (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934) as of a date within 90 days prior to the filing of this annual report on Form 10-K. Based on their evaluation, they have concluded that our disclosure controls and procedures (1) are effective in timely alerting them to material information relating to Newpark (including our consolidated subsidiaries) required to be disclosed in our periodic Securities and Exchange Commission filings and (2) are adequate to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Securities Exchange Act of 1934 is recorded, processed and summarized and reported within the time periods specified in the SEC's rules and forms. It should be noted that in designing and evaluating the disclosure controls and procedures our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. We have designed our disclosure controls and procedures to reach a level of reasonable assurance of achieving the desired objectives and, based on the evaluation described above, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective at reaching that level of reasonable assurance,

As directed by Section 404 of the Sarbanes-Oxley Act of 2002, the Securities and Exchange Commission has adopted rules which will require us to issue a report of management on the company's internal control over financial reporting beginning with our annual report on Form 10-K for the period ended December 31, 2004. In connection with preparations for the issuance of this report, and in furtherance of our procedures to evaluate the effectiveness of our disclosure controls and procedures, we engaged third-party consultants during 2003 to perform extensive evaluations of our control environment. As a result of the work performed by these consultants, we have identified several areas of weakness in our controls and procedures. These weaknesses include controls and procedures in the following areas:

- Reporting for foreign currency transactions and differences between U.S. and foreign generally accepted accounting principles in our Mediterranean operations; and
- Segregation of duties in several of our reporting units and in our corporate offices.

We will be making control changes during 2004 to reduce these weaknesses. These control changes, among other things will include the implementation of new accounting software in our Mediterranean operations to improve management and financial reporting.

There were no significant changes in our internal controls over financial reporting or in other factors that could significantly affect these controls during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

PART III

ITEM 10. Directors and Officers of the Registrant

The information required by this Item is incorporated by reference to the Proxy Statement to be filed pursuant to Regulation 14A under the Securities Act of 1934 in connection with our 2004 Annual Meeting of Stockholders.

We have adopted a Code of Ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer or controller. A copy of this Code of Ethics is available on our website at www.Newpark.com and in print to any stockholder who requests it.

ITEM 11. Executive Compensation

The information required by this Item is incorporated by reference to the Proxy Statement to be filed pursuant to Regulation 14A under the Securities Act of 1934 in connection with our 2004 Annual Meeting of Stockholders.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item, including information with respect to the compensation plans we maintained as of December 31, 2003 under which our equity securities may be issued to employees or non-employees, is incorporated by reference to the Proxy Statement to be filed pursuant to Regulation 14A under the Securities Act of 1934 in connection with our 2004 Annual Meeting of Stockholders.

ITEM 13. Certain Relationships and Related Transactions

The information required by this Item is incorporated by reference to the Proxy Statement to be filed pursuant to Regulation 14A under the Securities Act of 1934 in connection with our 2004 Annual Meeting of Stockholders.

ITEM 14. Principal Accountant Fees and Services

The information required by this Item is incorporated by reference to the Proxy Statement to be filed pursuant to Regulation 14A under the Securities Act of 1934 in connection with our 2004 Annual Meeting of Stockholders.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) ***1. Financial Statements***

Report of Independent Auditors.
Report of Independent Public Accountants.
Consolidated Balance Sheets as of December 31, 2003 and 2002.
Consolidated Statements of Operations for the years ended December 31, 2003, 2002 and 2001.
Consolidated Statements of Comprehensive Income for the years ended December 31, 2003, 2002 and 2001.
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2003, 2002 and 2001.

Consolidated Statements of Cash Flows for the years ended December 31, 2003, 2002 and 2001.

Notes to Consolidated Financial Statements.

2. Financial Statement Schedules

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

3. Exhibits

The exhibits listed on the accompanying Exhibit Index are filed as part of, or incorporated by reference into, this Form 10-K.

(b) Reports on Form 8-K

During the last quarter of the period covered by this report, we filed the following Form 8-K:

1. Form 8-K dated November 6, 2003 regarding issuance of press release announcing Newpark's results for the three months ended September 30, 2003.

SIGNATURES

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

Dated: March 9, 2004

NEWPARK RESOURCES, INC.

By: /s/ James D. Cole

James D. Cole, Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ James D. Cole James D. Cole	Chairman of the Board and Chief Executive Officer	March 9, 2004
/s/ Matthew W. Hardey Matthew W. Hardey	Vice President of Finance and Chief Financial Officer	March 9, 2004
/s/ Eric M. Wingerter Eric M. Wingerter	Vice President and Controller (Principal Accounting Officer)	March 9, 2004
/s/ Wm. Thomas Ballantine Wm. Thomas Ballantine	President and Director	March 9, 2004
/s/ Jerry W. Box Jerry W. Box*	Director	March 9, 2004
/s/ David P. Hunt David P. Hunt*	Director	March 9, 2004
/s/ Dr. Alan Kaufman Dr. Alan Kaufman*	Director	March 9, 2004
/s/ James H. Stone James H. Stone*	Director	March 9, 2004
/s/ Roger C. Stull Roger C. Stull*	Director	March 9, 2004
/s/ F. Walker Tucei, Jr. F. Walker Tucei, Jr.*	Director	March 9, 2004
By /s/ James D. Cole *James D. Cole Attorney-in-Fact		

NEWPARK RESOURCES, INC.
EXHIBIT INDEX

3.1	Restated Certificate of Incorporation.(6)
3.2	Bylaws.(1)
4.1	Indenture, dated as of December 17, 1997, among the registrant, each of the Guarantors identified therein and State Street Bank and Trust Company, as Trustee.(2)
4.2	Form of the Newpark Resources, Inc. 8 5/8% Senior Subordinated Notes due 2007, Series B.(2)
4.3	Form of Guarantees of the Newpark Resources, Inc. 8 5/8 % Senior Subordinated Notes due 2007. (2)
10.1	Employment Agreement, dated as of October 23, 1990, between the registrant and James D. Cole.(1)*
10.2	Lease Agreement, dated as of May 17, 1990, by and between Harold F. Bean Jr. and Newpark Environmental Services, Inc. (“NESI”).(1)
10.3	Lease Agreement, dated as of July 29, 1994, by and between Harold F. Bean Jr. and NESI.(3)
10.4	Building Lease Agreement, dated April 10, 1992, between the registrant and The Traveler’s Insurance Company.(4)
10.5	Building Lease Agreement, dated May 14, 1992, between State Farm Life Insurance Company, and SOLOCO, Inc.(4)
10.6	Operating Agreement, dated June 30, 1993, between Goldrus Environmental Services, Inc. and NESI.(3)
10.7	Amended and Restated 1993 Non-Employee Directors’ Stock Option Plan.(6)*
10.8	1995 Incentive Stock Option Plan.(5)*
10.9	Exclusive License Agreement, dated June 20, 1994, between SOLOCO, Inc. and Quality Mat Company.(3)
10.10	Operating Agreement of The Loma Company L.L.C.(6)
10.11	Newpark Resources, Inc. 1999 Employee Stock Purchase Plan.(7)*
10.12	Agreement, dated May 30, 2000, between the registrant and Fletcher International Ltd., a Bermuda company.(8)
10.13	Agreement, dated December 28, 2000, between the registrant and Fletcher International Limited, a Cayman Islands company.(9)
10.14	Amended and Restated Credit Agreement, dated January 31, 2002, among the registrant, as borrower, the subsidiaries of the registrant named therein, as guarantors, and Bank One, NA, Credit Lyonnaise, Royal Bank of Canada, Hibernia National Bank, Comerica Bank and Whitney National Bank as lenders (the “Lenders”).(10)
10.15	Amended and Restated Guaranty, dated January 31, 2002, among the registrant’s subsidiaries named therein, as guarantors, and the Lenders.(10)
10.16	Amended and Restated Security Agreement, dated January 31, 2002, among the registrant and the subsidiaries of the registrant named therein, as grantors, and the Lenders.(10)
10.17	Amended and Restated Stock Pledge Agreement, dated January 31, 2002, among the registrant, as borrower, and the Lenders.(10)
10.18	Newpark Resources, Inc. 2003 Long Term Incentive Plan.*(11)
10.19	Amended and Restated Promissory Note dated as of April 29, 2003 between Newpark Shipbuilding-Brady Island, Inc. and Newpark Shipholding Texas, L.P.(12)
10.20	Agreement and Restating Amendment to Security Agreement dated as of April 29, 2003 between Newpark Shipholding Texas, L.P. and Newpark Shipbuilding-Brady Island, Inc.(12)
10.21	Amended and Restated Prepayment Letter dated as of April 29, 2003 between Newpark Shipbuilding-Brady Island, Inc. and Newpark Shipholding Texas, L.P.(12)
10.22	Letter agreement to amend the Intercreditor Agreement between Foothill Capital Corporation and Newpark Shipholding Texas, L.P.(12)
10.23	Change in Control letter agreement dated August 12, 2003 with James D. Cole*†
10.24	Change in Control letter agreement dated August 12, 2003 with Wm. Thomas Ballantine.* †
10.25	Change in Control letter agreement dated August 12, 2003 with Matthew W. Hardey.* †

10.26	Amended and Restated Credit Agreement, dated February 25, 2004, among the registrant, as borrower, the subsidiaries of the registrant named therein, as guarantors, and Bank One, N.A., Fleet Capital Corporation, Whitney National Bank and Hibernia National Bank as lenders.†
10.27	Pledge and Security Agreement, dated February 25, 2004, among the registrant and the subsidiaries of the registrant named therein, as grantors, and Bank One, N.A., as agent.†
21.1	Subsidiaries of the Registrant†
23.1	Consent of Ernst & Young LLP†
23.2	Notice regarding consent of Arthur Andersen LLP†
24.1	Powers of Attorney†
31.1	Certification of James D. Cole pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002†
31.2	Certification of Matthew W. Hardey pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002†
32.1	Certification of James D. Cole pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002†
32.2	Certification of Matthew W. Hardey pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002†

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† Filed herewith.

* Management Compensation Plan or Agreement.

(1) Previously filed in the exhibits to the registrant's Registration Statement on Form S-1 (File No. 33-40716).

(2) Previously filed in the exhibits to the registrant's Registration Statement on Form S-4 (File No. 333-45197).

(3) Previously filed in the exhibits to the registrant's Annual Report on Form 10-K for the year ended December 31, 1994.

(4) Previously filed in the exhibits to the registrant's Registration Statement on Form S-8 (File No. 33-83680).

(5) Previously filed in the exhibits to the registrant's Annual Report on Form 10-K for the year ended December 31, 1995.

(6) Previously filed in the exhibits to the registrant's Annual Report on Form 10-K for the year ended December 31, 1998.

(7) Previously filed in the exhibits to the registrant's Annual Report on Form 10-K for the year ended December 31, 1999.

(8) Previously filed in the exhibits to the registrant's Current Report on Form 8-K dated June 1, 2000.

(9) Previously filed in the exhibits to the registrant's Current Report on Form 8-K dated December 28, 2000, which was filed on January 4, 2001.

(10) Previously filed in the exhibits to the registrant's Annual Report on Form 10-K for the year ended December 31, 2001.

(11) Previously filed as an exhibit to the registrant's definitive Proxy Statement for the 2003 Annual Meeting of Stockholders.

(12) Previously filed in the exhibits to the registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2003.

Exhibit 10.23

August 12, 2003

Mr. James D. Cole
c/o Newpark Resources, Inc.
3850 North Causeway Blvd.
Suite 1770
Metairie, Louisiana 70002

PERSONAL AND
CONFIDENTIAL

Dear Jim:

Newpark Resources, Inc., a Delaware corporation ("NEWPARK"), considers you a valuable executive, and the Board of Directors (the "BOARD") has authorized certain actions to reinforce and encourage your attention and dedication to your duties without distraction if Newpark should become the target of a hostile takeover attempt or enter into negotiations that could lead to a change in control of Newpark.

This letter (the "AGREEMENT") sets forth the understanding between you and Newpark concerning the continuation of your employment in connection with a "CHANGE IN CONTROL" or "POTENTIAL CHANGE IN CONTROL" and the "TERMINATION BENEFIT" you will receive if your employment with Newpark is terminated by Newpark without "CAUSE" or by you for "GOOD REASON" during an "EMPLOYMENT PERIOD," as those terms are defined in ANNEX A attached to this letter.

This Agreement is entered into with the understanding between you and Newpark that you will have knowledge or otherwise be notified of a CHANGE IN CONTROL or POTENTIAL CHANGE IN CONTROL, or the termination thereof, at the time it occurs.

1. DEFINITIONS. Capitalized terms used in this Agreement are defined in ANNEX A attached hereto and hereby incorporated into this Agreement by reference.

2. CONSIDERATION; TERMINATION DURING EMPLOYMENT PERIOD.

2.1 Subject to the terms and conditions of this Agreement, you agree that you will not resign from Newpark during an EMPLOYMENT PERIOD except for GOOD REASON.

2.2 If your employment with Newpark is terminated during an EMPLOYMENT PERIOD, Newpark shall pay you the TERMINATION BENEFIT, unless such termination is (a) because of your death, (b) because of your failure to resume full-time performance of your duties after the end of a DISABILITY PERIOD, (c) by Newpark for CAUSE or (d) by your resignation other than for GOOD REASON.

2.3 If your employment with Newpark is terminated by Newpark during an EMPLOYMENT PERIOD for CAUSE, Newpark shall give you written notice of termination specifying the facts and circumstances constituting such CAUSE.

3. COMPENSATION UPON TERMINATION OR DURING DISABILITY.

3.1 During any DISABILITY PERIOD occurring during an EMPLOYMENT PERIOD, you shall continue to receive your full base salary at the rate then in effect, unless and until your employment is terminated.

3.2 If your employment is terminated by Newpark for CAUSE, Newpark shall pay you your full base salary at the rate then in effect through the date of termination, together with any severance pay, vacation pay and sick leave pay to which you are entitled in accordance with Newpark policy. Neither this provision nor any payment made by Newpark in accordance herewith shall constitute waiver of Newpark's right to recover from you any damages caused by your conduct which constituted CAUSE for such termination and any similar conduct.

3.3 If you become entitled to the TERMINATION BENEFIT in accordance with Paragraph 2.2, you shall receive, in addition to the TERMINATION BENEFIT, your full base salary at the rate then in effect through the date of termination. The TERMINATION BENEFIT shall be in lieu of any severance pay, vacation pay and sick leave pay to which you would otherwise be entitled in accordance with Newpark policy.

3.4 If you become entitled to the TERMINATION BENEFIT in accordance with Paragraph 2.2, all unexpired unexercised stock options ("OPTIONS"), if any, granted to you prior to a CHANGE IN CONTROL under any stock option plan of Newpark or otherwise, shall become exercisable in full on the day preceding the date of termination, whether or not they would have been fully exercisable but for this provision, and shall remain exercisable for a period of one (1) year from the date of termination, whether or not they would remain exercisable for such period but for this provision.

3.5 If you become entitled to the TERMINATION BENEFIT in accordance with Paragraph 2.2, all unvested shares of restricted stock and all deferred compensation amounts, including restricted stock or deferred compensation subject to vesting based on achieving performance criteria, if any, granted or awarded to you prior to a CHANGE IN CONTROL under any stock plan or deferred compensation plan of Newpark or otherwise, shall become vested in full on the day preceding the date of termination and all restrictions thereon shall lapse, whether or not they would have been vested in full but for this provision. Newpark shall promptly deliver all such shares to you, and all such deferred compensation shall be paid to you in a lump sum on the date of termination.

3.6 If you become entitled to the TERMINATION BENEFIT in accordance with Paragraph 2.2, Newpark shall continue to provide you and your eligible family members, based on the cost sharing arrangement between you and Newpark on the date of termination, with life insurance, medical and dental health benefits and disability coverage and benefits at least equal to those which would have been provided to you if your employment had not terminated. Notwithstanding the foregoing, if you become re-employed and are eligible to receive life insurance, medical and dental health benefits and disability coverage and benefits under another employer's plans, Newpark's obligations under this paragraph shall be reduced to the extent of any such coverage and benefits. You agree to promptly report any such coverage and benefits to

Newpark. If you are ineligible under the terms of Newpark's benefit plans or programs to continue to be so covered, Newpark shall provide you with substantially equivalent coverage through other sources or will reimburse you for the cost of obtaining such coverage and benefits.

3.7 If you become entitled to the TERMINATION BENEFIT in accordance with Paragraph 2.2, Newpark shall provide you with outplacement services, payable by Newpark, with an aggregate cost not to exceed $10,000 per month, with an executive outplacement service firm reasonably acceptable to you and Newpark, for a maximum of twelve (12) months.

3.8 Except as provided in Paragraph 3.6, you shall not be required to mitigate the amount of any TERMINATION BENEFIT by seeking other employment or otherwise, nor shall the amount of any TERMINATION BENEFIT be reduced by any compensation earned by you as the result of employment by another employer, or otherwise.

3.9 Except as expressly provided otherwise herein, none of the provisions of this Agreement is intended to curtail or limit in any way any contractual rights which you may have under any plan in which you are eligible to participate or under any agreement binding on Newpark to which you are a party, and all such contractual rights shall survive the execution of this Agreement and any CHANGE IN CONTROL. The TERMINATION BENEFIT shall not be considered compensation for any benefit calculation or other purpose under any retirement plan or other benefit plan maintained by Newpark.

4. SUCCESSORS; BINDING AGREEMENT. This Agreement shall be binding on and inure to the benefit of Newpark and any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Newpark. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

5. TERMINATION OF AGREEMENT. Newpark may terminate this Agreement effective at any time after August 11, 2003, by notice to you, if no CHANGE IN CONTROL has occurred prior to the giving of such notice, and no POTENTIAL CHANGE IN CONTROL then exists. Once terminated, this Agreement shall have no further force or effect.

6. NOTICES. All notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt. Notices to Newpark shall be directed to the attention of the Secretary of Newpark.

7. AMENDMENTS; WAIVERS. No provision or term of this Agreement may be supplemented, amended, modified, waived or terminated except in a writing duly executed by all parties intended to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. Failure of

a party to insist on strict compliance with any of the terms and conditions of this Agreement shall not be deemed a waiver of any such terms and conditions.

8. ENTIRE AGREEMENT. This Agreement, including ANNEX A, constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all previous agreements, whether written or oral, relating to the same subject matter. All such previous agreements between the parties hereto are hereby terminated and shall have no further force or effect.

9. ATTORNEYS' FEES. In any litigation relating to this Agreement, including litigation with respect to any instrument, document or agreement made under or in connection with this Agreement, the prevailing party shall be entitled to recover its costs and reasonable attorneys' fees.

10. CHOICE OF LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Delaware.

If this letter correctly sets forth our understanding on the subject matter hereof, kindly sign and return to Newpark the enclosed copy of this letter, which will then constitute our Agreement on this subject.

Very truly yours,

NEWPARK RESOURCES, INC.

By /s/ Wm. Thomas Ballantine

Wm. Thomas Ballantine, President

Agreed to this 12th day of
August, 2003

/s/ James D. Cole

JAMES D. COLE

ANNEX A TO LETTER AGREEMENT
DATED AUGUST 12, 2003

The following terms used herein and in letter agreement (the "AGREEMENT") dated August 12, 2003 between Newpark Resources, Inc., and James D. Cole ("EXECUTIVE") shall have the following meanings:

"CAUSE", when used with reference to termination of the employment of Executive by Newpark for "Cause", shall mean:

a) the conviction of Executive for a felony or other crime involving fraud and/or moral turpitude;

b) dishonesty, willful misconduct or material neglect, which neglect causes material harm to Newpark, of Executive with respect to Newpark or any of its subsidiaries;

c) any intentional act on the part of Executive that causes material damage to Newpark and/or its subsidiaries' reputation;

d) appropriation (or an overt act attempting appropriation) of a material business opportunity of Newpark or its subsidiaries by Executive;

e) misappropriation (or an overt act attempting misappropriation) of any funds of Newpark or its subsidiaries by Executive;

f) the failure of Executive to follow the reasonable and lawful written instructions or policy of Newpark with respect to the services to be rendered and the manner of rendering such services by Executive, provided Executive has been given reasonable written notice thereof and opportunity to cure and no cure has been effected within a reasonable time after such notice; or

g) the failure of Executive to perform or observe any of the material terms or conditions of Executive's employment other than by reason of illness, injury or incapacity, provided Executive has been given reasonable written notice thereof and opportunity to cure and no cure has been effected within a reasonable time after such notice.

A "CHANGE OF CONTROL" shall be deemed to occur if: (i) a "TAKEOVER TRANSACTION" (as defined below) occurs; or (ii) any election of directors of Newpark takes place (whether by the directors then in office or by the stockholders at a meeting or by written consent) and a majority of the directors in the office following such election are individuals who were not nominated by a vote of two-thirds of the members of the Board of Directors or its nominating committee immediately preceding such election; or (iii) Newpark effectuates a complete liquidation or a sale or disposition of all or substantially all of its assets. A "TAKEOVER TRANSACTION" shall mean (i) a merger or consolidation of Newpark with, or an acquisition of Newpark or all or substantially all of its assets by, any other corporation or entity, other than a merger, consolidation or acquisition in which the individuals who were members of the Board of Directors of Newpark immediately prior to such transaction continue to constitute a majority of the Board of Directors or other governing body of the surviving corporation or entity (or, in the case of an acquisition involving a holding company, constitute a majority of the Board of Directors or other governing body of the holding company) for a period of not less than twelve

(12) months following the closing of such transaction, or (ii) one or more occurrences or events as a result of which any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Exchange Act) becomes the "beneficial owner" (as such term is defined in Rule 13d-3 under the Securities Exchange Act), directly or indirectly, of thirty percent (30%) or more of the combined voting power of Newpark's then outstanding securities.

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

"COMPANY" shall mean Newpark Resource, Inc., and its consolidated subsidiaries and any successor to its business and/or assets which assumes or becomes subject to this Agreement by operation of law or otherwise.

"DISABILITY" shall mean Executive's full-time absence from his duties with Newpark, as a result of incapacity due to physical or mental illness.

"DISABILITY PERIOD" shall mean a period of six (6) months commencing on the first day of a Disability occurring during the Employment Period.

"EMPLOYMENT PERIOD" shall mean a period (a) commencing when a Potential Change in Control occurs or, if no Potential Change in Control has occurred with respect to a Change in Control, when such Change in Control occurs, and (b) ending two years after such Change in Control occurred. If the event or agreement that gives rise to a Potential Change in Control terminates or is terminated without the Change in Control contemplated thereby having occurred, the Employment Period shall terminate upon termination of such event or agreement; however, a new Employment Period shall commence under the same conditions upon any subsequent Potential Change in Control or Change in Control.

"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended.

"GOOD REASON" shall mean any one or more of the following, occurring without Executive's express written consent during the Employment Period and within 90 days prior to Executive's resignation as a result thereof:

a) the assignment to Executive of duties inconsistent with his status prior to the START DATE as an officer of Newpark or a substantial change in the officer or officers to whom he reports from the officer or officers to whom he reported immediately prior to the START DATE;

b) the elimination or reassignment of a majority of the duties and responsibilities that were assigned to Executive immediately prior to the START DATE;

c) a reduction by Newpark in Executive's annual base salary as in effect immediately prior to the START DATE;

d) Newpark's requiring Executive to be based anywhere outside a 50 mile radius from the Newpark office at which Executive had been based prior to the Change in Control or Potential Change in Control, or a 50 mile radius from his present residence, whichever is farther, except for required travel on Newpark's business to an extent substantially consistent with Executive's present business travel obligations; or

e) the failure of Newpark to grant Executive a performance bonus reasonably equivalent to the same percentage of salary Executive normally received prior to the START DATE, given comparable performance by Newpark and Executive.

A "POTENTIAL CHANGE IN CONTROL" shall be deemed to have occurred on the date that (a) Newpark first has actual knowledge that any person (as such term is used in Sections 13(d) and 14(d)(2) of the Exchange Act) has become the beneficial owner (as defined in Rule 13(d)-3 under the Exchange Act), directly or indirectly, or has initiated an offer which has not expired and which, if accepted by holders of a sufficient number of Newpark's then outstanding securities, would result in such person's becoming the beneficial owner, directly or indirectly, of securities of Newpark representing thirty percent (30%) or more of the combined voting power of Newpark's then outstanding securities, or (b) Newpark enters into an agreement (including a letter of intent) the consummation of which would result in a Change in Control.

"START DATE" shall mean the first day of an EMPLOYMENT PERIOD.

"TERMINATION BENEFIT" shall mean the amount determined in accordance with paragraph (a) below, reduced as provided in paragraph (b) below, if applicable. If Executive is entitled to a TERMINATION BENEFIT, it shall be paid to Executive no later than the 60th day following the date on which his employment terminates.

a) The TERMINATION BENEFIT shall be an amount equal to (i) two times Executive's annual base salary for the fiscal year of Newpark immediately preceding the fiscal year in which the START DATE occurs plus (ii) two times the ["Maximum Award Opportunity"] to which Executive would be entitled under the 2003 Executive Incentive Compensation Plan of Newpark for the fiscal year of Newpark immediately preceding the fiscal year in which the START DATE occurs.

b) The TERMINATION BENEFIT otherwise payable hereunder shall be reduced to the extent, if any, necessary to prevent (i) the sum of all amounts (whether pursuant to the Agreement or otherwise) that constitute "parachute payments" to Executive under Section 280G (or any successor section) of the CODE, from exceeding (ii) One Dollar less than three times Executive's "base amount", as defined in said section of the CODE. Newpark's independent certified public accountants shall determine Executive's "base amount" and the amounts that constitute "parachute payments" to Executive, and such determinations shall be final and binding on Newpark and Executive.

Exhibit 10.24

August 12, 2003

Mr. Wm. Thomas Ballantine
c/o Newpark Resources, Inc.
3850 North Causeway Blvd.
Suite 1770
Metairie, Louisiana 70002

PERSONAL AND
CONFIDENTIAL

Dear Tom:

Newpark Resources, Inc., a Delaware corporation ("NEWPARK"), considers you a valuable executive, and the Board of Directors (the "BOARD") has authorized certain actions to reinforce and encourage your attention and dedication to your duties without distraction if Newpark should become the target of a hostile takeover attempt or enter into negotiations that could lead to a change in control of Newpark.

This letter (the "AGREEMENT") sets forth the understanding between you and Newpark concerning the continuation of your employment in connection with a "CHANGE IN CONTROL" or "POTENTIAL CHANGE IN CONTROL" and the "TERMINATION BENEFIT" you will receive if your employment with Newpark is terminated by Newpark without "CAUSE" or by you for "GOOD REASON" during an "EMPLOYMENT PERIOD," as those terms are defined in ANNEX A attached to this letter.

This Agreement is entered into with the understanding between you and Newpark that you will have knowledge or otherwise be notified of a CHANGE IN CONTROL or POTENTIAL CHANGE IN CONTROL, or the termination thereof, at the time it occurs.

1. DEFINITIONS. Capitalized terms used in this Agreement are defined in ANNEX A attached hereto and hereby incorporated into this Agreement by reference.

2. CONSIDERATION; TERMINATION DURING EMPLOYMENT PERIOD.

2.1 Subject to the terms and conditions of this Agreement, you agree that you will not resign from Newpark during an EMPLOYMENT PERIOD except for GOOD REASON.

2.2 If your employment with Newpark is terminated during an EMPLOYMENT PERIOD, Newpark shall pay you the TERMINATION BENEFIT, unless such termination is (a) because of your death, (b) because of your failure to resume full-time performance of your duties after the end of a DISABILITY PERIOD, (c) by Newpark for CAUSE or (d) by your resignation other than for GOOD REASON.

2.3 If your employment with Newpark is terminated by Newpark during an EMPLOYMENT PERIOD for CAUSE, Newpark shall give you written notice of termination specifying the facts and circumstances constituting such CAUSE.

3. COMPENSATION UPON TERMINATION OR DURING DISABILITY.

3.1 During any DISABILITY PERIOD occurring during an EMPLOYMENT PERIOD, you shall continue to receive your full base salary at the rate then in effect, unless and until your employment is terminated.

3.2 If your employment is terminated by Newpark for CAUSE, Newpark shall pay you your full base salary at the rate then in effect through the date of termination, together with any severance pay, vacation pay and sick leave pay to which you are entitled in accordance with Newpark policy. Neither this provision nor any payment made by Newpark in accordance herewith shall constitute waiver of Newpark's right to recover from you any damages caused by your conduct which constituted CAUSE for such termination and any similar conduct.

3.3 If you become entitled to the TERMINATION BENEFIT in accordance with Paragraph 2.2, you shall receive, in addition to the TERMINATION BENEFIT, your full base salary at the rate then in effect through the date of termination. The TERMINATION BENEFIT shall be in lieu of any severance pay, vacation pay and sick leave pay to which you would otherwise be entitled in accordance with Newpark policy.

3.4 If you become entitled to the TERMINATION BENEFIT in accordance with Paragraph 2.2, all unexpired unexercised stock options ("OPTIONS"), if any, granted to you prior to a CHANGE IN CONTROL under any stock option plan of Newpark or otherwise, shall become exercisable in full on the day preceding the date of termination, whether or not they would have been fully exercisable but for this provision, and shall remain exercisable for a period of one (1) year from the date of termination, whether or not they would remain exercisable for such period but for this provision.

3.5 If you become entitled to the TERMINATION BENEFIT in accordance with Paragraph 2.2, all unvested shares of restricted stock and all deferred compensation amounts, including restricted stock or deferred compensation subject to vesting based on achieving performance criteria, if any, granted or awarded to you prior to a CHANGE IN CONTROL under any stock plan or deferred compensation plan of Newpark or otherwise, shall become vested in full on the day preceding the date of termination and all restrictions thereon shall lapse, whether or not they would have been vested in full but for this provision. Newpark shall promptly deliver all such shares to you, and all such deferred compensation shall be paid to you in a lump sum on the date of termination.

3.6 If you become entitled to the TERMINATION BENEFIT in accordance with Paragraph 2.2, Newpark shall continue to provide you and your eligible family members, based on the cost sharing arrangement between you and Newpark on the date of termination, with life insurance, medical and dental health benefits and disability coverage and benefits at least equal to those which would have been provided to you if your employment had not terminated. Notwithstanding the foregoing, if you become re-employed and are eligible to receive life insurance, medical and dental health benefits and disability coverage and benefits under another employer's plans, Newpark's obligations under this paragraph shall be reduced to the extent of any such coverage and benefits. You agree to promptly report any such coverage and benefits to

Newpark. If you are ineligible under the terms of Newpark's benefit plans or programs to continue to be so covered, Newpark shall provide you with substantially equivalent coverage through other sources or will reimburse you for the cost of obtaining such coverage and benefits.

3.7 If you become entitled to the TERMINATION BENEFIT in accordance with Paragraph 2.2, Newpark shall provide you with outplacement services, payable by Newpark, with an aggregate cost not to exceed $10,000 per month, with an executive outplacement service firm reasonably acceptable to you and Newpark, for a maximum of twelve (12) months.

3.8 Except as provided in Paragraph 3.6, you shall not be required to mitigate the amount of any TERMINATION BENEFIT by seeking other employment or otherwise, nor shall the amount of any TERMINATION BENEFIT be reduced by any compensation earned by you as the result of employment by another employer, or otherwise.

3.9 Except as expressly provided otherwise herein, none of the provisions of this Agreement is intended to curtail or limit in any way any contractual rights which you may have under any plan in which you are eligible to participate or under any agreement binding on Newpark to which you are a party, and all such contractual rights shall survive the execution of this Agreement and any CHANGE IN CONTROL. The TERMINATION BENEFIT shall not be considered compensation for any benefit calculation or other purpose under any retirement plan or other benefit plan maintained by Newpark.

4. SUCCESSORS; BINDING AGREEMENT. This Agreement shall be binding on and inure to the benefit of Newpark and any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Newpark. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

5. TERMINATION OF AGREEMENT. Newpark may terminate this Agreement effective at any time after August 11, 2003, by notice to you, if no CHANGE IN CONTROL has occurred prior to the giving of such notice, and no POTENTIAL CHANGE IN CONTROL then exists. Once terminated, this Agreement shall have no further force or effect.

6. NOTICES. All notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt. Notices to Newpark shall be directed to the attention of the Secretary of Newpark.

7. AMENDMENTS; WAIVERS. No provision or term of this Agreement may be supplemented, amended, modified, waived or terminated except in a writing duly executed by all parties intended to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. Failure of

a party to insist on strict compliance with any of the terms and conditions of this Agreement shall not be deemed a waiver of any such terms and conditions.

8. ENTIRE AGREEMENT. This Agreement, including ANNEX A, constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all previous agreements, whether written or oral, relating to the same subject matter. All such previous agreements between the parties hereto are hereby terminated and shall have no further force or effect.

9. ATTORNEYS' FEES. In any litigation relating to this Agreement, including litigation with respect to any instrument, document or agreement made under or in connection with this Agreement, the prevailing party shall be entitled to recover its costs and reasonable attorneys' fees.

10. CHOICE OF LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Delaware.

If this letter correctly sets forth our understanding on the subject matter hereof, kindly sign and return to Newpark the enclosed copy of this letter, which will then constitute our Agreement on this subject.

Very truly yours,

NEWPARK RESOURCES, INC.

By /s/ James D. Cole

James D. Cole, Chairman and Chief Executive Officer

Agreed to this 12th day of
August, 2003

/s/ Wm. Thomas Ballantine
- ---
Wm. Thomas Ballantine

ANNEX A TO LETTER AGREEMENT
DATED AUGUST 12, 2003

The following terms used herein and in letter agreement (the "AGREEMENT") dated August 12, 2003 between Newpark Resources, Inc., and James D. Cole ("EXECUTIVE") shall have the following meanings:

"CAUSE", when used with reference to termination of the employment of Executive by Newpark for "Cause", shall mean:

a) the conviction of Executive for a felony or other crime involving fraud and/or moral turpitude;

b) dishonesty, willful misconduct or material neglect, which neglect causes material harm to Newpark, of Executive with respect to Newpark or any of its subsidiaries;

c) any intentional act on the part of Executive that causes material damage to Newpark and/or its subsidiaries' reputation;

d) appropriation (or an overt act attempting appropriation) of a material business opportunity of Newpark or its subsidiaries by Executive;

e) misappropriation (or an overt act attempting misappropriation) of any funds of Newpark or its subsidiaries by Executive;

f) the failure of Executive to follow the reasonable and lawful written instructions or policy of Newpark with respect to the services to be rendered and the manner of rendering such services by Executive, provided Executive has been given reasonable written notice thereof and opportunity to cure and no cure has been effected within a reasonable time after such notice; or

g) the failure of Executive to perform or observe any of the material terms or conditions of Executive's employment other than by reason of illness, injury or incapacity, provided Executive has been given reasonable written notice thereof and opportunity to cure and no cure has been effected within a reasonable time after such notice.

A "CHANGE OF CONTROL" shall be deemed to occur if: (i) a "TAKEOVER TRANSACTION" (as defined below) occurs; or (ii) any election of directors of Newpark takes place (whether by the directors then in office or by the stockholders at a meeting or by written consent) and a majority of the directors in the office following such election are individuals who were not nominated by a vote of two-thirds of the members of the Board of Directors or its nominating committee immediately preceding such election; or (iii) Newpark effectuates a complete liquidation or a sale or disposition of all or substantially all of its assets. A "TAKEOVER TRANSACTION" shall mean (i) a merger or consolidation of Newpark with, or an acquisition of Newpark or all or substantially all of its assets by, any other corporation or entity, other than a merger, consolidation or acquisition in which the individuals who were members of the Board of Directors of Newpark immediately prior to such transaction continue to constitute a majority of the Board of Directors or other governing body of the surviving corporation or entity (or, in the case of an acquisition involving a holding company, constitute a majority of the Board of Directors or other governing body of the holding company) for a period of not less than twelve

(12) months following the closing of such transaction, or (ii) one or more occurrences or events as a result of which any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Exchange Act) becomes the "beneficial owner" (as such term is defined in Rule 13d-3 under the Securities Exchange Act), directly or indirectly, of thirty percent (30%) or more of the combined voting power of Newpark's then outstanding securities.

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

"COMPANY" shall mean Newpark Resource, Inc., and its consolidated subsidiaries and any successor to its business and/or assets which assumes or becomes subject to this Agreement by operation of law or otherwise.

"DISABILITY" shall mean Executive's full-time absence from his duties with Newpark, as a result of incapacity due to physical or mental illness.

"DISABILITY PERIOD" shall mean a period of six (6) months commencing on the first day of a Disability occurring during the Employment Period.

"EMPLOYMENT PERIOD" shall mean a period (a) commencing when a Potential Change in Control occurs or, if no Potential Change in Control has occurred with respect to a Change in Control, when such Change in Control occurs, and (b) ending two years after such Change in Control occurred. If the event or agreement that gives rise to a Potential Change in Control terminates or is terminated without the Change in Control contemplated thereby having occurred, the Employment Period shall terminate upon termination of such event or agreement; however, a new Employment Period shall commence under the same conditions upon any subsequent Potential Change in Control or Change in Control.

"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended.

"GOOD REASON" shall mean any one or more of the following, occurring without Executive's express written consent during the Employment Period and within 90 days prior to Executive's resignation as a result thereof:

a) the assignment to Executive of duties inconsistent with his status prior to the START DATE as an officer of Newpark or a substantial change in the officer or officers to whom he reports from the officer or officers to whom he reported immediately prior to the START DATE;

b) the elimination or reassignment of a majority of the duties and responsibilities that were assigned to Executive immediately prior to the START DATE;

c) a reduction by Newpark in Executive's annual base salary as in effect immediately prior to the START DATE;

d) Newpark's requiring Executive to be based anywhere outside a 50 mile radius from the Newpark office at which Executive had been based prior to the Change in Control or Potential Change in Control, or a 50 mile radius from his present residence, whichever is farther, except for required travel on Newpark's business to an extent substantially consistent with Executive's present business travel obligations; or

e) the failure of Newpark to grant Executive a performance bonus reasonably equivalent to the same percentage of salary Executive normally received prior to the START DATE, given comparable performance by Newpark and Executive.

A "POTENTIAL CHANGE IN CONTROL" shall be deemed to have occurred on the date that (a) Newpark first has actual knowledge that any person (as such term is used in Sections 13(d) and 14(d)(2) of the Exchange Act) has become the beneficial owner (as defined in Rule 13(d)-3 under the Exchange Act), directly or indirectly, or has initiated an offer which has not expired and which, if accepted by holders of a sufficient number of Newpark's then outstanding securities, would result in such person's becoming the beneficial owner, directly or indirectly, of securities of Newpark representing thirty percent (30%) or more of the combined voting power of Newpark's then outstanding securities, or (b) Newpark enters into an agreement (including a letter of intent) the consummation of which would result in a Change in Control.

"START DATE" shall mean the first day of an EMPLOYMENT PERIOD.

"TERMINATION BENEFIT" shall mean the amount determined in accordance with paragraph (a) below, reduced as provided in paragraph (b) below, if applicable. If Executive is entitled to a TERMINATION BENEFIT, it shall be paid to Executive no later than the 60th day following the date on which his employment terminates.

a) The TERMINATION BENEFIT shall be an amount equal to (i) two times Executive's annual base salary for the fiscal year of Newpark immediately preceding the fiscal year in which the START DATE occurs plus (ii) two times the ["Maximum Award Opportunity"] to which Executive would be entitled under the 2003 Executive Incentive Compensation Plan of Newpark for the fiscal year of Newpark immediately preceding the fiscal year in which the START DATE occurs.

b) The TERMINATION BENEFIT otherwise payable hereunder shall be reduced to the extent, if any, necessary to prevent (i) the sum of all amounts (whether pursuant to the Agreement or otherwise) that constitute "parachute payments" to Executive under Section 280G (or any successor section) of the CODE, from exceeding (ii) One Dollar less than three times Executive's "base amount", as defined in said section of the CODE. Newpark's independent certified public accountants shall determine Executive's "base amount" and the amounts that constitute "parachute payments" to Executive, and such determinations shall be final and binding on Newpark and Executive.

Exhibit 10.25

August 12, 2003

Mr. Matthew W. Hardey
c/o Newpark Resources, Inc.
3850 North Causeway Blvd.
Suite 1770
Metairie, Louisiana 70002

PERSONAL AND
CONFIDENTIAL

Dear Matt:

Newpark Resources, Inc., a Delaware corporation ("NEWPARK"), considers you a valuable executive, and the Board of Directors (the "BOARD") has authorized certain actions to reinforce and encourage your attention and dedication to your duties without distraction if Newpark should become the target of a hostile takeover attempt or enter into negotiations that could lead to a change in control of Newpark.

This letter (the "AGREEMENT") sets forth the understanding between you and Newpark concerning the continuation of your employment in connection with a "CHANGE IN CONTROL" or "POTENTIAL CHANGE IN CONTROL" and the "TERMINATION BENEFIT" you will receive if your employment with Newpark is terminated by Newpark without "CAUSE" or by you for "GOOD REASON" during an "EMPLOYMENT PERIOD," as those terms are defined in ANNEX A attached to this letter.

This Agreement is entered into with the understanding between you and Newpark that you will have knowledge or otherwise be notified of a CHANGE IN CONTROL or POTENTIAL CHANGE IN CONTROL, or the termination thereof, at the time it occurs.

1. DEFINITIONS. Capitalized terms used in this Agreement are defined in ANNEX A attached hereto and hereby incorporated into this Agreement by reference.

2. CONSIDERATION; TERMINATION DURING EMPLOYMENT PERIOD.

2.1 Subject to the terms and conditions of this Agreement, you agree that you will not resign from Newpark during an EMPLOYMENT PERIOD except for GOOD REASON.

2.2 If your employment with Newpark is terminated during an EMPLOYMENT PERIOD, Newpark shall pay you the TERMINATION BENEFIT, unless such termination is (a) because of your death, (b) because of your failure to resume full-time performance of your duties after the end of a DISABILITY PERIOD, (c) by Newpark for CAUSE or (d) by your resignation other than for GOOD REASON.

2.3 If your employment with Newpark is terminated by Newpark during an EMPLOYMENT PERIOD for CAUSE, Newpark shall give you written notice of termination specifying the facts and circumstances constituting such CAUSE.

3. COMPENSATION UPON TERMINATION OR DURING DISABILITY.

3.1 During any DISABILITY PERIOD occurring during an EMPLOYMENT PERIOD, you shall continue to receive your full base salary at the rate then in effect, unless and until your employment is terminated.

3.2 If your employment is terminated by Newpark for CAUSE, Newpark shall pay you your full base salary at the rate then in effect through the date of termination, together with any severance pay, vacation pay and sick leave pay to which you are entitled in accordance with Newpark policy. Neither this provision nor any payment made by Newpark in accordance herewith shall constitute waiver of Newpark's right to recover from you any damages caused by your conduct which constituted CAUSE for such termination and any similar conduct.

3.3 If you become entitled to the TERMINATION BENEFIT in accordance with Paragraph 2.2, you shall receive, in addition to the TERMINATION BENEFIT, your full base salary at the rate then in effect through the date of termination. The TERMINATION BENEFIT shall be in lieu of any severance pay, vacation pay and sick leave pay to which you would otherwise be entitled in accordance with Newpark policy.

3.4 If you become entitled to the TERMINATION BENEFIT in accordance with Paragraph 2.2, all unexpired unexercised stock options ("OPTIONS"), if any, granted to you prior to a CHANGE IN CONTROL under any stock option plan of Newpark or otherwise, shall become exercisable in full on the day preceding the date of termination, whether or not they would have been fully exercisable but for this provision, and shall remain exercisable for a period of one (1) year from the date of termination, whether or not they would remain exercisable for such period but for this provision.

3.5 If you become entitled to the TERMINATION BENEFIT in accordance with Paragraph 2.2, all unvested shares of restricted stock and all deferred compensation amounts, including restricted stock or deferred compensation subject to vesting based on achieving performance criteria, if any, granted or awarded to you prior to a CHANGE IN CONTROL under any stock plan or deferred compensation plan of Newpark or otherwise, shall become vested in full on the day preceding the date of termination and all restrictions thereon shall lapse, whether or not they would have been vested in full but for this provision. Newpark shall promptly deliver all such shares to you, and all such deferred compensation shall be paid to you in a lump sum on the date of termination.

3.6 If you become entitled to the TERMINATION BENEFIT in accordance with Paragraph 2.2, Newpark shall continue to provide you and your eligible family members, based on the cost sharing arrangement between you and Newpark on the date of termination, with life insurance, medical and dental health benefits and disability coverage and benefits at least equal to those which would have been provided to you if your employment had not terminated. Notwithstanding the foregoing, if you become re-employed and are eligible to receive life insurance, medical and dental health benefits and disability coverage and benefits under another employer's plans, Newpark's obligations under this paragraph shall be reduced to the extent of any such coverage and benefits. You agree to promptly report any such coverage and benefits to

Newpark. If you are ineligible under the terms of Newpark's benefit plans or programs to continue to be so covered, Newpark shall provide you with substantially equivalent coverage through other sources or will reimburse you for the cost of obtaining such coverage and benefits.

3.7 If you become entitled to the TERMINATION BENEFIT in accordance with Paragraph 2.2, Newpark shall provide you with outplacement services, payable by Newpark, with an aggregate cost not to exceed $10,000 per month, with an executive outplacement service firm reasonably acceptable to you and Newpark, for a maximum of twelve (12) months.

3.8 Except as provided in Paragraph 3.6, you shall not be required to mitigate the amount of any TERMINATION BENEFIT by seeking other employment or otherwise, nor shall the amount of any TERMINATION BENEFIT be reduced by any compensation earned by you as the result of employment by another employer, or otherwise.

3.9 Except as expressly provided otherwise herein, none of the provisions of this Agreement is intended to curtail or limit in any way any contractual rights which you may have under any plan in which you are eligible to participate or under any agreement binding on Newpark to which you are a party, and all such contractual rights shall survive the execution of this Agreement and any CHANGE IN CONTROL. The TERMINATION BENEFIT shall not be considered compensation for any benefit calculation or other purpose under any retirement plan or other benefit plan maintained by Newpark.

4. SUCCESSORS; BINDING AGREEMENT. This Agreement shall be binding on and inure to the benefit of Newpark and any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Newpark. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

5. TERMINATION OF AGREEMENT. Newpark may terminate this Agreement effective at any time after August 11, 2003, by notice to you, if no CHANGE IN CONTROL has occurred prior to the giving of such notice, and no POTENTIAL CHANGE IN CONTROL then exists. Once terminated, this Agreement shall have no further force or effect.

6. NOTICES. All notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt. Notices to Newpark shall be directed to the attention of the Secretary of Newpark.

7. AMENDMENTS; WAIVERS. No provision or term of this Agreement may be supplemented, amended, modified, waived or terminated except in a writing duly executed by all parties intended to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. Failure of

a party to insist on strict compliance with any of the terms and conditions of this Agreement shall not be deemed a waiver of any such terms and conditions.

8. ENTIRE AGREEMENT. This Agreement, including ANNEX A, constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all previous agreements, whether written or oral, relating to the same subject matter. All such previous agreements between the parties hereto are hereby terminated and shall have no further force or effect.

9. ATTORNEYS' FEES. In any litigation relating to this Agreement, including litigation with respect to any instrument, document or agreement made under or in connection with this Agreement, the prevailing party shall be entitled to recover its costs and reasonable attorneys' fees.

10. CHOICE OF LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Delaware.

If this letter correctly sets forth our understanding on the subject matter hereof, kindly sign and return to Newpark the enclosed copy of this letter, which will then constitute our Agreement on this subject.

Very truly yours,

NEWPARK RESOURCES, INC.

By /s/ James D. Cole

James D. Cole, Chairman and Chief Executive Officer

Agreed to this 12th day of
August, 2003

/s/ Matthew W. Hardey
- ---
Matthew W. Hardey

ANNEX A TO LETTER AGREEMENT
DATED AUGUST 12, 2003

The following terms used herein and in letter agreement (the "AGREEMENT") dated August 12, 2003 between Newpark Resources, Inc., and James D. Cole ("EXECUTIVE") shall have the following meanings:

"CAUSE", when used with reference to termination of the employment of Executive by Newpark for "Cause", shall mean:

a) the conviction of Executive for a felony or other crime involving fraud and/or moral turpitude;

b) dishonesty, willful misconduct or material neglect, which neglect causes material harm to Newpark, of Executive with respect to Newpark or any of its subsidiaries;

c) any intentional act on the part of Executive that causes material damage to Newpark and/or its subsidiaries' reputation;

d) appropriation (or an overt act attempting appropriation) of a material business opportunity of Newpark or its subsidiaries by Executive;

e) misappropriation (or an overt act attempting misappropriation) of any funds of Newpark or its subsidiaries by Executive;

f) the failure of Executive to follow the reasonable and lawful written instructions or policy of Newpark with respect to the services to be rendered and the manner of rendering such services by Executive, provided Executive has been given reasonable written notice thereof and opportunity to cure and no cure has been effected within a reasonable time after such notice; or

g) the failure of Executive to perform or observe any of the material terms or conditions of Executive's employment other than by reason of illness, injury or incapacity, provided Executive has been given reasonable written notice thereof and opportunity to cure and no cure has been effected within a reasonable time after such notice.

A "CHANGE OF CONTROL" shall be deemed to occur if: (i) a "TAKEOVER TRANSACTION" (as defined below) occurs; or (ii) any election of directors of Newpark takes place (whether by the directors then in office or by the stockholders at a meeting or by written consent) and a majority of the directors in the office following such election are individuals who were not nominated by a vote of two-thirds of the members of the Board of Directors or its nominating committee immediately preceding such election; or (iii) Newpark effectuates a complete liquidation or a sale or disposition of all or substantially all of its assets. A "TAKEOVER TRANSACTION" shall mean (i) a merger or consolidation of Newpark with, or an acquisition of Newpark or all or substantially all of its assets by, any other corporation or entity, other than a merger, consolidation or acquisition in which the individuals who were members of the Board of Directors of Newpark immediately prior to such transaction continue to constitute a majority of the Board of Directors or other governing body of the surviving corporation or entity (or, in the case of an acquisition involving a holding company, constitute a majority of the Board of Directors or other governing body of the holding company) for a period of not less than twelve

(12) months following the closing of such transaction, or (ii) one or more occurrences or events as a result of which any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Exchange Act) becomes the "beneficial owner" (as such term is defined in Rule 13d-3 under the Securities Exchange Act), directly or indirectly, of thirty percent (30%) or more of the combined voting power of Newpark's then outstanding securities.

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

"COMPANY" shall mean Newpark Resource, Inc., and its consolidated subsidiaries and any successor to its business and/or assets which assumes or becomes subject to this Agreement by operation of law or otherwise.

"DISABILITY" shall mean Executive's full-time absence from his duties with Newpark, as a result of incapacity due to physical or mental illness.

"DISABILITY PERIOD" shall mean a period of six (6) months commencing on the first day of a Disability occurring during the Employment Period.

"EMPLOYMENT PERIOD" shall mean a period (a) commencing when a Potential Change in Control occurs or, if no Potential Change in Control has occurred with respect to a Change in Control, when such Change in Control occurs, and (b) ending two years after such Change in Control occurred. If the event or agreement that gives rise to a Potential Change in Control terminates or is terminated without the Change in Control contemplated thereby having occurred, the Employment Period shall terminate upon termination of such event or agreement; however, a new Employment Period shall commence under the same conditions upon any subsequent Potential Change in Control or Change in Control.

"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended.

"GOOD REASON" shall mean any one or more of the following, occurring without Executive's express written consent during the Employment Period and within 90 days prior to Executive's resignation as a result thereof:

a) the assignment to Executive of duties inconsistent with his status prior to the START DATE as an officer of Newpark or a substantial change in the officer or officers to whom he reports from the officer or officers to whom he reported immediately prior to the START DATE;

b) the elimination or reassignment of a majority of the duties and responsibilities that were assigned to Executive immediately prior to the START DATE;

c) a reduction by Newpark in Executive's annual base salary as in effect immediately prior to the START DATE;

d) Newpark's requiring Executive to be based anywhere outside a 50 mile radius from the Newpark office at which Executive had been based prior to the Change in Control or Potential Change in Control, or a 50 mile radius from his present residence, whichever is farther, except for required travel on Newpark's business to an extent substantially consistent with Executive's present business travel obligations; or

e) the failure of Newpark to grant Executive a performance bonus reasonably equivalent to the same percentage of salary Executive normally received prior to the START DATE, given comparable performance by Newpark and Executive.

A "POTENTIAL CHANGE IN CONTROL" shall be deemed to have occurred on the date that (a) Newpark first has actual knowledge that any person (as such term is used in Sections 13(d) and 14(d)(2) of the Exchange Act) has become the beneficial owner (as defined in Rule 13(d)-3 under the Exchange Act), directly or indirectly, or has initiated an offer which has not expired and which, if accepted by holders of a sufficient number of Newpark's then outstanding securities, would result in such person's becoming the beneficial owner, directly or indirectly, of securities of Newpark representing thirty percent (30%) or more of the combined voting power of Newpark's then outstanding securities, or (b) Newpark enters into an agreement (including a letter of intent) the consummation of which would result in a Change in Control.

"START DATE" shall mean the first day of an EMPLOYMENT PERIOD.

"TERMINATION BENEFIT" shall mean the amount determined in accordance with paragraph (a) below, reduced as provided in paragraph (b) below, if applicable. If Executive is entitled to a TERMINATION BENEFIT, it shall be paid to Executive no later than the 60th day following the date on which his employment terminates.

a) The TERMINATION BENEFIT shall be an amount equal to (i) two times Executive's annual base salary for the fiscal year of Newpark immediately preceding the fiscal year in which the START DATE occurs plus (ii) two times the ["Maximum Award Opportunity"] to which Executive would be entitled under the 2003 Executive Incentive Compensation Plan of Newpark for the fiscal year of Newpark immediately preceding the fiscal year in which the START DATE occurs.

b) The TERMINATION BENEFIT otherwise payable hereunder shall be reduced to the extent, if any, necessary to prevent (i) the sum of all amounts (whether pursuant to the Agreement or otherwise) that constitute "parachute payments" to Executive under Section 280G (or any successor section) of the CODE, from exceeding (ii) One Dollar less than three times Executive's "base amount", as defined in said section of the CODE. Newpark's independent certified public accountants shall determine Executive's "base amount" and the amounts that constitute "parachute payments" to Executive, and such determinations shall be final and binding on Newpark and Executive.

EXHIBIT 10.26

AMENDED AND RESTATED
CREDIT AGREEMENT

DATED AS OF FEBRUARY 25, 2004

AMONG

NEWPARK RESOURCES, INC., A DELAWARE CORPORATION,
BATSON-MILL, L.P., A TEXAS LIMITED PARTNERSHIP,
DURA-BASE NEVADA, INC., A NEVADA CORPORATION,
EXCALIBAR MINERALS, INC., A TEXAS CORPORATION,
EXCALIBAR MINERALS OF LA., L.L.C.,
A LOUISIANA LIMITED LIABILITY COMPANY,
NES PERMIAN BASIN, L.P., A TEXAS LIMITED PARTNERSHIP,
NEWPARK DRILLING FLUIDS, L.L.C., A TEXAS LIMITED LIABILITY COMPANY,
NEWPARK ENVIRONMENTAL SERVICES, L.L.C.,
A LOUISIANA LIMITED LIABILITY COMPANY,
NEWPARK ENVIRONMENTAL MANAGEMENT COMPANY,
L.L.C., A LOUISIANA LIMITED LIABILITY COMPANY,
NEWPARK ENVIRONMENTAL SERVICES OF TEXAS, L.P.,
A TEXAS LIMITED PARTNERSHIP,
NEWPARK HOLDINGS, INC., A LOUISIANA CORPORATION,
NEWPARK TEXAS L.L.C., A LOUISIANA LIMITED LIABILITY COMPANY,
NID, L.P., A TEXAS LIMITED PARTNERSHIP,
OGS LABORATORY, INC., A TEXAS CORPORATION,
SOLOCO, L.L.C., A LOUISIANA LIMITED LIABILITY COMPANY,
SOLOCO TEXAS, L.P., A TEXAS LIMITED PARTNERSHIP, and
SUPREME CONTRACTORS, L.L.C., A LOUISIANA LIMITED LIABILITY COMPANY,

AS BORROWERS,

THE LOAN PARTIES PARTY HERETO,

THE LENDERS PARTY HERETO FROM TIME TO TIME,

BANK ONE, NA (MAIN OFFICE CHICAGO),
AS AGENT AND LC ISSUER,

BANC ONE CAPITAL MARKETS, INC.,
AS LEAD ARRANGER AND SOLE BOOK RUNNER

AND

FLEET CAPITAL CORPORATION,
AS SYNDICATION AGENT

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AMENDED AND RESTATED
CREDIT AGREEMENT

This Amended and Restated Credit Agreement, dated as of February 25, 2004, is among Newpark Resources, Inc., a Delaware corporation, as the Company and as a Borrower, Batson-Mill, L.P., a Texas limited partnership, Dura-base Nevada, Inc., a Nevada corporation, Excalibar Minerals, Inc., a Texas corporation, Excalibar Minerals of LA., L.L.C., a Louisiana limited liability company, NES Permian Basin, L.P., a Texas limited partnership, Newpark Drilling Fluids, L.L.C., a Texas limited liability company, Newpark Environmental Services, L.L.C., a Louisiana limited liability company, Newpark Environmental Management Company, L.L.C., a Louisiana limited liability company, Newpark Environmental Services of Texas, L.P., a Texas limited partnership, Newpark Holdings, Inc., a Louisiana corporation, Newpark Texas L.L.C., a Louisiana limited liability company, NID, L.P., a Texas limited partnership, OGS Laboratory, Inc., a Texas corporation, SOLOCO, L.L.C., a Louisiana limited liability company, SOLOCO Texas, L.P., a Texas limited partnership, and Supreme Contractors, L.L.C., a Louisiana limited liability company, each as a Borrower, the other Loan Parties, the Lenders and Bank One, NA, a national banking association with its main office in Chicago, Illinois, as an LC Issuer and as the Agent.

RECITALS

WHEREAS, previous hereto, the Company, certain lenders, certain guarantors, and Bank One, N.A., as agent entered into the Original Loan Agreement (as defined herein), which Original Loan Agreement has since been amended, restated, modified, extended, renewed and restructured from time to time, through and including the Amended Loan Agreement (as defined herein);

WHEREAS, the Borrowers have now requested that the lenders further amend, restate, modify, extend, renew and restructure the loans made pursuant to the Amended Loan Agreement, to admit additional Persons as borrowers, guarantors, and lenders, as the case may be, and make available to the Borrowers loans and other extensions of credit, on the terms and conditions set forth herein in an aggregate original principal amount not to exceed $85,000,000, which extensions of credit will be used by the Borrowers for the purposes set forth in Section 6.2;

WHEREAS, the Borrowers and the other Loan Parties have agreed to secure all of their obligations under the Loan Documents by granting to the Agent, on behalf of the Lenders, a security interest in and lien upon the Collateral as set forth in the Collateral Documents; and

WHEREAS, the Guarantors have agreed to guarantee all of the Obligations of the Borrowers under the Loan Documents to the Agent and the Lenders as set forth in the Guaranty;

NOW, THEREFORE, in consideration of these premises and the terms and conditions set forth in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto do hereby amend and completely restate the Amended Loan Agreement, effective as of the Closing Date as defined below, and do hereby agree as follows:

ARTICLE I

DEFINITIONS

As used in this Agreement:

"Account" shall have the meaning given to such term in the Security Agreement.

"Account Debtor" means any Person obligated on an Account.

"Acquisition" means any transaction, or any series of related transactions, consummated on or after the Closing Date, by which any Loan Party (a) acquires any going business or all or substantially all of the assets of any Person, whether through purchase of assets, merger or otherwise or (b) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the Capital Stock of a Person which has ordinary voting power for the election of directors or other similar management personnel of a Person (other than Capital Stock having such power only by reason of the happening of a contingency) or a majority of the outstanding Capital Stock of a Person.

"Adjusted Excess Cash Flow" means, for the relevant period of determination, the amount of Consolidated EBITDA in excess of the amount of Consolidated EBITDA required for the Company's Fixed Charge Coverage Ratio to equal 1.5 to 1.0 for such period.

"Advance" means a borrowing hereunder, (a) made by some or all of the Lenders on the same Borrowing Date, or (b) converted or continued by the Lenders on the same date of conversion or continuation, consisting, in either case, of the aggregate amount of the several Loans of the same Type and, in the case of Eurodollar Loans, for the same Interest Period. The term Advance shall include Non-Ratable Loans Overadvances and Protective Advances unless otherwise expressly provided.

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control another Person if the controlling Person owns 10% or more of any class of the voting Capital Stock of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of Capital Stock, by contract or otherwise.

"Agent" means Bank One in its capacity as contractual representative of the Lenders pursuant to Article X, and not in its individual capacity as a Lender, and any successor Agent appointed pursuant to Article X.

"Aggregate Borrowing Base" means the sum of (a) aggregate of the Borrowing Bases of all of the Borrowers, plus (b) the Bridge Availability.

"Aggregate Borrowing Base Certificate" means a certificate signed by an Authorized Officer of the Borrower Representative in the form of Exhibit I or another form which is acceptable to the Agent in its sole discretion.

"Aggregate Commitment" means the aggregate of the Commitments of all the Lenders, as reduced or increased from time to time pursuant to the terms hereof, which Aggregate Commitment shall initially be in the amount of $85,000,000.

"Aggregate Credit Exposure" means, at any time, the aggregate of the Credit Exposure of all the Lenders.

"Aggregate Revolving Exposure" means, at any time, the aggregate Revolving Exposure of all the Lenders.

"Agreement" means this Credit Agreement, as it may be amended or modified and in effect from time to time.

"Alternate Base Rate" means, for any day, a rate of interest per annum equal to the higher of (a) the Prime Rate for such day and (b) the sum of the Federal Funds Effective Rate for such day plus 1/2% per annum.

"Amended Agreement Lenders" has the meaning specified in Section 2.1.7.

"Amended Loan Agreement" has the meaning specified in Section 9.15.

"Applicable LC Fee Rate" means, at any time, the percentage rate per annum at which fees accrue on the average daily undrawn stated amount under each Facility LC.

"Applicable Unused Commitment Fee Rate" means, at any time, the percentage rate per annum at which fees accrue on Available Revolving Commitment at such time as set forth in the Pricing Schedule.

"Applicable Margin" means, with respect to Advances of any Type at any time, the percentage rate per annum which is applicable at such time with respect to Advances of such Type as set forth in the Pricing Schedule.

"Approved Bridge Availability Refinancing" means a refinancing or other repayment of a portion of the Revolving Obligations in an amount equal to the amount by which the aggregate outstanding Revolving Obligations exceeds the aggregate Borrowing Bases of all Borrowers, which refinancing or repayment has been approved by Required Bridge Lenders in their sole discretion and otherwise complies with this Agreement.

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Arranger" means Banc One Capital Markets, Inc., a Delaware corporation, and its successors, in its capacity as Lead Arranger and Sole Book Runner.

"Article" means an article of this Agreement unless another document is specifically referenced.

"Assignment Agreement" is defined in Section 12.3(a).

"Authorized Officer" means any of John R. Dardenne, Matthew W. Hardey or Eric M. Wingerter.

"Availability" means, with respect to all of the Borrowers, at any time, an amount equal to the lesser of (a) the Revolving Commitment and (b) the Aggregate Borrowing Base, in each case, minus the Aggregate Revolving Exposure.

"Available Revolving Commitment" means, at any time, the Revolving Commitment then in effect minus the Aggregate Revolving Exposure at such time.

"Bank One" means Bank One, NA, a national banking association, with its main office in Chicago, Illinois, in its individual capacity, and its successors.

"Banking Services" means each and any of the following bank services provided to any Loan Party by Bank One or any of its Affiliates: (a) commercial credit cards, (b) stored value cards and (c) treasury management services (including, without limitation, controlled disbursement, automated clearinghouse transactions, return items, overdrafts and interstate depository network services).

"Banking Services Obligations" of the Loan Parties means any and all obligations of the Loan Parties, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor) in connection with Banking Services.

"Banking Services Reserves" means all Reserves which the Agent from time to time establishes in its Permitted Discretion for Banking Services then provided or outstanding.

"Bankruptcy Code" means Title 11 of the U.S. Code (11 U.S.C. Section 101 et seq.) as amended, reformed, or otherwise modified froM time to time, and any rule or regulation issued thereunder.

"Borrower" or "Borrowers" means, individually or collectively, jointly and severally, the Company, Batson-Mill, L.P., a Texas limited partnership, Dura-base Nevada, Inc., a Nevada corporation, Excalibar Minerals, Inc., a Texas corporation, Excalibar Minerals of LA., L.L.C., a Louisiana limited liability company, NES Permian Basin, L.P., a Texas limited partnership, Newpark Drilling Fluids, L.L.C., a Texas limited liability company, Newpark Environmental Services, L.L.C., a Louisiana limited liability company, Newpark Environmental Management Company, L.L.C., a Louisiana limited liability company, Newpark Environmental Services of Texas, L.P., a Texas limited partnership, Newpark Holdings, Inc., a Louisiana corporation, Newpark Texas L.L.C., a Louisiana limited liability company, NID, L.P., a Texas limited partnership, OGS Laboratory, Inc., a Texas corporation, SOLOCO, L.L.C., a Louisiana limited liability company, SOLOCO Texas, L.P., a Texas limited partnership, and Supreme Contractors, L.L.C., a Louisiana limited liability company.

"Borrower Representative" means the Company, in its capacity as contractual representative of the Borrowers pursuant to Article XVII.

"Borrowing Base" means, at any time, with respect to each Borrower, the sum of (a) 85% of such Borrower's Eligible Accounts at such time, plus (b) 70% of such Borrower's Eligible Unbilled Accounts, plus (c) the lesser of (i) 60% of such Borrower's Eligible Inventory, valued at the lower of cost or market value, determined on a first-in-first-out basis, at such time and (ii) 85% of the Net Orderly Liquidation Value of such Borrower's Eligible Inventory, minus (d) Reserves related to such Borrower. The Agent may, in its Permitted Discretion, reduce the advance rates set forth above or reduce one or more of the other elements used in computing the Borrowing Base.

"Borrowing Base Certificate" means a certificate, signed by an Authorized Officer of a Borrower, in the form of Exhibit H or another form which is acceptable to the Agent in its sole discretion.

"Borrowing Date" means a date on which an Advance or a Loan is made hereunder.

"Borrowing Notice" is defined in Section 2.1.1(b).

"Bridge Availability" means (a) during the Bridge Period, the aggregate amount of the Bridge Revolving Commitment, and (b) thereafter, $0.

"Bridge Component" means, as to Revolving Obligations during the Bridge Period, all Revolving Obligations to the extent that the aggregate sum thereof at such time do not exceed the amount of the Bridge Revolving Commitment.

"Bridge Period" means the period commencing on the Closing Date and ending on the earlier of (i) August 25, 2004 (or such later date as may be approved in writing by Required Bridge Lenders in their sole discretion), or (ii) the effective date of an Approved Bridge Availability Refinancing.

"Bridge Revolving Commitment" means, (a) as to any Revolving Lender, the aggregate commitment of such Revolving Lender to make the Bridge Component of Revolving Loans or incur the Bridge Component of LC Obligations during the Bridge Period as set forth in the Commitment Schedule or in the most recent Assignment Agreement executed by such Revolving Lender and (b) as to all Revolving Lenders, the aggregate commitment of all Revolving Lenders to make the Bridge Component of Revolving Loans or incur the Bridge Component of LC Obligations during the Bridge Period, which aggregate commitment shall be Eight Million and No/100 Dollars ($8,000,000) on the Closing Date, as such amount may be adjusted, if at all, from time to time in accordance with this Agreement or as otherwise agreed by Required Bridge Lenders.

"Business Day" means (a) with respect to any borrowing, payment or rate selection of Eurodollar Advances, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago and New York City for the conduct of substantially all of their commercial lending activities, interbank wire transfers can be made on the Fedwire system and dealings in U.S. dollars are carried on in the London interbank market and (b) for all other purposes, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago for the conduct of substantially all of their commercial lending activities and interbank wire transfers can be made on the Fedwire system.

"Canadian Subsidiaries" is defined in Section 6.33.

"Capital Expenditures" means, without duplication, any expenditure or commitment to expend money for any purchase or other acquisition of any asset which would be classified as a fixed or capital asset on a consolidated balance sheet of the Company and its Subsidiaries prepared in accordance with GAAP.

"Capital Stock" means any and all corporate stock, units, shares, partnership interests, membership interests, equity interests, rights, securities, or other equivalent evidences of ownership (howsoever designated) issued by any Person.

"Capitalized Lease" of a Person means any lease of Property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with GAAP.

"Capitalized Lease Obligations" of a Person means the aggregate amount of the obligations of such Person under Capitalized Leases which would be shown as a liability on a balance sheet of such Person prepared in accordance with GAAP.

"Cash Equivalent Investments" means (a) short-term obligations of, or fully guaranteed by, the U.S., (b) commercial paper rated A-1 or better by S&P or P-1 or better by Moody's, (c) demand deposit accounts maintained in the ordinary course of business with any domestic office of any commercial bank organized under the laws of the U.S. or any State thereof that has a combined capital and surplus and undivided profits of not less than $500,000,000, and (d) certificates of deposit issued by and time deposits with any domestic office of any commercial bank organized under the laws of the U.S. or any State thereof that has a combined capital and surplus and undivided profits of not less than $500,000,000;

provided that, in each case, the same provides for payment of both principal and interest (and not principal alone or interest alone) and is not subject to any contingency regarding the payment of principal or interest.

"Change in Control" means the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 30% or more of the outstanding shares of voting Capital Stock of any Borrower.

"Closing Date" means the date of this Agreement.

"Code" means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time, and any rule or regulation issued thereunder.

"Collateral" means any and all Property covered by the Collateral Documents and any and all other Property of any Loan Party, now existing or hereafter acquired, that may at any time be or become subject to a security interest or Lien in favor of the Agent, on behalf of itself and the Lenders, to secure the Secured Obligations.

"Collateral Access Agreement" means any landlord waiver or other agreement, in form and substance satisfactory to the Agent, between the Agent and any third party (including any bailee, consignee, customs broker, processor, or other similar Person) in possession of any Collateral or any landlord of any Loan Party for any real Property where any Collateral is located, as such landlord waiver or other agreement may be amended, restated, or otherwise modified from time to time.

"Collateral Documents" means, collectively, the Security Agreement, the Mortgages and any other documents granting a Lien upon the Collateral as security for payment of the Secured Obligations.

"Collateral Shortfall Amount" is defined in Section 2.1.2(l).

"Commitment" means, for each Lender, the obligation of such Lender to make Loans to the Borrowers, and participate in Facility LCs issued upon the application of any Borrower, in an aggregate amount not exceeding the amount set forth in the Commitment Schedule or as set forth in any Assignment Agreement that has become effective pursuant to Section 12.3(c), as such amount may be modified from time to time pursuant to the terms hereof.

"Commitment Schedule" means the Schedule attached hereto identified as such.

"Company" means Newpark Resources, Inc., a Delaware corporation and its successors and assigns.

"Compliance Certificate" is defined in Section 6.1(e).

"Consolidated Capital Expenditures" means, with reference to any period, the Capital Expenditures of the Company and its Subsidiaries calculated on a consolidated basis for such period.

"Consolidated EBITDA" means Consolidated Net Income plus, to the extent deducted from revenues in determining Consolidated Net Income, (a) Consolidated Interest Expense, (b) expense for taxes paid or accrued, net of tax refunds, (c) depreciation and (d) amortization, minus, to the extent included in Consolidated Net Income, extraordinary gains (as determined in accordance with GAAP)

realized other than in the ordinary course of business, all calculated for the Company and its Subsidiaries on a consolidated basis.

"Consolidated Fixed Charges" means, with reference to any period, without duplication, cash Consolidated Interest Expense, plus prepayments and scheduled principal payments on Indebtedness (other than with respect to the Revolving Loans under this Agreement) made during such period, plus expense for taxes paid in cash, plus dividends or distributions paid in cash, plus Capitalized Lease payments, plus cash contributions to any Plan, all calculated for the Company and its Subsidiaries on a consolidated basis.

"Consolidated Interest Expense" means, with reference to any period, the interest expense of the Company and its Subsidiaries calculated on a consolidated basis for such period.

"Consolidated Net Income" means, with reference to any period, the net income (or loss) of the Company and its Subsidiaries calculated on a consolidated basis for such period.

"Consolidated Net Worth" means at any time the consolidated stockholders' equity of the Company and its Subsidiaries calculated on a consolidated basis as of such time.

"Consolidated Tangible Net Worth" means Consolidated Net Worth, minus Intangibles.

"Contingent Obligation" of a Person means any agreement, undertaking or arrangement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement, take-or-pay contract or the obligations of any such Person as general partner of a partnership with respect to the liabilities of the partnership.

"Controlled Group" means all members of a controlled group of corporations or other business entities and all trades or businesses (whether or not incorporated) under common control which, together with the Company or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code.

"Conversion/Continuation Notice" is defined in Section 2.7.

"Copyrights" shall have the meaning given to such term in the Security Agreement.

"Credit Exposure" means, as to any Lender at any time, the sum of (a) such Lender's Revolving Exposure at such time, plus (b) an amount equal to the aggregate principal amount of its Term Loans outstanding at such time, plus (c) an amount equal to its Pro Rata Share, if any, of the aggregate principal amount of Non-Ratable Loans, Overadvances and Protective Advances outstanding at such time.

"Credit Extension" means the making of an Advance or the issuance of a Facility LC hereunder.

"Credit Extension Date" means the Borrowing Date for an Advance or the issuance date for a Facility LC.

"Customer List" means a list of a Borrower's customers, specifying each customer's name, mailing address and phone number.

"Default" means an event described in Article VII.

"Defaulting Lender" is defined in Section 2.23(b).

"Deposit Account Control Agreement" means an agreement, in form and substance satisfactory to the Agent, among any Loan Party, a banking institution holding such Loan Party's funds, and the Agent with respect to collection and control of all deposits and balances held in a deposit account maintained by any Loan Party with such banking institution.

"Document" shall have the meaning given to such term in the Security Agreement.

"Domestic Subsidiary" means any Subsidiary which is organized under the laws of the U.S. or any state of the U.S.

"Effective Date" means the date that the conditions precedent set forth in Article IV are satisfied.

"Eligible Accounts" means, at any time, the Accounts of a Borrower which the Agent determines in its Permitted Discretion are eligible as the basis for Credit Extensions hereunder. Without limiting the Agent's discretion provided herein, Eligible Accounts shall not include any Account:

(a) which is not subject to a first priority perfected security interest in favor of the Agent;

(b) which is subject to any Lien other than (i) a Lien in favor of the Agent and (ii) a Permitted Lien which does not have priority over the Lien in favor of the Agent;

(c) with respect to which more than 90 days have elapsed since the date of the original invoice therefor or which is more than 60 days past the due date for payment, whichever is the earlier to occur;

(d) which is owing by an Account Debtor for which more than 25% of the Accounts owing from such Account Debtor and its Affiliates are ineligible hereunder;

(e) which is owing by an Account Debtor to the extent the aggregate amount of Accounts owing from such Account Debtor and its Affiliates to (i) such Borrower exceeds 25% of the aggregate amount of Eligible Accounts of such Borrower or (ii) all Borrowers exceeds 25% of the aggregate amount of Eligible Accounts of all Borrowers;

(f) with respect to which any covenant, representation, or warranty contained in this Agreement or in the Security Agreement has been breached or is not true;

(g) which (i) does not arise from the sale of goods or performance of services in the ordinary course of business, (ii) is not evidenced by an invoice or other documentation satisfactory to the Agent which has been sent to the Account Debtor, (iii) represents a progress billing, (iv) is contingent upon such Borrower's completion of any further performance, or (v) represents a sale on a bill-and-hold, guaranteed sale, sale-and-return, sale on approval, consignment, cash-on-delivery or any other repurchase or return basis;

(h) for which the goods giving rise to such Account have not been shipped to the Account Debtor or for which the services giving rise to such Account have not been performed by a Borrower;

(i) with respect to which any check or other instrument of payment has been returned uncollected for any reason;

(j) which is owed by an Account Debtor which has (i) applied for, suffered, or consented to the appointment of any receiver, custodian, trustee, or liquidator of its assets, (ii) has had possession of all or a material part of its property taken by any receiver, custodian, trustee or liquidator, (iii) filed, or had filed against it, any request or petition for liquidation, reorganization, arrangement, adjustment of debts, adjudication as bankrupt, winding-up, or voluntary or involuntary case under any state or federal bankruptcy laws, (iv) has admitted in writing its inability, or is generally unable to, pay its debts as they become due, (v) become insolvent, or (vi) ceased operation of its business;

(k) which is owed by any Account Debtor which has sold all or substantially all of its assets;

(l) which is owed by an Account Debtor which (i) does not maintain its chief executive office in the U.S. or Canada (other than the Province of Newfoundland) or (ii) is not organized under applicable law of the U.S., any state of the U.S., Canada, or any province of Canada other than the Province of Newfoundland) unless, in either case, such Account is backed by a Letter of Credit acceptable to the Agent which is in the possession of the Agent;

(m) which is owed in any currency other than U.S. dollars;

(n) which is owed by (i) the government (or any department, agency, public corporation, or instrumentality thereof) of any country other than the U.S. unless such Account is backed by a Letter of Credit acceptable to the Agent which is in the possession of the Agent, or (ii) the government of the U.S., or any department, agency, public corporation, or instrumentality thereof, unless the Federal Assignment of Claims Act of 1940, as amended (31 U.S.C. Section 3727 et seq. and 41 U.S.C. Section 15 et seq.), and any other steps necessary to perfect the Lien of the Agent in such Account have been complied with to the Agent's satisfaction;

(o) which is owed by any Affiliate, employee, or director of any Loan Party;

(p) which, for any Account Debtor, exceeds a credit limit determined by the Agent, to the extent of such excess;

(q) which is owed by an Account Debtor or any Affiliate of such Account Debtor to which any Loan Party is indebted, but only to the extent of such indebtedness;

(r) which is subject to any counterclaim, deduction, defense, setoff or dispute;

(s) which is evidenced by any promissory note, chattel paper, or instrument;

(t) which is owed by an Account Debtor located in any jurisdiction which requires filing of a "Notice of Business Activities Report" or other similar report in order to permit such Borrower to seek judicial enforcement in such jurisdiction of payment of such Account, unless such Borrower has filed such report or qualified to do business in such jurisdiction;

(u) with respect to which such Borrower has made any agreement with the Account Debtor for any reduction thereof, other than discounts and adjustments given in the ordinary course of business; or

(v) which the Agent determines may not be paid by reason of the Account Debtor's inability to pay or which the Agent otherwise determines is unacceptable for any reason whatsoever.

In the event that an Account which was previously an Eligible Account ceases to be an Eligible Account hereunder, such Borrower or the Borrower Representative shall notify the Agent thereof (i) within three Business Days of the earlier of the date such Borrower or the Borrower Representative has obtained knowledge thereof if any such Account is in excess of $1,000,000 in the aggregate and (ii) on and at the time of submission by the Borrower Representative to the Agent of the next Aggregate Borrowing Base Certificate in all other cases.

"Eligible Inventory" means, at any time, the Inventory of a Borrower which the Agent determines in its Permitted Discretion is eligible as the basis for Credit Extensions hereunder. Without limiting the Agent's discretion provided herein, Eligible Inventory shall not include any Inventory:

(a) which is not subject to a first priority perfected Lien in favor of the Agent;

(b) which is subject to any Lien other than (i) a Lien in favor of the Agent and (ii) a Permitted Lien which does not have priority over the Lien in favor of the Agent;

(c) which is, in the Agent's opinion, slow moving, obsolete, unmerchantable, defective, unfit for sale, not salable at prices approximating at least the cost of such Inventory in the ordinary course of business or unacceptable due to age, type, category and/or quantity;

(d) with respect to which any covenant, representation, or warranty contained in this Agreement or the Security Agreement has been breached or is not true;

(e) which does not conform to all standards imposed by any governmental authority;

(f) which is not finished goods or raw materials purchased in the ordinary course by a Borrower, and used in the manufacture of other Inventory of such Borrower, or which constitutes work-in-process, spare or replacement parts, subassemblies, packaging and shipping material, manufacturing supplies, display items, bill-and-hold goods, returned or repossessed goods, defective goods, goods held on consignment, or goods which are not of a type held for sale in the ordinary course of business;

(g) which is not located in the U.S. or is in transit with a common carrier from vendors and suppliers, provided that, up to $6,000,000 of Inventory in transit that otherwise constitutes Eligible Inventory may be included as eligible pursuant to this clause (g) so long as (i) the Agent shall have received (1) a true and correct copy of the non-negotiable bill of lading and other shipping documents for such Inventory, (2) casualty insurance naming the Agent as loss payee and otherwise covering such risks as the Agent may reasonably request, (3) a duly executed Collateral Access Agreement from the applicable customs broker for such Inventory, and (4) such other documentation as the Agent may request in its Permitted Discretion, and (ii) the common carrier is not an Affiliate of the applicable vendor or supplier;

(h) which is located in any location leased by such Borrower unless the lessor has delivered to the Agent a Collateral Access Agreement;

(i) which is located in any third party warehouse or is in the possession of a bailee and is not evidenced by a Document (other than non-negotiable bills of lading to the extent permitted pursuant to clause (g) above), unless such warehouseman or bailee has delivered to the Agent a Collateral Access Agreement and such other documentation as the Agent may require;

(j) which is the subject of a consignment by such Borrower as consignor;

(k) which is perishable;

(l) which contains or bears any Intellectual Property Rights licensed to such Borrower unless the Agent is satisfied that it may sell or otherwise dispose of such Inventory without (i) infringing the rights of such licensor, (ii) violating any contract with such licensor, or (iii) incurring any liability with respect to payment of royalties other than royalties incurred pursuant to sale of such Inventory under the current licensing agreement;

(m) which is not reflected in a current perpetual inventory report of such Borrower (unless such Inventory is reflected in a report to the Agent as "in transit" Inventory); or

(n) which the Agent otherwise determines is unacceptable for any reason whatsoever.

In the event that Inventory which was previously Eligible Inventory ceases to be Eligible Inventory hereunder, such Borrower or the Borrower Representative shall notify the Agent thereof (i) within three Business Days of the earlier of the date the Borrower or the Borrower Representative has obtained knowledge thereof if any such Inventory has a value (based on the lower of cost, determined on a first-in, first-out basis, or market) in excess of $1,000,000 in the aggregate and (ii) on and at the time of submission by the Borrower Representative to the Agent of the next Aggregate Borrowing Base Certificate in all other cases.

"Eligible Unbilled Accounts" means, at any time, Accounts of a Borrower that are not Eligible Accounts for the sole reason that such Accounts are not evidenced by invoices or other documentation satisfactory to the Agent which have been sent to the Account Debtor; provided, however, that no such Account shall be an Eligible Unbilled Account if evidence of such Account (by an invoice or other documentation satisfactory to the Agent) is not sent to the Account Debtor within thirty (30) days (or 60

days with respect to Accounts owing by Account Debtors approved by Agent in its Permitted Discretion), provided that the amount of such Eligible Unbilled Accounts shall not exceed $10,000,000 at any time of the date such Account is created. In the event that an Account which was previously an Eligible Unbilled Account ceases to be an Eligible Unbilled Account hereunder, such Borrower or the Borrower Representative shall notify the Agent thereof (i) within three Business Days of the earlier of the date such Borrower or the Borrower Representative has obtained knowledge thereof if any such Account is in excess of $500,000 in the aggregate and (ii) in all other cases, at the time of submission by the Borrower Representative to the Agent of the next Aggregate Borrowing Base Certificate.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements and other governmental restrictions relating to (a) the protection of the environment, (b) the effect of the environment on human health, (c) emissions, discharges or releases of pollutants, contaminants, hazardous substances or wastes into surface water, ground water or land, or (d) the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, hazardous substances or wastes or the clean-up or other remediation thereof.

"Equipment" has the meaning specified in the Security Agreement.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any rule or regulation issued thereunder.

"Eurodollar Advance" means an Advance which, except as otherwise provided in Section 2.12, bears interest at the applicable Eurodollar Rate.

"Eurodollar Base Rate" means, with respect to a Eurodollar Advance for the relevant Interest Period, the applicable British Bankers' Association LIBOR rate for deposits in U.S. dollars as reported by any generally recognized financial information service as of 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, and having a maturity equal to such Interest Period, provided that, if no such British Bankers' Association LIBOR rate is available to the Agent, the applicable Eurodollar Base Rate for the relevant Interest Period shall instead be the rate determined by the Agent to be the rate at which Bank One or one of its Affiliate banks offers to place deposits in U.S. dollars with first-class banks in the interbank market at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, in the approximate amount of Bank One's relevant Eurodollar Loan and having a maturity equal to such Interest Period.

"Eurodollar Loan" means a Loan which, except as otherwise provided in Section 2.12, bears interest at the applicable Eurodollar Rate.

"Eurodollar Rate" means, with respect to a Eurodollar Advance for the relevant Interest Period, the sum of (a) the quotient of (i) the Eurodollar Base Rate applicable to such Interest Period, divided by (ii) one minus the Reserve Requirement (expressed as a decimal) applicable to such Interest Period, plus (b) the Applicable Margin.

"Excluded Taxes" means, in the case of each Lender or applicable Lending Installation and the Agent, taxes imposed on its overall revenue or net income, and franchise taxes imposed on it, by (a) the jurisdiction under the laws of which such Lender or the Agent is incorporated or organized or (b) the jurisdiction in which the Agent's or such Lender's principal executive office or such Lender's applicable Lending Installation is located.

"Exhibit" refers to an exhibit to this Agreement, unless another document is specifically referenced.

"Existing Obligations" means the Obligations (as defined in the Amended Loan Agreement) outstanding on the Effective Date, immediately prior to the effectiveness of this Agreement.

"Existing Preferred Stock" means the Company's 80,000 shares of Series B Convertible Preferred Stock issued June 1, 2000 and outstanding on the Effective Date.

"Facility" means the credit facility described in Section 2.1 hereof to be provided to the Borrowers on the terms and conditions set forth in this Agreement.

"Facility LC" is defined in Section 2.1.2(a).

"Facility LC Application" is defined in Section 2.1.2(c).

"Facility LC Collateral Account" is defined in Section 2.1.2(j).

"Facility Termination Date" means February 25, 2007, or any earlier date on which the Aggregate Commitment is reduced to zero or otherwise terminated pursuant to the terms hereof.

"Federal Funds Effective Rate" means, for any day, an interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:00 a.m. (Chicago time) on such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by the Agent in its sole discretion.

"Fee Letter" is defined in Section 2.10(c).

"Financial Contract" of a Person means (a) any exchange-traded or over-the-counter futures, forward, swap or option contract or other financial instrument with similar characteristics, or (b) any Rate Management Transaction.

"Fiscal Month" means any of the monthly accounting periods of the Company.

"Fiscal Quarter" means any of the quarterly accounting periods of the Company, ending on March 31, June 30, September 30 and December 31 of each year.

"Fiscal Year" means any of the annual accounting periods of the Company ending on December 31 of each year.

"Fixed Charge Coverage Ratio" means, the ratio, determined as of the end of each Fiscal Quarter of the Company for the applicable Test Period, of (a) Consolidated EBITDA minus the unfinanced portion of Consolidated Capital Expenditures to (b) Consolidated Fixed Charges, all calculated for the Company and its Subsidiaries on a consolidated basis.

"Fixtures" has the meaning specified in the Security Agreement.

"Floating Rate" means, for any day, a rate per annum equal to (a) the Alternate Base Rate for such day plus (b) the Applicable Margin, in each case changing when and as the Alternate Base Rate changes.

"Floating Rate Advance" means an Advance which, except as otherwise provided in Section 2.12, bears interest at the Floating Rate.

"Floating Rate Loan" means a Loan which, except as otherwise provided in Section 2.12, bears interest at the Floating Rate.

"Foreign Intercompany Notes" is defined in section 6.21(g).

"Foreign Subsidiary" means any Subsidiary which is not a Domestic Subsidiary.

"Form 10-K" means, for any Fiscal Year, the Company's annual report on Form 10-K (or any successor form) and the accompanying consolidated financial statements filed with the Securities and Exchange Commission.

"Form 10-Q" means, for any Fiscal Quarter, the Company's quarterly report on Form 10-Q (or any successor form) and the accompanying consolidated financial statements filed with the Securities and Exchange Commission.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"Funding Account" is defined in Section 2.5.

"GAAP" means generally accepted accounting principles as in effect from time to time, applied in a manner consistent with that used in preparing the financial statements referred to in Section 5.5.

"Guaranteed Obligations" is defined in Section 15.1.

"Guarantor" means each Loan Party, any other Person who becomes a Loan Party pursuant to a Joinder Agreement, any other Person who executes a Guaranty and their respective successors and assigns.

"Guaranty" means Article XV of this Agreement and each separate guaranty, in form and substance satisfactory to the Agent, delivered by (if required by Agent) a Foreign Subsidiary (which guaranty shall be governed by the laws of the country in which such Foreign Subsidiary is located), as it may be amended or modified and in effect from time to time.

"Highest Lawful Rate" shall mean, on any day, the maximum nonusurious rate of interest permitted for that day by applicable federal or Texas law stated as a rate per annum. On each day, if any, that Chapter 303 of the Texas Finance Code, as amended (formerly Tex. Rev. Civ. Stat. Ann. Art. 5069-1D.003) establishes the Highest Lawful Rate, such rate shall be the "indicated (weekly) rate ceiling" (as defined in Chapter 303 of the Texas Finance Code, as amended) for that day.

"Indebtedness" of a Person means such Person's (a) obligations for borrowed money, (b) obligations representing the deferred purchase price of Property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (c)

obligations, whether or not assumed, secured by Liens or payable out of the proceeds or production from Property now or hereafter owned or acquired by such Person, (d) obligations which are evidenced by notes, acceptances, or other instruments, (e) obligations of such Person to purchase securities or other Property arising out of or in connection with the sale of the same or substantially similar securities or Property or any other Off-Balance Sheet Obligations, (f) Capitalized Lease Obligations, (g) Contingent Obligations for which the underlying transaction constitutes Indebtedness under this definition, (h) the maximum available stated amount of all letters of credit or bankers' acceptances created for the account of such Person and, without duplication, all reimbursement obligations with respect to letters of credit, (i) Rate Management Transactions/Net Mark-to-Market Exposure under all Rate Management Transactions, (j) obligations of such Person under any Sale and Leaseback Transaction, (k) obligations under any liquidated earn-out and (l) any other obligation for borrowed money or other financial accommodation which in accordance with GAAP would be shown as a liability on the consolidated balance sheet of such Person.

"Indenture" means that certain Indenture, dated December 17, 1997, among the Company, certain Subsidiaries of the Company, as guarantors and U.S. Bank, N.A., as trustee, as in effect on the Effective Date.

"Intangibles" means, as of any date, all of the intangible assets of a Person including, without limitation, (a) any surplus resulting from any write-up of assets subsequent to the Closing Date; (b) deferred assets (including without limitation, deferred taxes), other than prepaid insurance and prepaid taxes; (c) Intellectual Property Rights, non-compete agreements, franchises and other similar intangibles; and (d) goodwill, including any amounts, however designated on a balance sheet, representing the excess of the purchase price paid for assets or stock over the value assigned thereto on the books of such Person.

"Intellectual Property Rights" means, with respect to any Person, all of such Person's Patents, Copyrights, Trademarks, and Licenses, all other rights under any of the foregoing, all extensions, renewals, reissues, divisions, continuations and continuations-in-part of any of the foregoing, and all rights to sue for past, present, and future infringement of any of the foregoing.

"Intercompany Notes" is defined in Section 6.17(e).

"Interest Period" means, with respect to a Eurodollar Advance, a period of one, two, three or six months commencing on a Business Day selected by the Borrower Representative pursuant to this Agreement. Such Interest Period shall end on the day which corresponds numerically to such date one, two, three or six months thereafter, provided however, that if there is no such numerically corresponding day in such next, second, third or sixth succeeding month, such Interest Period shall end on the last Business Day of such next, second, third or sixth succeeding month. If an Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day, provided however, that if said next succeeding Business Day falls in a new calendar month, such Interest Period shall end on the immediately preceding Business Day.

"Inventory" has the meaning specified in the Security Agreement.

"Investment" of a Person means any (a) loan, advance, extension of credit (other than accounts receivable arising in the ordinary course of business on terms customary in the trade) or contribution of capital by such Person, (b) stocks, bonds, mutual funds, partnership interests, notes, debentures, securities or other Capital Stock owned by such Person, (c) any deposit accounts and certificate of deposit owned by such Person, and (d) structured notes, derivative financial instruments and other similar instruments or contracts owned by such Person.

"Joinder Agreement" is defined in Section 6.15(a).

"LC Fee" is defined in Section 2.10(b).

"LC Issuer" means Bank One (or any subsidiary or Affiliate of Bank One designated by Bank One) in its capacity as an issuer of Facility LCs hereunder.

"LC Obligations" means, at any time, the sum, without duplication, of (a) the aggregate undrawn stated amount under all Facility LCs outstanding at such time plus (b) the aggregate unpaid amount at such time of all Reimbursement Obligations.

"LC Payment Date" is defined in Section 2.1.2(d).

"Lenders" means the lending institutions listed on the signature pages of this Agreement and their respective successors and assigns.

"Lending Installation" means, with respect to a Lender, the LC Issuer or the Agent, the office, branch, subsidiary or Affiliate of such Lender, LC Issuer or the Agent listed on the signature pages hereof or on a Schedule or otherwise selected by such Lender, the LC Issuer or the Agent pursuant to Section 2.22.

"Letter of Credit" of a Person means a letter of credit, bankers' acceptances or similar instrument which is issued upon the application of such Person or upon which such Person is an account party or for which such Person is in any way liable.

"Lien" means any lien (statutory or other), mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, the interest of a vendor or lessor under any conditional sale, Capitalized Lease or other title retention agreement).

"Licenses" shall have the meaning given to such term in the Security Agreement.

"Loan Documents" means this Agreement, any Notes, the Facility LC Applications, the Collateral Documents and all other agreements, instruments, documents and certificates identified in Section 4.1 executed and delivered to, or in favor of, Agent or any Lenders and including all other pledges, powers of attorney, consents, assignments, contracts, notices, letter of credit agreements and all other written matter whether heretofore, now or hereafter executed by or on behalf of any Loan Party, or any employee of any Loan Party, and delivered to the Agent or any Lender in connection with the Agreement or the transactions contemplated thereby. Any reference in the Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, supplements or other modifications thereto, and shall refer to the Agreement or such Loan Document as the same may be in effect at any and all times such reference becomes operative.

"Loan Parties" means the Borrowers, the Borrower's Domestic Subsidiaries and any other Person who becomes a party to this Agreement pursuant to a Joinder Agreement and their successors and assigns.

"Loans" means, with respect to a Lender, such Lender's loans made pursuant to Article II (or any conversion or continuation thereof), including Non-Ratable Loans, Overadvances and Protective Advances.

"Material Adverse Effect" means a material adverse effect on (a) the business, Property, condition (financial or otherwise), results of operations, or prospects of a Borrower and its Subsidiaries taken as a whole, (b) the ability of any Loan Party to perform its obligations under the Loan Documents to which it is a party, (c) the Collateral, or the Agent's Liens (on behalf of itself and the Lenders) on the Collateral or the priority of such Liens or (d) the validity or enforceability of any of the Loan Documents or the rights or remedies of the Agent, the LC Issuer or the Lenders thereunder.

"Material Indebtedness" means Indebtedness in an outstanding principal amount of $1,000,000 or more in the aggregate (or the equivalent thereof in any currency other than U.S. dollars).

"Material Indebtedness Agreement" means any agreement under which any Material Indebtedness was created or is governed or which provides for the incurrence of Indebtedness in an amount which would constitute Material Indebtedness (whether or not an amount of Indebtedness constituting Material Indebtedness is outstanding thereunder).

"Modify" and "Modification" are defined in Section 2.1.2(a).

"Moody's" means Moody's Investors Service, Inc.

"Mortgages" means any mortgage, deed of trust or other agreement which conveys or evidences a Lien in favor of the Agent, for the benefit of the Agent and the Lenders, on real Property of Loan Party, including any amendment, modification or supplement thereto.

"Multiemployer Plan" means a Plan maintained pursuant to a collective bargaining agreement or any other arrangement to which the Company or any member of the Controlled Group is a party to which more than one employer is obligated to make contributions.

"Net Cash Proceeds" means, if in connection with (a) an asset disposition, cash proceeds net of (i) commissions and other reasonable and customary transaction costs, fees and expenses properly attributable to such transaction and payable by such Loan Party in connection therewith (in each case, paid to non-Affiliates), (ii) transfer taxes, (iii) amounts payable to holders of senior Liens on such asset (to the extent such Liens constitute Permitted Liens hereunder), if any, and (iv) an appropriate reserve for income taxes in accordance with GAAP established in connection therewith, (b) the issuance or incurrence of Indebtedness, cash proceeds net of attorneys' fees, investment banking fees, accountants' fees, underwriting discounts and commissions and other customary fees and expenses actually incurred in connection therewith or, (c) an equity issuance, cash proceeds net of underwriting discounts and commissions and other reasonable costs paid to non-Affiliates in connection therewith.

"Net Mark-to-Market Exposure" of a Person means, as of any date of determination, the excess (if any) of all unrealized losses over all unrealized profits of such Person arising from Rate Management Transactions. As used in this definition, "unrealized losses" means the fair market value of the cost to such Person of replacing such Rate Management Transaction as of the date of determination (assuming the Rate Management Transaction were to be terminated as of that date), and "unrealized profits" means the fair market value of the gain to such Person of replacing such Rate Management Transaction as of the date of determination (assuming such Rate Management Transaction were to be terminated as of that date).

"Net Orderly Liquidation Value" means, with respect to Inventory of any Person, the orderly liquidation value thereof as determined in a manner acceptable to the Agent by an appraiser acceptable to the Agent, net of all estimated costs of liquidation thereof.

"Non-Bridge Component" means, as to Revolving Obligations during the Bridge Period, all Revolving Obligations to the extent that the aggregate sum thereof at such time exceed the amount of the Bridge Revolving Commitment.

"Non-Bridge Revolving Commitment" means, (a) as to any Revolving Lender, the aggregate commitment of such Revolving Lender to make the Non-Bridge Component of Revolving Loans or incur the Non-Bridge Component of LC Obligations during the Bridge Period as set forth in the Commitment Schedule or in the most recent Assignment Agreement executed by such Revolving Lender and (b) as to all Revolving Lenders, the aggregate commitment of all Revolving Lenders to make the Non-Bridge Component of Revolving Loans or incur the Non-Bridge Component of LC Obligations during the Bridge Period, which aggregate commitment shall be Sixty-Two Million and No/100 Dollars ($62,000,000) on the Closing Date, as such amount may be adjusted, if at all, from time to time in accordance with this Agreement.

"Non-Ratable Loan" and "Non-Ratable Loans" are defined in Section 2.1.3.

"Non-U.S. Lender" is defined in Section 3.5(d).

"Notes" means, collectively, the Revolving Notes and the Term Notes.

"Obligations" means all unpaid principal of and accrued and unpaid interest on the Loans, all LC Obligations, all accrued and unpaid fees and all expenses, reimbursements, indemnities and other obligations of the Loan Parties to the Lenders or to any Lender, the Agent, the LC Issuer or any indemnified party arising under the Loan Documents.

"Off-Balance Sheet Liability" of a Person means (a) any repurchase obligation or liability of such Person with respect to accounts or notes receivable sold by such Person, (b) any indebtedness, liability or obligation under any Sale and Leaseback Transaction which is not a Capitalized Lease, (c) any indebtedness, liability or obligation under any so-called "synthetic lease" transaction entered into by such Person, or (d) any indebtedness, liability or obligation arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the balance sheets of such Person, but excluding from this clause (d) Operating Leases.

"Operating Lease" of a Person means any lease of Property (other than a Capitalized Lease) by such Person as lessee which has an original term (including any required renewals and any renewals effective at the option of the lessor) of one year or more.

"Operating Lease Obligations" means, as at any date of determination, the amount obtained by aggregating the present values, determined in the case of each particular Operating Lease by applying a discount rate (which discount rate shall equal the discount rate which would be applied under GAAP if such Operating Lease were a Capitalized Lease) from the date on which each fixed lease payment is due under such Operating Lease to such date of determination, of all fixed lease payments due under all Operating Leases of the Company and its Subsidiaries.

"Original Loan Agreement" means that certain Credit Agreement, dated June 25, 1995, by and among Newpark Resources, Inc., certain of its Subsidiaries, the lending institutions party thereto as lenders, Bank One, Louisiana, National Association, as administrative and syndication agent and the other parties thereto, as amended.

"Other Taxes" is defined in Section 3.5(b).

"Overadvances" has the meaning specified in Section 2.1.4(b).

"Participants" is defined in Section 12.2(a).

"Patents" shall have the meaning given to such term in the Security Agreement.

"Payment Date" means (a) with respect to interest payments due on any Floating Rate Loan, the first day of each calendar month and the Facility Termination Date, (b) with respect to interest payments due on any Eurodollar Loan, (i) the last day of the applicable Interest Period, and (ii) in the case of any Interest Period in excess of three months, the day which is three months after the first day of such Interest Period, and (iii) the Facility Termination Date, and (c) with respect to any payment of LC Fees or Unused Commitment Fees, the first day of each calendar month and the Facility Termination Date.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"Permitted Acquisitions" means Acquisitions, in each case, in the event (a) the cumulative aggregate cash consideration (defined as total net cash to be paid, plus Indebtedness and Contingent Obligations to be assumed in connection with such Acquisition, plus the Acquisition costs associated with such Acquisitions) is less than $15,000,000 through the Facility Termination Date and (b) (i) the acquisition target is in the same or similar line of business as the Company and its Subsidiaries; (ii) the Company or a Domestic Subsidiary is the surviving entity holding one hundred percent (100%) of the Capital Stock in the Acquisition target; (iii) no Default or Unmatured Default shall exist before or after such Acquisition; (iv) such Acquisition shall be completed in accordance with applicable laws; (v) Agent shall be provided with satisfactory opinions with regard to such Acquisition as it may request; (vi) the terms of Section 6.15(a) or 6.15(c) as the case may be, are satisfied; (vii) the board of directors of the Acquisition target approves the Acquisition; and (viii) both before and (on a pro-forma basis) after giving effect to such Acquisition, (A) the Company's Fixed Charge Coverage Ratio shall be equal to or greater than 1.25 to 1.0 and (B) the Borrowers' Availability shall be in excess of $15,000,000.

"Permitted Discretion" means a determination made in good faith and in the exercise of reasonable (from the perspective of a secured asset-based lender) business judgment.

"Permitted Liens" is defined in Section 6.22.

"Person" means any natural person, corporation, firm, joint venture, partnership, limited liability company, association, enterprise, trust or other entity or organization, or any government or political subdivision or any agency, department or instrumentality thereof.

"Plan" means an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code as to which a Loan Party or any member of the Controlled Group may have any liability.

"Prepayment Fee" is defined in Section 2.16(b).

"Pricing Schedule" means the Schedule attached hereto identified as such.

"Prime Rate" means a rate per annum equal to the prime rate of interest announced from time to time by Bank One or its parent (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

"Prior Loan Agreements" has the meaning specified in Section 9.15.

"Projections" is defined in Section 6.1(d).

"Property" of a Person means any and all property, whether real, personal, tangible, intangible, or mixed, of such Person, or other assets owned, leased or operated by such Person.

"Pro Rata Share" means, with respect to any Lender, (a) with respect to Revolving Obligations at all times other than during the Bridge Period, a portion thereof equal to a fraction the numerator of which is such Lender's Revolving Commitment and the denominator of which is the aggregate Revolving Commitment of all Revolving Lenders, (b) with respect to Revolving Obligations during the Bridge Period, a portion thereof equal to (i) as to the Bridge Component thereof, a fraction the numerator of which is such Lender's Bridge Revolving Commitment and the denominator of which is the aggregate Bridge Revolving Commitment of all Revolving Lenders and (ii) as to the Non-Bridge Component thereof, a fraction the numerator of which is the amount of such Lender's Non-Bridge Revolving Commitment and the denominator of which is the aggregate Non-Bridge Revolving Commitment of all Revolving Lenders, (c) with respect to Term A Loans, a portion equal to a fraction the numerator of which is such Lender's outstanding principal amount of the Term A Loan and the denominator of which is the aggregate outstanding amount of the Term A Loans of all Term A Lenders, (d) with respect to Supplemental Term Loans, a portion equal to a fraction the numerator of which is such Lender's outstanding principal amount of its Supplemental Term Loan and the denominator of which is the aggregate outstanding amount of the Supplemental Term Loans of all Supplemental Term Lenders, (e) with respect to Protective Advances or with respect to all Credit Extensions in the aggregate prior to the Facility Termination Date, a portion equal to a fraction the numerator of which is such Lender's Commitment and the denominator of which is the Aggregate Commitment of all Lenders, and (f) with respect to Protective Advances or with respect to all Credit Extensions in the aggregate after the Facility Termination Date, a portion equal to a fraction the numerator of which is such Lender's Credit Exposure and the denominator of which is the Aggregate Credit Exposure of all Lenders.

"Protective Advances" is defined in Section 2.1.4(a).

"Purchasers" is defined in Section 12.3(a).

"Rate Management Obligations" of a Person means any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (a) any and all Rate Management Transactions, and (b) any and all cancellations, buy backs, reversals, terminations or assignments of any Rate Management Transactions.

"Rate Management Transaction" means any transaction (including an agreement with respect thereto) now existing or hereafter entered by any Loan Party which is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor thereto or other regulation or official interpretation of said Board of Governors relating to reserve requirements applicable to member banks of the Federal Reserve System.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by banks for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System.

"Reimbursement Obligations" means, at any time, the aggregate of all obligations of the Borrowers then outstanding under Section 2.1.2 to reimburse the LC Issuer for amounts paid by the LC Issuer in respect of any one or more drawings under Facility LCs.

"Reportable Event" means a reportable event as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Plan, excluding, however, such events as to which the PBGC has by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within thirty days of the occurrence of such event, provided however, that a failure to meet the minimum funding standard of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waiver of the notice requirement in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

"Reports" means reports prepared by Bank One or another Person showing the results of appraisals, field examinations or audits pertaining to the Borrowers' assets from information furnished by or on behalf of the Borrowers, after Bank One has exercised its rights of inspection pursuant to this Agreement, which Reports may be distributed to the Lenders by Bank One.

"Required Bridge Lenders" means Revolving Lenders in the aggregate having at least 66-2/3% of the Bridge Revolving Commitment.

"Required Lenders" means Lenders in the aggregate having at least a majority of the Aggregate Commitment or, if the Aggregate Commitment has been terminated, Lenders in the aggregate holding at least a majority of the Aggregate Credit Exposure.

"Required Revolving Lenders" means Revolving Lenders in the aggregate having at least a majority of the Revolving Commitment or, if the Revolving Commitment has been terminated, Revolving Lenders in the aggregate holding at least a majority of the Aggregate Revolving Exposure.

"Reserve Requirement" means, with respect to an Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on Eurocurrency liabilities.

"Reserves" means any and all reserves which the Agent deems necessary, in its Permitted Discretion, to maintain (including, without limitation, reserves for accrued and unpaid interest on the Secured Obligations, Banking Services Reserves, reserves for rent at locations leased by any Loan Party and for consignee's, warehousemen's and bailee's charges, reserves for dilution of Accounts, reserves for Inventory shrinkage, reserves for customs charges and shipping charges related to any Inventory in transit, reserves for Rate Management Transactions, reserves for contingent liabilities of any Loan Party, reserves for uninsured losses of any Loan Party and reserves for taxes, fees, assessments, and other governmental charges) with respect to the Collateral or any Loan Party.

"Revolving Commitment" means, (a) except during the Bridge Period (i) as to any Revolving Lender, the aggregate commitment of such Revolving Lender to make Revolving Loans or incur LC Obligations as set forth in the Commitment Schedule or in the most recent Assignment Agreement executed by such Revolving Lender and (ii) as to all Revolving Lenders, the aggregate commitment of all Revolving Lenders to make the Non-Bridge Component of Revolving Loans or incur the Bridge

Component of LC Obligations during the Bridge Period, which aggregate commitment shall be Seventy Million and No/100 Dollars ($70,000,000) on the Closing Date, as such amount may be adjusted, if at all, from time to time in accordance with this Agreement, and (b) during the Bridge Period, (i) as to any Revolving Lender, the Bridge Revolving Commitment of such Lender and the Non-Bridge Revolving Commitment of such Lender and (ii) as to all Revolving Lenders, the aggregate Bridge Revolving Commitment of all Revolving Lenders and the aggregate Non-Bridge Revolving Commitment of all Revolving Lenders.

"Revolving Exposure" means, as to any Lender at any time, the sum of (a) an amount equal to its Pro Rata Share of the aggregate principal amount of the Revolving Loans outstanding at such time, plus (b) an amount equal to its Pro Rata Share of any LC Obligations at such time, plus (c) an amount equal to its Pro Rata Share of the aggregate principal amount of Non-Ratable Loans and Overadvances outstanding at such time.

"Revolving Lenders" means, as of any date of determination, Lenders having a Revolving Commitment.

"Revolving Loans" means the revolving loans extended by the Lenders to the Borrowers pursuant to Section 2.1.1 hereof.

"Revolving Note" is defined in Section 2.21(d).

"Revolving Obligations" means Revolving Loans, LC Obligations, Non-Ratable Loans and Overadvances.

"S&P" means Standard and Poor's Ratings Services, a division of The McGraw Hill Companies, Inc.

"Sale and Leaseback Transaction" means any sale or other transfer of Property by any Person with the intent to lease such Property as lessee.

"Schedule" refers to a specific schedule to this Agreement, unless another document is specifically referenced.

"Section" means a numbered section of this Agreement, unless another document is specifically referenced.

"Secured Obligations" means, collectively, (i) the Obligations; (ii) all Banking Services Obligations; and (iii) all Rate Management Obligations owing to one or more Lenders or any of their respective Affiliates, provided that at or prior to the time that any Rate Management Transaction relating to such Rate Management Obligation is executed, the Lender party thereto (other than Bank One) shall have delivered written notice to the Agent that such a Rate Management Transaction has been entered into and that it constitutes a Secured Obligation entitled to the benefits of the Collateral Documents.

"Security Agreement" means that certain Pledge and Security Agreement, dated as of the date hereof, between the Loan Parties and the Agent, for the benefit of the Agent and the Lenders, and any other pledge or security agreement entered into, after the Closing Date by any other Loan Party (as required by this Agreement or any other Loan Document), or any other Person, as the same may be amended, restated or otherwise modified from time to time.

"Senior Subordinated Notes" means, collectively, the Company's 8 5/8% Senior Subordinated Notes due 2007, Series A, and 8 5/8% Senior Subordinated Notes due 2007, Series B, each as issued pursuant to the Indenture.

"Single Employer Plan" means a Plan maintained by the Company or any member of the Controlled Group for employees of the Company or any member of the Controlled Group.

"Stated Rate" is defined in Section 2.24.

"Subordinated Indebtedness" of a Person means any Indebtedness of such Person the payment of which is subordinated to payment of the Secured Obligations to the written satisfaction of the Agent.

"Subsidiary" of a Person means, any corporation, partnership, limited liability company, association, joint venture or similar business organization more than 50% of the outstanding Capital Stock having ordinary voting power of which shall at the time be owned or controlled by such Person. Unless otherwise expressly provided, all references herein to a "Subsidiary" shall mean a Subsidiary of a Borrower.

"Substantial Portion" means Property which represents more than 10% of the consolidated assets of the Company and its Subsidiaries or property which is responsible for more than 10% of the consolidated net sales or of the consolidated net income of the Company and its Subsidiaries, in each case, as would be shown in the consolidated financial statements of the Company and its Subsidiaries as at the beginning of the twelve-month period ending with the month in which such determination is made (or if financial statements have not been delivered hereunder for that month which begins the twelve-month period, then the financial statements delivered hereunder for the quarter ending immediately prior to that month).

"Supplemental Term Lenders" means, as of any date of determination, Lenders having a Supplemental Term Loan Commitment.

"Supplemental Term Loan Commitment" means (a) as to any Supplemental Term Lender, the aggregate commitment of such Supplemental Term Lender to make Supplemental Term Loans as set forth in the Commitment Schedule or in the most recent Assignment Agreement executed by such Supplemental Term Lender and (b) as to all Supplemental Term Lenders, the aggregate commitment of all Supplemental Term Lenders to make Supplemental Term Loans, which aggregate commitment shall be Eleven Million One Hundred Thousand and No/l00 Dollars ($11,100,000) on the Closing Date. After advancing the Supplemental Term Loan, each reference to a Lender's Supplemental Term Loan Commitment shall refer to that Lender's Pro Rata Share.

"Supplemental Term Loans" means the term loans extended by the Lenders to the Borrowers pursuant to Section 2.1.6 hereof.

"Supplemental Term Note" is defined in Section 2.21(d).

"Supporting Letter of Credit" is defined in Section 2.1.2(l).

"Taxes" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and any and all liabilities with respect to the foregoing, but excluding Excluded Taxes and Other Taxes.

"Term A Lenders" means, as of any date of determination, Lenders having a Term A Loan Commitment.

"Term A Loan Commitment" means (a) as to any Term A Lender, the aggregate commitment of such Term A Lender to make Term A Loans as set forth in the Commitment Schedule or in the most recent Assignment Agreement executed by such Term A Lender and (b) as to all Term A Lenders, the aggregate commitment of all Term A Lenders to make Term A Loans, which aggregate commitment shall be Three Million Nine Hundred Thousand and No/l00 Dollars ($3,900,000) on the Closing Date. After advancing the Term A Loan, each reference to a Lender's Term A Loan Commitment shall refer to that Lender's Pro Rata Share.

"Term A Loans" means the term loans extended by the Lenders to the Borrowers pursuant to Section 2.1.5 hereof.

"Term A Note" is defined in Section 2.21(d).

"Term Notes" means, collectively, the Term A Notes and the Supplemental Term Notes.

"Test Period" means (i) as of March 31, 2004, the Fiscal Quarter then ending, (ii) as of June 30, 2004, the two (2) consecutive Fiscal Quarters then ending, (iii) as of September 30, 2004, the three (3) consecutive Fiscal Quarters then ending, and (iv) as of December 31, 2004 and as of the last day of each Fiscal Quarter thereafter, the four (4) consecutive Fiscal Quarters then ending.

"Trademarks" shall have the meaning given to such term in the Security Agreement.

"Transferee" is defined in Section 12.4.

"Type" means, with respect to any Advance, its nature as a Floating Rate Advance or a Eurodollar Advance and with respect to any Loan, its nature as a Floating Rate Loan or a Eurodollar Loan.

"UCC" means the Uniform Commercial Code as in effect from time to time in the State of Texas or any other state the laws of which are required to be applied in connection with the issue of perfection of security interests.

"Unfunded Liabilities" means the amount (if any) by which the present value of all vested and unvested accrued benefits under all Single Employer Plans exceeds the fair market value of all such Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plans using PBGC actuarial assumptions for single employer plan terminations.

"Unliquidated Secured Obligations" means, at any time, any Secured Obligations (or portion thereof) that is contingent in nature or unliquidated at such time, including any Secured Obligation that is: (i) an obligation to reimburse a bank for drawings not yet made under a letter of credit issued by it; (ii) any other obligation (including any guarantee) that is contingent in nature at such time; or (iii) an obligation to provide collateral to secure any of the foregoing types of obligations.

"Unmatured Default" means an event which but for the lapse of time or the giving of notice, or both, would constitute a Default.

"Unused Commitment Fee" is defined in Section 2.10(a).

"U.S." means the United States of America.

"Wholly-Owned Subsidiary" of a Person means, any Subsidiary all of the outstanding Capital Stock of which shall at the time be owned or controlled, directly or indirectly, by such Person or one or more Wholly-Owned Subsidiaries of such Person, or by such Person and one or more Wholly-Owned Subsidiaries of such Person.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

ARTICLE II

THE FACILITY

2.1. The Facility. Each Lender severally agrees, on the terms and conditions set forth in this Agreement, to (a) make Loans to the Borrowers as set forth below and (b) participate in Facility LCs issued upon the request of a Borrower, provided that, after giving effect to the making of each such Loan and the issuance of each such Facility LC, such Lender's Credit Exposure shall not exceed its Commitment; provided further, that the Aggregate Credit Exposure shall not exceed the Aggregate Commitment. The LC Issuer will issue Facility LCs hereunder on the terms and conditions set forth in Section 2.1.2. The Facility shall be composed of Revolving Loans, Non-Ratable Loans, Protective Advances, Overadvances and Facility LCs and Term Loans as set forth below:

2.1.1. Revolving Loans.

(a) Amount. From and including the Effective Date and prior to the Facility Termination Date, each Revolving Lender severally agrees, on the terms and conditions set forth in this Agreement, to make revolving loans (the "Revolving Loans") to the Borrower Representative on behalf of the applicable Borrower and participate in Facility LCs issued to any Borrower as set forth in Section 2.1.2 below, in aggregate amounts not to exceed such Lender's Pro Rata Share at such time. If any advance of a Revolving Loan or participation in a Facility LC would exceed the Borrowers' Availability, the Revolving Lenders will refuse to make or may otherwise restrict the making of Revolving Loans or the issuance of Facility LCs as the Required Revolving Lenders determine until such excess has been eliminated, subject to the Agent's authority, in its sole discretion, to make Protective Advances and Overadvances pursuant to the terms of Section 2.1.4. The Revolving Loans may consist of Floating Rate Advances or Eurodollar Advances, or a combination thereof, selected by the Borrower Representative in accordance with Sections 2.1.1(b) and 2.7. Subject to the terms of this Agreement, the Borrowers may borrow, repay and reborrow Revolving Loans at any time prior to the Facility Termination Date. The Commitments to extend credit under this Section 2.1.1(a) shall expire on the Facility Termination Date.

(b) Borrowing Procedures. The Borrower Representative shall select the Type of Advance and, in the case of each Eurodollar Advance, the Interest Period applicable thereto, from time to time. The Borrower Representative shall give the Agent irrevocable notice in the form of Exhibit A (a "Borrowing Notice") not later than 11:00 a.m. (Chicago time) on the Borrowing Date of each Floating Rate Advance and three Business Days before the Borrowing Date for each Eurodollar Advance, specifying: (1) the name of the applicable Borrower, (2) the Borrowing Date, which shall be a Business

Day, of such Advance, (3) the aggregate amount of such Advance, (4) the Type of Advance selected; provided that, if the Borrower Representative fails to specify the Type of Advance requested, such request shall be deemed a request for a Floating Rate Advance; and (5) the duration of the Interest Period if the Type of Advance requested is a Eurodollar Advance; provided that, if the Borrower Representative fails to select the duration of the Interest Period for the requested Eurodollar Advance, the Borrower Representative shall be deemed to have requested on behalf of the applicable Borrower that such Eurodollar Advance be made with an Interest Period of one month.

(c) The Agent's Election. Promptly after receipt of a Borrowing Notice (or telephonic notice in lieu thereof) of a requested Floating Rate Advance, the Agent shall elect in its sole discretion to have the terms of Section 2.1.1(d) (pro rata advance by all Revolving Lenders) or Section 2.1.3 (advance by the Agent, in the form of a Non-Ratable Loan, on behalf of the Revolving Lenders) apply to such requested Advance.

(d) Pro Rata Advance. Unless the Agent elects to have the terms of Section 2.1.3 apply to a requested Floating Rate Advance, or a requested Advance is for a Eurodollar Advance, then promptly after receipt of a Borrowing Notice or telephonic notice in lieu thereof as permitted by Section 2.8, the Agent shall notify the Lenders by telecopy, telephone, or e-mail of the requested Advance. Not later than noon (Chicago time) on each Borrowing Date, each Lender shall make available its Revolving Loan in funds immediately available in Chicago to the Agent and the Agent will make the funds so received from the Lenders available to the Borrower Representative at the Funding Account as set forth in Section 2.5.

(e) Increase in Aggregate Commitment. With the prior written consent of Agent, and provided that such increase would not cause an Event of Default, the Company shall have the option to request that the Revolving Lenders increase their respective Revolving Commitments such that the Aggregate Revolving Commitment shall be increased by a minimum amount of $10,000,000 (in each case, and not to exceed $20,000,000 in the aggregate), but no Revolving Lender shall have any obligation whatsoever to agree to any such requested increase, and each Revolving Lender may in its sole and absolute discretion reject any such requested increase. If the Revolving Lenders do not agree to increase their respective Revolving Commitments by amounts sufficient to provide the entire amount of the requested increase in the Aggregate Revolving Commitment, the Agent shall have the right to admit additional Revolving Lenders, if any are agreeable, to increase the Aggregate Revolving Commitment to the amount requested by the Borrower, up to the maximum amount of $95,000,000. In the event of such increase, whether by increase in the respective Revolving Commitments of existing Revolving Lenders or by admission of additional Revolving Lenders, the Pro Rata Share of the Revolving Lenders automatically shall be adjusted.

2.1.2. Facility LCs.

(a) Issuance. The LC Issuer hereby agrees, on the terms and conditions set forth in this Agreement, to issue to any Borrower standby and commercial Letters of Credit (each, a "Facility LC") and to renew, extend, increase, decrease or otherwise modify each Facility LC ("Modify," and each such action a "Modification"), from time to time from and including the Effective Date and prior to the Facility Termination Date upon the request of the Borrower Representative for the account of the applicable Borrower; provided that, the maximum face amount of the Facility LC to be issued or

Modified, does not exceed the least of (i) an amount equal to $20,000,000 minus the sum of (1) the aggregate undrawn amount of all outstanding Facility LCs at such time plus, without duplication, (2) the aggregate unpaid Reimbursement Obligations with respect to all Facility LCs outstanding at such time and (ii) the Borrowers' Availability. No Facility LC (or any renewal thereof) shall have an expiry date later than the earlier of (x) the thirtieth (30th) Business Day prior to the Facility Termination Date and (y) one year after its issuance; provided that any Letter of Credit with a one-year tenor may provide for the renewal thereof for additional one-year periods (which shall in no event extend beyond the date referred to in clause (x) above).

(b) Participations. Upon the issuance or Modification by the LC Issuer of a Facility LC in accordance with this Section 2.1.2, the LC Issuer shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably sold to each Revolving Lender, and each Revolving Lender shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably purchased from the LC Issuer, a participation in such Facility LC (and each Modification thereof) and the related LC Obligations in proportion to its Pro Rata Share.

(c) Notice. Subject to Section 2.1.2(a), the Borrower Representative, on behalf of the applicable Borrower, shall give the LC Issuer notice prior to 11:00 a.m. (Chicago time) at least three Business Days prior to the proposed date of issuance or Modification of each Facility LC, specifying the beneficiary, the proposed date of issuance (or Modification) and the expiry date of such Facility LC, and describing the proposed terms of such Facility LC and the nature of the transactions proposed to be supported thereby. Upon receipt of such notice, the LC Issuer shall promptly notify the Agent, and the Agent shall promptly notify each Revolving Lender, of the contents thereof and of the amount of such Revolving Lender's participation in such proposed Facility LC. The issuance or Modification by the LC Issuer of any Facility LC shall, in addition to the conditions precedent set forth in Article IV (the satisfaction of which the LC Issuer shall have no duty to ascertain), be subject to the conditions precedent that such Facility LC shall be satisfactory to the LC Issuer and that the applicable Borrower shall have executed and delivered such application agreement and/or such other instruments and agreements relating to such Facility LC as the LC Issuer shall have reasonably requested (each, a "Facility LC Application"). In the event of any conflict between the terms of this Agreement and the terms of any Facility LC Application, the terms of this Agreement shall control.

(d) Administration; Reimbursement by Revolving Lenders. Upon receipt from the beneficiary of any Facility LC of any demand for payment under such Facility LC, the LC Issuer shall notify the Agent and the Agent shall promptly notify the Borrower Representative and each other Revolving Lender as to the amount to be paid by the LC Issuer as a result of such demand and the proposed payment date (the "LC Payment Date"). The responsibility of the LC Issuer to the Borrower Representative, the Borrowers and each Revolving Lender shall be only to determine that the documents (including each demand for payment) delivered under each Facility LC in connection with such presentment shall be in conformity in all material respects with such Facility LC. The LC Issuer shall endeavor to exercise the same care in the issuance and administration of the Facility LCs as it does with respect to letters of credit in which no participations are granted, it being understood that in the absence of any gross negligence or willful misconduct by the LC Issuer, each Revolving Lender shall be unconditionally and irrevocably liable without regard to the occurrence of any Default or any condition

precedent whatsoever, to reimburse the LC Issuer on demand for (i) such Revolving Lender's Pro Rata Share of the amount of each payment made by the LC Issuer under each Facility LC to the extent such amount is not reimbursed by the Borrowers pursuant to Section 2.1.2(e) below, plus (ii) interest on the foregoing amount to be reimbursed by such Revolving Lender, for each day from the date of the LC Issuer's demand for such reimbursement (or, if such demand is made after 11:00 a.m. (Chicago time) on such date, from the next succeeding Business Day) to the date on which such Revolving Lender pays the amount to be reimbursed by it, at a rate of interest per annum equal to the Federal Funds Effective Rate for the first three days and, thereafter, at a rate of interest equal to the rate applicable to Floating Rate Advances.

(e) Reimbursement by Borrowers. Each Borrower shall be irrevocably and unconditionally obligated to reimburse the LC Issuer on or before the applicable LC Payment Date for any amounts to be paid by the LC Issuer upon any drawing under any Facility LC, without presentment, demand, protest or other formalities of any kind; provided that, no Borrower nor any Revolving Lender shall hereby be precluded from asserting any claim for direct (but not consequential) damages suffered by such Borrower or such Revolving Lender to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the LC Issuer in determining whether a request presented under any Facility LC issued by it complied with the terms of such Facility LC or (ii) the LC Issuer's failure to pay under any Facility LC issued by it after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC. All such amounts paid by the LC Issuer and remaining unpaid by the Borrowers shall bear interest, payable on demand, for each day until paid at a rate per annum equal to (x) the rate applicable to Floating Rate Advances for such day if such day falls on or before the applicable LC Payment Date and (y) the sum of 2% plus the rate applicable to Floating Rate Advances for such day if such day falls after such LC Payment Date. The LC Issuer will pay to each Revolving Lender ratably in accordance with its Pro Rata Share all amounts received by it from the Borrowers for application in payment, in whole or in part, of the Reimbursement Obligation in respect of any Facility LC issued by the LC Issuer, but only to the extent such Revolving Lender has made payment to the LC Issuer in respect of such Facility LC pursuant to Section 2.1.2(d). Subject to the terms and conditions of this Agreement (including without limitation the submission of a Borrowing Notice in compliance with Section 2.1.1(b) and the satisfaction of the applicable conditions precedent set forth in Article IV), the Borrower Representative may request an Advance hereunder on behalf of the applicable Borrower for the purpose of satisfying any Reimbursement Obligation.

(f) Obligations Absolute. Each Borrower's obligations under this Section 2.1.2 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which any Borrower may have or have had against the LC Issuer, any Revolving Lender or any beneficiary of a Facility LC. Each Borrower further agrees with the LC Issuer and the Revolving Lenders that the LC Issuer and the Revolving Lenders shall not be responsible for, and such Borrower's Reimbursement Obligation in respect of any Facility LC shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged, or any dispute between or among any Borrower, any of its Affiliates, the beneficiary of any Facility LC or any financing institution or other party to whom any Facility LC may be transferred or any claims or defenses whatsoever of any Borrower or of any of its Affiliates against the beneficiary of any Facility LC or any such

transferee. The LC Issuer 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 Facility LC. Each Borrower agrees that any action taken or omitted by the LC Issuer or any Revolving Lender under or in connection with each Facility LC and the related drafts and documents, if done without gross negligence or willful misconduct, shall be binding upon such Borrower and shall not put the LC Issuer or any Revolving Lender under any liability to any Borrower. Nothing in this Section 2.1.2(f) is intended to limit the right of the Borrowers to make a claim against the LC Issuer for damages as contemplated by the proviso to the first sentence of Section 2.1.2(e).

(g) Actions of LC Issuer. The LC Issuer shall be entitled to rely, and shall be fully protected in relying, upon any Facility LC, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document 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, independent accountants and other experts selected by the LC Issuer. The LC Issuer shall be fully justified in failing or refusing to take any action under this Agreement unless it shall first have received such advice or concurrence of the Required Revolving Lenders as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Revolving 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. Notwithstanding any other provision of this Section 2.1.2, the LC Issuer shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement in accordance with a request of the Required Revolving Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon the Revolving Lenders and any future holders of a participation in any Facility LC.

(h) Indemnification. Each Borrower hereby agrees to, jointly and severally, indemnify and hold harmless each Revolving Lender, the LC Issuer and the Agent, and their respective directors, officers, agents and employees from and against any and all claims and damages, losses, liabilities, costs or expenses which such Revolving Lender, the LC Issuer or the Agent may incur (or which may be claimed against such Revolving Lender, the LC Issuer or the Agent by any Person whatsoever) by reason of or in connection with the issuance, execution and delivery or transfer of or payment or failure to pay under any Facility LC or any actual or proposed use of any Facility LC, including, without limitation, any claims, damages, losses, liabilities, costs or expenses which the LC Issuer may incur by reason of or in connection with (i) the failure of any other Revolving Lender to fulfill or comply with its obligations to the LC Issuer hereunder (but nothing herein contained shall affect any rights any Borrower may have against any Defaulting Lender) or (ii) by reason of or on account of the LC Issuer issuing any Facility LC which specifies that the term "Beneficiary" included therein includes any successor by operation of law of the named Beneficiary, but which Facility LC does not require that any drawing by any such successor Beneficiary be accompanied by a copy of a legal document, satisfactory to the LC Issuer, evidencing the appointment of such successor Beneficiary; provided that, the Borrowers shall not be required to indemnify any Revolving Lender, the LC Issuer or the Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (x) the willful misconduct or gross negligence of the LC Issuer in determining whether a request presented under any Facility LC complied with the terms of such Facility LC or (y) the LC Issuer's failure to pay under any Facility LC after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC. Nothing in this

Section 2.1.2(h) is intended to limit the obligations of the Borrowers under any other provision of this Agreement.

(i) Revolving Lenders' Indemnification. Each Revolving Lender shall, ratably in accordance with its Pro Rata Share, indemnify the LC Issuer, its Affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Borrowers) against any cost, expense (including reasonable counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitees' gross negligence or willful misconduct or the LC Issuer's failure to pay under any Facility LC after the presentation to it of a request strictly complying with the terms and conditions of the Facility LC) that such indemnitees may suffer or incur in connection with this Section 2.1.2 or any action taken or omitted by such indemnitees hereunder.

(j) Facility LC Collateral Account. The Borrowers agree that they will, upon the request of the Agent in its Permitted Discretion or the Required Revolving Lenders and until the final expiration date of any Facility LC and thereafter as long as any amount is payable to the LC Issuer or the Revolving Lenders in respect of any Facility LC, maintain a special collateral account pursuant to arrangements satisfactory to the Agent (the "Facility LC Collateral Account") at the Agent's office at the address specified pursuant to Article XIII, in the name of the Borrowers but under the sole dominion and control of the Agent, for the benefit of the Lenders and in which the Borrowers shall have no interest other than as set forth in Section 8.1. Nothing in this Section 2.1.2(j) shall either obligate the Agent to require any Borrower to deposit any funds in the Facility LC Collateral Account or limit the right of the Agent to release any funds held in the Facility LC Collateral Account in each case other than as required by Section 8.1. Each Borrower hereby pledges, assigns and grants to the Agent, on behalf of and for the ratable benefit of the Lenders and the LC Issuer, a security interest in all of such Borrower's right, title and interest in and to all funds which may from time to time be on deposit in the Facility LC Collateral Account to secure the prompt and complete payment and performance of the Secured Obligations. The Agent will invest any funds on deposit from time to time in the Facility LC Collateral Account in certificates of deposit of Bank One having a maturity not exceeding thirty days.

(k) Rights as a Lender. In its capacity as a Lender, the LC Issuer shall have the same rights and obligations as any other Lender.

(l) Termination of the Facility. If, notwithstanding the provisions of this Section 2.1.2, any Facility LC is outstanding upon the earlier of (x) the termination of this Agreement and (y) the Facility Termination Date, then upon such termination the Borrowers shall deposit with the Agent, for the benefit of the Agent and the Lenders, with respect to all LC Obligations, as the Agent in its discretion shall specify, either (i) a standby letter of credit (a "Supporting Letter of Credit"), in form and substance satisfactory to the Agent, issued by an issuer satisfactory to the Agent, in a stated amount equal to 105% of the difference of (x) the amount of LC Obligations at such time, less (y) the amount on deposit in the Facility LC Collateral Account at such time which is free and clear of all rights and claims of third parties and has not been applied against the Obligations (such difference, the "Collateral Shortfall Amount"), under which Supporting Letter of Credit the Agent is entitled to draw amounts necessary to reimburse the Agent, the LC Issuer and the Lenders for payments to be made by the Agent, the LC Issuer and the Lenders under any such Facility LC and any fees and expenses associated with such

Facility LC, or (ii) cash, in immediately available funds, in an amount equal to 105% of the Collateral Shortfall Amount to be held in the Facility LC Collateral Account. Such Supporting Letter of Credit or deposit of cash shall be held by the Agent, for the benefit of the Agent and the Lenders, as security for, and to provide for the payment of, the aggregate undrawn amount of such Facility LC remaining outstanding.

2.1.3. Non-Ratable Loans. Subject to the restrictions set forth in Section 2.1.1(a), the Agent may elect to have the terms of this Section 2.1.3 apply to any requested Floating Rate Advance and Bank One shall thereafter make an Advance, on behalf of the Revolving Lenders and in the amount requested, available to the Borrowers on the applicable Borrowing Date by transferring same day funds to the Funding Account. Each Advance made solely by the Agent pursuant to this Section 2.1.3 is referred to in this Agreement as a "Non-Ratable Loan," and such Advances are referred to as the "Non-Ratable Loans." Each Non-Ratable Loan shall be subject to all the terms and conditions applicable to other Advances funded by the Revolving Lenders, except that all payments thereon shall be payable to Bank One solely for its own account. The Agent shall not make any Non-Ratable Loan if the requested Non-Ratable Loan exceeds the Borrowers' Availability (before giving effect to such Non-Ratable Loan). Non-Ratable Loans may be made even if a Default or Unmatured Default exists, but may not be made if the conditions precedent set forth in Section 4.2 have not been satisfied. The Non-Ratable Loans shall be secured by the Liens granted to the Agent in and to the Collateral and shall constitute Obligations hereunder. All Non-Ratable Loans shall be Floating Rate Advances and are subject to the settlement provisions set forth in Section 2.19.

2.1.4. Protective Advances and Overadvances.

(a) Protective Advances. Subject to the limitations set forth below, after the occurrence and during the continuance of a Default or an Unmatured Default, the Agent is authorized by the Borrowers and the Lenders, from time to time in the Agent's sole discretion (but shall have absolutely no obligation to), to make Advances, on behalf of all Lenders, in an aggregate amount outstanding at any time not to exceed $7,000,000, which the Agent, in its Permitted Discretion, deems necessary or desirable (i) to preserve or protect the Collateral, or any portion thereof, (ii) to enhance the likelihood of, or maximize the amount of, repayment of the Loans and other Obligations, or (iii) to pay any other amount chargeable to or required to be paid by the Borrowers pursuant to the terms of this Agreement, including costs, fees, and expenses as described in Section 9.6 (any of such Advances are herein referred to as "Protective Advances"); provided that, no Protective Advance shall cause the Aggregate Credit Exposure to exceed the Aggregate Commitment. Protective Advances may be made even if the conditions precedent set forth in Section 4.2 have not been satisfied. The Protective Advances shall be secured by the Liens in favor of the Agent in and to the Collateral and shall constitute Obligations hereunder. All Protective Advances shall be Floating Rate Advances, shall bear interest at the default rate set forth in Section 2.12 and shall be payable on the earlier of demand or the Facility Termination Date. The Required Lenders may at any time revoke the Agent's authorization to make Protective Advances. Any such revocation must be in writing and shall become effective prospectively upon the Agent's receipt thereof. At any time that there is sufficient Availability and the conditions precedent set forth in Section 4.2 have been satisfied, the Agent may request the Revolving Lenders to make a Revolving Loan to repay a Protective Advance. At any other time the Agent may require the Lenders to fund their risk participations described in Section 2.2.

(b) Overadvances. Any provision of this Agreement to the contrary notwithstanding, at the request of the Borrower Representative on behalf of any

Borrower, the Agent may in its sole discretion (but shall have absolutely no obligation to), make Advances to the Borrower Representative (for the account of such Borrower), on behalf of the Revolving Lenders, in amounts that exceed the Borrowers' Availability (any such excess Advances are herein referred to collectively as "Overadvances"); provided that, (i) no such Overadvance shall be outstanding for more than thirty (30) consecutive days, (ii) no such event or occurrence shall cause or constitute a waiver of the Agent's or Revolving Lenders' right to refuse to make any further Overadvances, Revolving Loans or Non-Ratable Loans, or issue Facility LCs, as the case may be, at any time that an Overadvance exists, and (iii) no Overadvance shall result in a Default or Unmatured Default due to such Borrower's failure to comply with Section 2.1.1(a) for so long as the Agent permits such Overadvance to remain outstanding, but solely with respect to the amount of such Overadvance. In addition, Overadvances may be made even if a Default or Unmatured Default exists, but may not be made if the conditions precedent set forth in Section 4.2 have not been satisfied (other than the condition regarding Availability). All Overadvances shall constitute Floating Rate Advances, shall bear interest at the default rate set forth in Section 2.12, shall be payable on the earlier of demand or the Facility Termination Date and are subject to the settlement provisions set forth in Section 2.19. The authority of the Agent to make Overadvances is limited to an aggregate amount not to exceed $7,000,000 at any time, and no Overadvance shall cause any Revolving Lender's Revolving Credit Exposure to exceed its Revolving Commitment or the Aggregate Credit Exposure to exceed the Aggregate Commitment; provided that, the Required Revolving Lenders may at any time revoke the Agent's authorization to make Overadvances. Any such revocation must be in writing and shall become effective prospectively upon the Agent's receipt thereof.

2.1.5. Term A Loans.

(a) Amounts of Term A Loans. Borrowers and Lenders agree that on the Effective Date a portion of the Existing Obligations equal to the aggregate Term A Loan Commitment shall be restructured as terms loans made by each Lender, respectively (any such term loan being referred to as a "Term A Loan" and such term loans being referred to collectively as the "Term A Loans"), to the Borrowers, in an amount equal to such Lender's Pro Rata Share of the Term A Loan Commitment. The Term A Loans shall initially be Floating Rate Advances but may be converted into Eurodollar Advances in accordance with Section 2.7.

(b) Amortization; Payments. The Term A Loans shall amortize in thirty-six (36) monthly installments. Each of the first thirty-five (35) installments of principal shall be in an amount equal to $65,000 and shall be payable on the first day of each month, commencing on March 1, 2004, and ending on February 1, 2007. The final installment of principal shall be in the amount of $1,625,000 or otherwise in an amount equal to the then remaining principal balance of the Term A Loans and shall be payable on the Facility Termination Date. Each such installment shall be payable to the Agent for the account of the applicable Term A Lender. Payments or prepayments of the Term A Loans may not be reborrowed.

2.1.6. Supplemental Term Loans.

(a) Amounts of Supplemental Term Loans. Borrowers and Lenders agree that on the Effective Date a portion of the Existing Obligations equal to the aggregate Supplemental Term Loan Commitment shall be restructured as terms loans made by each

Lender, respectively (any such term loan being referred to as a "Supplemental Term Loan" and such term loans being referred to collectively as the "Supplemental Term Loans"), to the Borrowers, in an amount equal to such Lender's Pro Rata Share of the Supplemental Term Loan Commitment. The Supplemental Term Loans shall initially be Floating Rate Advances but may be converted into Eurodollar Advances in accordance with Section 2.7.

(b) Amortization; Payments. The Supplemental Term Loans shall amortize in thirty-six (36) monthly installments. Each of the first thirty-five (35) installments of principal shall be in an amount equal to $185,000 and shall be payable on the first day of each month, commencing on March 1, 2004, and ending on February 1, 2007. The final installment of principal shall be in the amount of $4,625,000 or otherwise in an amount equal to the then remaining principal balance of the Supplemental Term Loans and shall be payable on the Facility Termination Date. Each such installment shall be payable to the Agent for the account of the applicable Supplemental Term Lender. Payments or prepayments of the Supplemental Term Loans may not be reborrowed.

2.1.7. Reallocation of Loans and Commitments. On the Effective Date, each Lender, if any, whose relative proportion of its Commitment hereunder is increasing over the proportion of the Commitment held by it prior to the Effective Date shall, by assignments from the Lenders which were parties to the Amended Loan Agreement prior to the Effective Date (the "Amended Agreement Lenders") (which assignments shall be deemed to occur hereunder automatically, and without any requirement for additional documentation, on the Effective Date) acquire a portion of the Loans and Commitments of the Lenders so designated in such amounts, and the Lenders shall, through Agent, make such other adjustments among themselves as shall be necessary so that after giving effect to assignments and adjustments, the Lenders shall hold all Loans outstanding under this Agreement ratably in accordance with their respective Commitments as reflected on the signature pages under such Lender's name, as modified from time to time pursuant to the terms hereof. On the Effective Date, all Interest Periods under the Amended Loan Agreement in respect of any Existing Obligations under the Amended Loan Agreement shall automatically be terminated (and the Borrowers shall on the Effective Date make payments to the Amended Agreement Lenders that held such Existing Obligations to compensate for such termination as if such termination were a payment or prepayment referred to in said Section 3.4), and subject to the other restrictions contained herein, the Borrower shall be permitted to continue such Eurodollar Advances or to convert such Eurodollar Advances into Floating Rate Advances or Floating Rate Loans, respectively, hereunder.

2.2. Ratable Loans; Risk Participation. Except as otherwise provided below, each Advance made in connection with a Revolving Loan or a Term Loan shall consist of Loans made by each Lender in an amount equal to such Lender's Pro Rata Share. Upon the making of an Advance by the Agent in connection with a Non-Ratable Loan or an Overadvance (whether before or after the occurrence of a Default or an Unmatured Default and regardless of whether the Agent has requested a Settlement with respect to such Non-Ratable Loan or Overadvance), the Agent shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably sold to each Revolving Lender and each Revolving Lender shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably purchased from the Agent, without recourse or warranty, an undivided interest and participation in such Non-Ratable Loan or Overadvance in proportion to its Pro Rata Share of the Revolving Commitment. Upon the making of an Advance by the Agent in connection with a Protective Advance (whether before or after the occurrence of a Default or an Unmatured Default and regardless of whether the Agent has requested a Settlement with respect to such Protective Advance), the Agent shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably sold to

each Lender and each Lender shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably purchased from the Agent, without recourse or warranty, an undivided interest and participation in such Protective Advance in proportion to its Pro Rata Share of the Aggregate Commitment. From and after the date, if any, on which any Lender is required to fund its participation in any Non-Ratable Loan, Overadvance or Protective Advance purchased hereunder, the Agent shall promptly distribute to such Lender, such Lender's Pro Rata Share of all payments of principal and interest and all proceeds of Collateral received by the Agent in respect of such Loan.

2.3. Payment of the Obligations. The Borrowers shall repay the outstanding principal balance of the Loans, together with all other Obligations, including all accrued and unpaid interest thereon, on the Facility Termination Date.

2.4. Minimum Amount of Each Advance. Each Eurodollar Advance shall be in the minimum amount of $5,000,000 and in multiples of $1,000,000 if in excess thereof. Floating Rate Advances may be in any amount.

2.5. Funding Account. The Borrower Representative shall deliver to the Agent, on the Effective Date, a notice setting forth the deposit account of the Borrower Representative (the "Funding Account") to which the Agent is authorized by the Borrowers to transfer the proceeds of any Advances requested pursuant to this Agreement. The Borrower Representative may designate a replacement Funding Account from time to time by written notice to the Agent. Any designation by the Borrower Representative of the Funding Account must be reasonably acceptable to the Agent.

2.6. Reliance Upon Authority; No Liability. The Agent is entitled to rely conclusively on any individual's request for Advances hereunder, so long as the proceeds thereof are to be transferred to the Funding Account. The Agent shall have no duty to verify the identity of any individual representing himself or herself as a person authorized by the Borrowers to make such requests on their behalf. The Agent shall not incur any liability to the Borrowers as a result of acting upon any notice referred to in Section 2.1 which the Agent reasonably believes to have been given by an officer or other person duly authorized by the Borrowers to request Advances on their behalf or for otherwise acting under this Agreement. The crediting of Advances to the Funding Account shall conclusively establish the joint and several obligation of the Borrowers to repay such Advances as provided herein.

2.7. Conversion and Continuation of Outstanding Advances. Floating Rate Advances shall continue as Floating Rate Advances unless and until such Floating Rate Advances are converted into Eurodollar Advances pursuant to this Section 2.7 or are repaid in accordance with this Agreement. Each Eurodollar Advance shall continue as a Eurodollar Advance until the end of the then applicable Interest Period therefor, at which time such Eurodollar Advance shall be automatically converted into a Floating Rate Advance unless (x) such Eurodollar Advance is or was repaid in accordance with this Agreement or (y) the Borrower Representative shall have given the Agent a Conversion/Continuation Notice (as defined below) requesting that, at the end of such Interest Period, such Eurodollar Advance continue as a Eurodollar Advance for the same or another Interest Period. Subject to the terms of Section 2.4, the Borrower Representative may elect from time to time to convert all or any part of a Floating Rate Advance into a Eurodollar Advance on behalf of the applicable Borrower. The Borrower Representative shall give the Agent irrevocable notice in the form of Exhibit B (a "Conversion/Continuation Notice") of each conversion of a Floating Rate Advance into a Eurodollar Advance or continuation of a Eurodollar Advance not later than 11:00 a.m. (Chicago time) at least three Business Days prior to the date of the requested conversion or continuation, specifying (i) the requested date, which shall be a Business Day, of such conversion or continuation, (ii) the aggregate amount and Type of the Advance which is to be converted or continued, and (iii) the amount of such Advance which is to be converted into or continued as a Eurodollar Advance and the duration of the Interest Period applicable thereto.

2.8. Telephonic Notices. Each Borrower hereby authorizes the Lenders and the Agent to extend, convert or continue Advances, effect selections of Types of Advances and to transfer funds based on telephonic notices made by any person or persons the Agent or any Lender in good faith believes to be acting on behalf of the Borrower Representative, it being understood that the foregoing authorization is specifically intended to allow Borrowing Notices and Conversion/Continuation Notices to be given telephonically. The Borrower Representative agrees to deliver promptly to the Agent a written confirmation, if such confirmation is requested by the Agent or any Lender, of each telephonic notice signed by an Authorized Officer of the Borrower Representative. If the written confirmation differs in any material respect from the action taken by the Agent and the Lenders, the records of the Agent and the Lenders shall govern absent manifest error.

2.9. Notification of Advances, Interest Rates and Repayments. Promptly after receipt thereof, the Agent will notify each Lender of the contents of each Borrowing Notice, Conversion/Continuation Notice, and repayment notice received by it hereunder. Promptly after notice from the LC Issuer, the Agent will notify each Revolving Lender of the contents of each request for issuance of a Facility LC hereunder or any Modification. The Agent will notify each Lender of the interest rate applicable to each Eurodollar Advance promptly upon determination of such interest rate and will give each Lender prompt notice of each change in the Alternate Base Rate.

2.10. Fees.

(a) Unused Commitment Fee. The Borrowers agree to pay to the Agent, for the account of each Revolving Lender in accordance with such Lender's Pro Rata Share, an unused commitment fee at a per annum rate equal to the Applicable Unused Commitment Fee Rate on the average daily Available Revolving Commitment, payable on each Payment Date hereafter and on the Facility Termination Date (the "Unused Commitment Fee").

(b) LC Fees. The Borrowers shall pay to the Agent, for the account of the Revolving Lenders ratably in accordance with their respective Pro Rata Shares, a letter of credit fee at a per annum rate equal to the Applicable LC Fee Rate on the average daily undrawn stated amount under each Facility LC, such fee to be payable in arrears on each Payment Date (the "LC Fee"). The Borrowers shall also pay to the LC Issuer for its own account (x) at the time of issuance of each Facility LC, a fronting fee of 0.125% of the face amount of the Facility LC, and (y) documentary and processing charges in connection with the issuance or Modification of and draws under Facility LCs in accordance with the LC Issuer's standard schedule for such charges as in effect from time to time.

(c) Agent and Arranger Fees. The Borrowers agree to pay to the Agent and the Arranger such additional fees as are specified in the fee letter dated as of the Effective Date, among the Agent, the Arranger and the Borrowers (the "Fee Letter").

2.11. Interest Rates. Each Floating Rate Advance shall bear interest on the outstanding principal amount thereof, for each day from and including the date such Advance is made or is automatically converted from a Eurodollar Advance into a Floating Rate Advance pursuant to Section 2.7, to but excluding the date it is paid or is converted into a Eurodollar Advance pursuant to Section 2.7 hereof, at a rate per annum equal to the Floating Rate for such day. Changes in the rate of interest on that portion of any Advance maintained as a Floating Rate Advance will take effect simultaneously with each change in the Alternate Base Rate. Each Eurodollar Advance shall bear interest on the outstanding principal amount thereof from and including the first day of the Interest Period applicable thereto to (but

not including) the last day of such Interest Period at the interest rate determined by the Agent as applicable to such Eurodollar Advance based upon the Borrower Representative's selections under Sections 2.1.1 and 2.7 and otherwise in accordance with the terms hereof. No Interest Period may end after the Facility Termination Date. If at any time Loans are outstanding with respect to which the Borrower Representative has not delivered a notice to the Agent specifying the basis for determining the interest rate applicable thereto, those Loans shall bear interest at the Floating Rate.

2.12. Eurodollar Advances Post Default; Default Rates. Notwithstanding anything to the contrary contained hereunder, during the continuance of a Default or Unmatured Default the Agent or the Required Lenders may, at their option, by notice to the Borrower Representative (which notice may be revoked at the option of the Required Lenders notwithstanding any provision of Section 8.3 requiring unanimous consent of the Lenders to reductions in interest rates), declare that no Advance may be made as, converted into or continued as a Eurodollar Advance. During the continuance of a Default the Agent or the Required Lenders may, at their option, by notice to the Borrower Representative (which notice may be revoked at the option of the Required Lenders notwithstanding any provision of Section 8.3 requiring unanimous consent of the Lenders to reductions in interest rates), declare that (i) each Eurodollar Advance shall bear interest for the remainder of the applicable Interest Period at the rate otherwise applicable to such Interest Period plus 2% per annum, (ii) each Floating Rate Advance shall bear interest at a rate per annum equal to the Floating Rate in effect from time to time plus 2% per annum and (iii) the LC Fee shall be increased by 2% per annum, provided that, during the continuance of a Default under subsection (f) or (g) of Article VII, the interest rates set forth in clauses (i) and (ii) above and the increase in the LC Fee set forth in clause (iii) above shall be applicable to all Credit Extensions without any election or action on the part of the Agent or any Lender.

2.13. Interest Payment Dates; Interest and Fee Basis. Interest accrued on each Floating Rate Advance shall be payable on each Payment Date, commencing with the first such date to occur after the date hereof and at maturity. Interest accrued on each Eurodollar Advance shall be payable on the last day of its applicable Interest Period, on any date on which the Eurodollar Advance is prepaid, whether by acceleration or otherwise, and at maturity. Interest accrued on each Eurodollar Advance having an Interest Period longer than three months shall also be payable on the last day of each three-month interval during such Interest Period. Interest on all Advances, Unused Commitment Fees and LC Fees shall be calculated for actual days elapsed on the basis of a 360-day year. Interest shall be payable for the day an Advance is made but not for the day of any payment on the amount paid if payment is received prior to noon (local time) at the place of payment. If any payment of principal of or interest on an Advance shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest in connection with such payment. After giving effect to any Loan, Advance, continuation, or conversion of any Eurodollar Rate Loan, there may not be more than eight different Interest Periods in effect hereunder.

2.14. Voluntary Prepayments. The Borrowers may from time to time prepay, without penalty or premium, all or any portion of the outstanding Floating Rate Advances upon written notice to the Agent. The Borrowers may also from time to time prepay, subject to the payment of any funding indemnification amounts required by Section 3.4 but without penalty or premium, all outstanding Eurodollar Advances, or, in a minimum aggregate amount of $1,000,000 or any integral multiple of $100,000 in excess thereof, any portion of the outstanding Eurodollar Advances upon three Business Days' prior notice to the Agent.

2.15. Mandatory Prepayments.

(a) Borrowing Base Compliance. Except for Overadvances permitted pursuant to Section 2.1.4(b), the Borrowers shall immediately repay the Revolving Loans, Reimbursement Obligations and/or Non-Ratable Loans if at any time the Aggregate Revolving Exposure exceeds the lesser of (i) the Revolving Commitment and (ii) the Aggregate Borrowing Base, to the extent required to eliminate such excess. If any such excess remains after repayment in full of all outstanding Revolving Loans, Reimbursement Obligations and Non-Ratable Loans, the Borrowers shall provide cash collateral or a Supporting Letter of Credit for the LC Obligations in the manner set forth in Section 2.1.2(l) to the extent required to eliminate such excess.

(b) Sale of Assets. Immediately upon receipt by any Loan Party of the Net Cash Proceeds of any asset disposition (other than sales of inventory in the ordinary course of business and sales the Net Cash Proceeds of which do not exceed $100,000) the applicable Borrower shall prepay the Obligations or shall cause the applicable Loan Party to deliver funds to the Agent for application to the Obligations, in an amount equal to all such Net Cash Proceeds. Any such prepayment shall be applied first, to pay the principal of the Overadvances and Protective Advances, second, to scheduled principal installments of the Supplemental Term Loans in inverse order of maturity and then to the Term Loans A in the inverse order of maturity, third, to pay the principal of the Non-Ratable Loans, fourth, to pay the principal of the Revolving Loans without (unless otherwise necessary to comply with the Indenture) a concomitant reduction in the Revolving Commitment, and fifth, to cash collateralize outstanding Facility LCs; provided, however, that if such Net Cash Proceeds are received in connection with an Approved Bridge Availability Refinancing, such Net Cash Proceeds shall be applied first to such Approved Bridge Availability Refinancing and then to the Obligations in the order set forth above.

(c) Issuance of Debt or Equity. If any Borrower issues Capital Stock or any Loan Party issues Indebtedness (other than Indebtedness permitted by Sections 6.17(a),(c),(e), (g) and (h)) or if any Loan Party receives any dividend or distribution from a Person other than a Loan Party, no later than the Business Day following the date of any Net Cash Proceeds of such issuance or receipt of such dividend, distribution, loan or advance, the Borrowers shall prepay the Obligations in an amount equal to all such Net Cash Proceeds, dividends, distributions, loans or advances. Any such prepayment shall be applied first, to pay the principal of the Overadvances and Protective Advances, second, to scheduled principal installments of the Supplemental Term Loans in inverse order of maturity and then to the Term A Loans in the inverse order of maturity, third, to pay the principal of the Non-Ratable Loans, fourth, to pay the principal of the Revolving Loans without a concomitant reduction in the Revolving Commitment, and fifth, to cash collateralize outstanding Facility LCs; provided, however, that if such Net Cash Proceeds are received in connection with an Approved Bridge Availability Refinancing, such Net Cash Proceeds shall be applied first to such Approved Bridge Availability Refinancing and then to the Obligations in the order set forth above.

(d) Adjusted Excess Cash Flow. Until the Term Loan Facility Termination Date, the Borrowers shall prepay the Supplemental Term Loans on the date that is ten days after the earlier of (i) the date on which Borrowers' annual audited Financial Statements for the immediately preceding Fiscal Year are delivered pursuant to Section 6.1 or (ii) the date on which such annual audited Financial Statements were

required to be delivered pursuant to Section 6.1, in an amount equal to one hundred percent (100%) of the Company's Adjusted Excess Cash Flow for the immediately preceding Fiscal Year, not to exceed the aggregate amount of the principal payments due and payable with respect to the Supplemental Term Loans during such Fiscal Year. Each such prepayment shall be accompanied by a certificate signed by the chief financial officer of the Borrower Representative (on behalf of the Borrowers) certifying the manner in which Adjusted Excess Cash Flow and the resulting prepayment were calculated, which certificate shall be in form and substance satisfactory to the Agent.

(e) Insurance/Condemnation Proceeds. Any insurance or condemnation proceeds to be applied to the Obligations in accordance with Section 6.7(c) shall be applied as follows: (i) insurance proceeds from casualties or losses to cash or Inventory shall be applied, first, to the Overadvances and Protective Advances, pro rata, second, to the Non-Ratable Loans, third, to the Revolving Loans of the Borrower who received such proceeds, fourth, to cash collateralize outstanding Facility LCs of the Borrower who received such proceeds, fifth, to the Revolving Loans of the other Borrowers, sixth, to the to cash collateralize outstanding Facility LCs of the other Borrowers, and seventh, to scheduled principal installments of the Supplemental Term Loans in inverse order of maturity and then, to the Term A Loans in the inverse order of maturity; and (ii) insurance or condemnation proceeds from casualties or losses to Equipment, Fixtures and real Property shall be applied first, to pay the principal of the Overadvances and Protective Advances, second, to scheduled principal installments of the Supplemental Term Loans in inverse order of maturity and then to the Term A Loans in the inverse order of maturity, third, to pay the principal of the Non-Ratable Loans, fourth, to pay the principal of the Revolving Loans, and fifth, to cash collateralize outstanding Facility LCs. The Revolving Commitment shall not be permanently reduced by the amount of any such prepayments. If the precise amount of insurance or condemnation proceeds allocable to Inventory as compared to Equipment, Fixtures and real Property is not otherwise determined, the allocation and application of those proceeds shall be determined by the Agent, in its Permitted Discretion.

(f) General. Without in any way limiting the foregoing, immediately upon receipt by any Loan Party of proceeds of any sale of any Collateral, the Borrowers shall cause such Loan Party to deliver such proceeds to the Agent, or deposit such proceeds in a deposit account subject to a Deposit Account Control Agreement. All of such proceeds shall be applied as set forth above or otherwise as provided in Section 2.18. Nothing in this Section 2.15 shall be construed to constitute Agent's or any Lender's consent to any transaction that is not permitted by other provisions of this Agreement or the other Loan Documents.

2.16. Termination of the Facility.

(a) Without limiting Section 2.3 or Section 8.1, (a) the Aggregate Commitments shall expire on the Facility Termination Date and (b) the Aggregate Credit Exposure and all other unpaid Obligations shall be paid in full by the Borrowers on the Facility Termination Date.

(b) The Borrowers may terminate this Agreement with at least ten Business Days' prior written notice thereof to the Agent and the Lenders, upon (i) the payment in full of all outstanding Loans, together with accrued and unpaid interest thereon, (ii) the cancellation and return of all outstanding Facility LCs (or alternatively, with respect to

each such Facility LC, the furnishing to the Agent of a cash deposit or Supporting Letter of Credit as required by Section 2.1.2(l)), (iii) the payment in full of the early termination fee set forth in the following sentence (the "Prepayment Fee"), (iv) the payment in full of all reimbursable expenses and other Obligations together with accrued and unpaid interest thereon, and (v) the payment in full of any amount due under Section 3.4. Subject to Section 2.24, if this Agreement is terminated at any time prior to the Facility Termination Date, whether pursuant to this Section 2.16 or pursuant to Section 8.1, the Borrower shall pay to the Agent, for the account of the Lenders, an early termination fee determined in accordance with the following table:

Period during which early termination occurs	Prepayment Fee
On or prior to the first anniversary of the Closing Date	1.0% of the Aggregate Commitment
After the first anniversary of the Closing Date but on or prior to the second anniversary of the Closing Date	0.50% of the Aggregate Commitment

No such Prepayment Fee shall be payable in the event this Agreement is terminated in connection with refinancing of the Obligations in a transaction in which Bank One or one of its Affiliates that is a banking institution provides or arranges a replacement bank credit facility for the Borrowers.

2.17. Method of Payment.

(a) All payments of the Obligations hereunder shall be made, without setoff, deduction, or counterclaim, in immediately available funds to the Agent at the Agent's address specified pursuant to Article XIII, or at any other Lending Installation of the Agent specified in writing by the Agent to the Borrower Representative, by noon (local time) on the date when due and shall be applied ratably by the Agent among the Lenders. Any payment received by the Agent after such time shall be deemed to have been received on the following Business Day and any applicable interest or fee shall continue to accrue. Solely for purposes of determining the amount of Loans available for borrowing purposes, checks and cash or other immediately available funds from collections of items of payment and proceeds of any Collateral shall be applied in whole or in part against the Obligations, on the day of receipt, subject to actual collection. Each payment delivered to the Agent for the account of any Lender shall be delivered promptly by the Agent to such Lender in the same type of funds that the Agent received at its address specified pursuant to Article XIII or at any Lending Installation specified in a notice received by the Agent from such Lender.

(b) At the election of the Agent, all payments of principal, interest, reimbursement obligations in connection with Facility LCs, fees, premiums, reimbursable expenses (including, without limitation, all reimbursement for fees and expenses pursuant to Section 9.6), and other sums payable under the Loan Documents, may be paid from the proceeds of Advances made hereunder whether made following a request by the Borrower Representative pursuant to Section 2.1 or a deemed request as provided in this Section 2.17 or may be deducted from the Funding Account or any other deposit account of any Borrower maintained with the Agent. Each Borrower hereby irrevocably authorizes (i) the Agent to make an Advance for the purpose of paying each payment of

principal, interest and fees as it becomes due hereunder or any other amount due under the Loan Documents and agrees that all such amounts charged shall constitute Loans (including Non-Ratable Loans, Overadvances and Protective Advances) and that all such Advances shall be deemed to have been requested pursuant to Section 2.1 and (ii) the Agent to charge the Funding Account or any other deposit account of any Borrower maintained with Bank One for each payment of principal, interest and fees as it becomes due hereunder or any other amount due under the Loan Documents.

2.18. Apportionment, Application, and Reversal of Payments. Except as otherwise required pursuant to Section 2.19, principal and interest payments shall be apportioned ratably among the Lenders as set forth in this Article II and payments of the fees shall, as applicable, be apportioned ratably among the Lenders, except for fees payable solely to the Agent or the LC Issuer and except as provided in Section 2.10(c). All payments shall be remitted to the Agent and all such payments not relating to principal or interest of specific Loans or not constituting payment of specific fees as specified by the Borrower Representative, and all proceeds of any Collateral received by the Agent, shall be applied, ratably, subject to the provisions of this Agreement, first, to pay any fees, indemnities, or expense reimbursements including amounts then due to the Agent from the Borrowers (other than in connection with Banking Services or Rate Management Obligations), second, to pay any fees or expense reimbursements then due to the Lenders from the Borrowers (other than in connection with Banking Services or Rate Management Obligations), third, to pay interest due in respect of the Overadvances and Protective Advances, fourth, to pay the principal of the Overadvances and Protective Advances, fifth, to interest then due and payable on the Supplemental Term Loans and then the Term A Loans, sixth, to prepay the principal installments of the Supplemental Term Loans in inverse order of maturity and then to the Term A Loans in the inverse order of maturity, seventh, to pay interest due in respect of the Non-Ratable Loans, eighth, to pay interest due in respect of the Revolving Loans (other than Non-Ratable Loans, Overadvances and Protective Advances), ninth, to pay or prepay principal of the Non-Ratable Loans, tenth, to pay or prepay principal of the Revolving Loans (other than Non-Ratable Loans, Overadvances and Protective Advances) and unpaid reimbursement obligations in respect of Facility LCs (except, in each case, during the Bridge Period, the Bridge Component thereof), eleventh, to pay an amount to the Agent equal to one hundred five percent (105%) of the aggregate undrawn face amount of all outstanding Facility LCs and the aggregate amount of any unpaid reimbursement obligations in respect of Facility LCs, to be held as cash collateral for such Obligations, twelfth, during the Bridge Period, to pay or prepay the Bridge Component of the principal of the Revolving Loans (other than Non-Ratable Loans, Overadvances and Protective Advances) and unpaid reimbursement obligations in respect of Facility LCs, thirteenth, to payment of any amounts owing with respect to Banking Services and Rate Management Obligations, and fourteenth, to the payment of any other Secured Obligation due to the Agent or any Lender by the Borrowers. Notwithstanding anything to the contrary contained in this Agreement, unless so directed by the Borrower Representative, or unless a Default is in existence, neither the Agent nor any Lender shall apply any payment which it receives to any Eurodollar Loan, except (a) on the expiration date of the Interest Period applicable to any such Eurodollar Loan or (b) in the event, and only to the extent, that there are no outstanding Floating Rate Loans and, in any event, the Borrowers shall pay the Eurodollar breakage losses in accordance with Section 3.4. The Agent and the Lenders shall have the continuing and exclusive right to apply and reverse and reapply any and all such proceeds and payments to any portion of the Secured Obligations. All Loans to Borrowers and all of the other Obligations of Borrowers arising under this Agreement and the other Loan Documents shall constitute one general obligation of Borrowers secured by all of the Collateral.

2.19. Settlement. Each Revolving Lender's funded portion of the Loans is intended by the Revolving Lenders to be equal at all times to such Revolving Lender's Pro Rata Share of the outstanding Loans. Notwithstanding such agreement, the Agent, Bank One, and the Lenders agree (which agreement shall not be for the benefit of or enforceable by the Loan Parties) that in order to facilitate the

administration of this Agreement and the other Loan Documents, settlement among them as to the Loans, including the Non-Ratable Loans and Overadvances shall take place on a periodic basis as follows. The Agent shall request settlement (a "Settlement") with the Lenders on at least a weekly basis, or on a more frequent basis at the Agent's election, by notifying the Lenders of such requested Settlement by telecopy, telephone, or e-mail no later than 12:00 noon (Chicago time) on the date of such requested Settlement (the "Settlement Date"). Each Revolving Lender (other than the Agent, in the case of the Non-Ratable Loans and Overadvances) shall transfer the amount of such Revolving Lender's Pro Rata Share of the outstanding principal amount of the applicable Loan with respect to which Settlement is requested to the Agent, to such account of the Agent as the Agent may designate, not later than 2:00 p.m. (Chicago time), on the Settlement Date applicable thereto. Settlements may occur during the existence of a Default or an Unmatured Default and whether or not the applicable conditions precedent set forth in Section 4.2 have then been satisfied. Such amounts transferred to the Agent shall be applied against the amounts of the applicable Loan and, together with Bank One's Pro Rata Share of such Non-Ratable Loan or Overadvance, shall constitute Revolving Loans of such Lenders, respectively. If any such amount is not transferred to the Agent by any Lender on the Settlement Date applicable thereto, the Agent shall be entitled to recover such amount on demand from such Lender together with interest thereon as specified in Section 2.23.

2.20. Indemnity for Returned Payments. If after receipt of any payment which is applied to the payment of all or any part of the Obligations, the Agent or any Lender is for any reason compelled to surrender such payment or proceeds to any Person because such payment or application of proceeds is invalidated, declared fraudulent, set aside, determined to be void or voidable as a preference, impermissible setoff, or a diversion of trust funds, or for any other reason, then the Obligations or part thereof intended to be satisfied shall be revived and continued and this Agreement shall continue in full force as if such payment or proceeds had not been received by the Agent or such Lender and the Borrowers shall be liable to pay to the Agent and the Lenders, and each Borrower hereby indemnifies the Agent and the Lenders and holds the Agent and the Lenders harmless for the amount of such payment or proceeds surrendered. The provisions of this Section 2.20 shall be and remain effective notwithstanding any contrary action which may have been taken by the Agent or any Lender in reliance upon such payment or application of proceeds, and any such contrary action so taken shall be without prejudice to the Agent's and the Lenders' rights under this Agreement and shall be deemed to have been conditioned upon such payment or application of proceeds having become final and irrevocable. The provisions of this Section 2.20 shall survive the termination of this Agreement.

2.21. Noteless Agreement; Evidence of Indebtedness.

(a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrowers to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(b) The Agent shall also maintain accounts in which it will record (i) the amount of each Loan extended hereunder, the Type thereof, the name of the Borrower who requested such Loan and the Interest Period with respect thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrowers to each Lender hereunder, (iii) the original stated amount of each Facility LC and the amount of LC Obligations outstanding at any time, and (iv) the amount of any sum received by the Agent hereunder from the Borrowers and each Lender's share thereof.

(c) The entries maintained in the accounts maintained pursuant to paragraphs (a) and (b) above shall be prima facie evidence of the existence and amounts of the Obligations therein recorded; provided however, that the failure of the Agent or any Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrowers to repay the Obligations in accordance with their terms.

(d) Any Lender may request that its Revolving Loans be evidenced by a promissory note in substantially the form of Exhibit C-1 (a "Revolving Note"), that its Term A Loans be evidenced by a promissory note in substantially the form of Exhibit C-2 attached hereto (a "Term A Note") and that its Supplemental Term Loans be evidenced by a promissory note in substantially the form of Exhibit C-3 attached hereto (a "Supplemental Term Note"). In such event, each Borrower shall prepare, execute and deliver to such Lender such Note payable to the order of such Lender. Thereafter, the Revolving Loans evidenced by such Revolving Note, the Term A Loans evidenced by such Term A Note, the Supplemental Term Loans evidenced by such Supplemental Term Note and interest on the foregoing shall at all times (prior to any assignment pursuant to Section 12.3) be represented by one or more Notes payable to the order of the payee named therein, except to the extent that any such Lender subsequently returns any such Note for cancellation and requests that such Revolving Loans, Term A Loans or Supplemental Term Loans once again be evidenced as described in paragraphs (a) and (b) above.

2.22. Lending Installations. Each Lender may book its Loans and its participation in any LC Obligations and the LC Issuer may book the Facility LCs at any Lending Installation selected by such Lender or the LC Issuer, as the case may be, and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and the Loans, Facility LCs, Reimbursement Obligations and any Notes issued hereunder shall be deemed held by each Lender or the LC Issuer, as the case may be, for the benefit of any such Lending Installation. Each Lender and the LC Issuer may, by written notice to the Agent and the Borrower Representative in accordance with Article XIII, designate replacement or additional Lending Installations through which Loans will be made by it or Facility LCs will be issued by it and for whose account Loan payments or payments with respect to Facility LCs are to be made.

2.23. Non-Receipt of Funds by the Agent; Defaulting Lenders.

(a) Unless the Borrower Representative or a Lender, as the case may be, notifies the Agent prior to the date on which it is scheduled to make payment to the Agent of (i) in the case of a Lender, the proceeds of a Loan or (ii) in the case of the Borrowers, a payment of principal, interest or fees to the Agent for the account of the Lenders, that it does not intend to make such payment, the Agent may assume that such payment has been made. The Agent may, but shall not be obligated to, make the amount of such payment available to the intended recipient in reliance upon such assumption. If such Lender or the Borrowers, as the case may be, have not in fact made such payment to the Agent, the recipient of such payment shall, on demand by the Agent, repay to the Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Agent until the date the Agent recovers such amount at a rate per annum equal to (x) in the case of payment by a Lender, the Federal Funds Effective Rate for such day for the first three days and, thereafter, the interest rate applicable to the relevant Loan or (y) in the case of payment by the Borrowers, the interest rate applicable to the relevant Loan.

(b) If a payment has not been made by a Lender (a "Defaulting Lender"), the Agent will notify the Borrower Representative of such failure to fund and, upon demand by the Agent, the Borrowers shall pay such amount (to the extent such amount had been made available to Borrowers hereunder) to the Agent for the Agent's account, together with interest thereon for each day elapsed since the Borrowing Date at a rate per annum equal to the interest rate applicable to the relevant Loan. The Agent shall not be obligated to transfer to a Defaulting Lender any payments made by the Borrowers to the Agent for the Defaulting Lender's benefit, and, in the absence of such transfer to the Defaulting Lender, the Agent shall transfer any such payments to each other non-Defaulting Lender ratably in accordance with their Pro Rata Share of the Commitments (but only to the extent that such Defaulting Lender's Advance was funded by the other Lenders) or, if so directed by the Borrower Representative and if no Unmatured Default or Default has occurred and is continuing (and to the extent such Defaulting Lender's Advance was not funded by the other Lenders), retain the same to be re-advanced to the Borrowers as if such Defaulting Lender had made Advances to the Borrowers. Subject to the foregoing, the Agent may hold and, in its Permitted Discretion, setoff such Defaulting Lender's funding shortfall against that Defaulting Lender's Pro Rata Share of all payments received from the Borrowers or re-lend to the Borrowers for the account of such Defaulting Lender the amount of all such payments received and retained by the Agent for the account of such Defaulting Lender. Until a Defaulting Lender cures its failure to fund its Pro Rata Share of any Advance (i) solely for the purposes of voting or consenting to matters with respect to the Loan Documents, such Defaulting Lender shall be deemed not to be a "Lender" and such Defaulting Lender's Commitment shall be deemed to be zero, (ii) such Defaulting Lender shall not be entitled to any portion of the Unused Commitment Fee and (iii) the Unused Commitment Fee shall accrue in favor of the Lenders which have funded their respective Pro Rata Shares of such requested Advance and shall be allocated among such non-Defaulting Lenders ratably based on their Pro Rata Share of the Commitments. This Section shall remain effective with respect to such Defaulting Lender until (x) the Obligations under this Agreement shall have been declared or shall have become immediately due and payable, (y) the non-Defaulting Lenders, the Agent, and the Borrower Representative shall have waived such Defaulting Lender's default in writing, or (z) the Defaulting Lender makes its Pro Rata Share of the applicable Advance and pays to the Agent all amounts owing by the Defaulting Lender in respect thereof. The operation of this Section shall not be construed to increase or otherwise affect the Commitment of any Lender, to relieve or excuse the performance by such Defaulting Lender or any other Lender of its duties and obligations hereunder.

2.24. Limitation of Interest. The Borrowers, the Agent and the Lenders intend to strictly comply with all applicable laws, including applicable usury laws. Accordingly, the provisions of this Section 2.24 shall govern and control over every other provision of this Agreement or any other Loan Document which conflicts or is inconsistent with this Section 2.24, even if such provision declares that it controls. As used in this Section 2.24, the term "interest" includes the aggregate of all charges, fees, benefits or other compensation which constitute interest under applicable law, provided that, to the maximum extent permitted by applicable law, (a) any non-principal payment shall be characterized as an expense or as compensation for something other than the use, forbearance or detention of money and not as interest, and (b) all interest at any time contracted for, reserved, charged or received shall be amortized, prorated, allocated and spread, in equal parts during the full term of the Obligations. In no event shall the Borrowers or any other Person be obligated to pay, or any Lender have any right or privilege to reserve, receive or retain, (a) any interest in excess of the maximum amount of nonusurious interest permitted under the laws of the State of Texas or the applicable laws (if any) of the U.S. or of any other applicable

state, or (b) total interest in excess of the amount which such Lender could lawfully have contracted for, reserved, received, retained or charged had the interest been calculated for the full term of the Obligations at the Highest Lawful Rate. On each day, if any, that the interest rate (the "Stated Rate") called for under this Agreement or any other Loan Document exceeds the Highest Lawful Rate, the rate at which interest shall accrue shall automatically be fixed by operation of this sentence at the Highest Lawful Rate for that day, and shall remain fixed at the Highest Lawful Rate for each day thereafter until the total amount of interest accrued equals the total amount of interest which would have accrued if there were no such ceiling rate as is imposed by this sentence. Thereafter, interest shall accrue at the Stated Rate unless and until the Stated Rate again exceeds the Highest Lawful Rate when the provisions of the immediately preceding sentence shall again automatically operate to limit the interest accrual rate. The daily interest rates to be used in calculating interest at the Highest Lawful Rate shall be determined by dividing the applicable Highest Lawful Rate per annum by the number of days in the calendar year for which such calculation is being made. None of the terms and provisions contained in this Agreement or in any other Loan Document which directly or indirectly relate to interest shall ever be construed without reference to this Section 2.24, or be construed to create a contract to pay for the use, forbearance or detention of money at an interest rate in excess of the Highest Lawful Rate. If the term of any Obligation is shortened by reason of acceleration of maturity as a result of any Default or by any other cause, or by reason of any required or permitted prepayment, and if for that (or any other) reason any Lender at any time, including but not limited to, the stated maturity, is owed or receives (and/or has received) interest in excess of interest calculated at the Highest Lawful Rate, then and in any such event all of any such excess interest shall be canceled automatically as of the date of such acceleration, prepayment or other event which produces the excess, and, if such excess interest has been paid to such Lender, it shall be credited pro tanto against the then-outstanding principal balance of the Borrowers' obligations to such Lender, effective as of the date or dates when the event occurs which causes it to be excess interest, until such excess is exhausted or all of such principal has been fully paid and satisfied, whichever occurs first, and any remaining balance of such excess shall be promptly refunded to its payor. Chapter 346 of the Texas Finance Code (which regulates certain revolving credit accounts (formerly Tex. Rev. Civ. Stat. Ann. Art. 5069, Ch. 15)) shall not apply to this Agreement or to any Loan, nor shall this Agreement or any Loan be governed by or be subject to the provisions of such Chapter 346 in any manner whatsoever.

ARTICLE III

YIELD PROTECTION; TAXES

3.1. Yield Protection. If, on or after the Closing Date, the adoption of any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any change in the interpretation or administration thereof by any governmental or quasi-governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender or applicable Lending Installation or the LC Issuer with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(a) subjects any Lender or any applicable Lending Installation or the LC Issuer to any Taxes, or changes the basis of taxation of payments (other than with respect to Excluded Taxes) to any Lender or the LC Issuer in respect of its Eurodollar Loans, Facility LCs or participations therein, or

(b) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender or any applicable Lending

Installation or the LC Issuer (other than reserves and assessments taken into account in determining the interest rate applicable to Eurodollar Advances), or

(c) imposes any other condition the result of which is to increase the cost to any Lender or any applicable Lending Installation or the LC Issuer of making, funding or maintaining its Eurodollar Loans, or of issuing or participating in Facility LCs, or reduces any amount receivable by any Lender or any applicable Lending Installation or the LC Issuer in connection with its Eurodollar Loans, Facility LCs or participations therein, or requires any Lender or any applicable Lending Installation or the LC Issuer to make any payment calculated by reference to the amount of Eurodollar Loans, Facility LCs or participations therein held or interest or LC Fees received by it, by an amount deemed material by such Lender or the LC Issuer as the case may be,

and the result of any of the foregoing is to increase the cost to such Lender or applicable Lending Installation or the LC Issuer, as the case may be, of making or maintaining its Eurodollar Loans or Commitment or of issuing or participating in Facility LCs or to reduce the return received by such Lender or applicable Lending Installation or the LC Issuer, as the case may be, in connection with such Eurodollar Loans, Commitment, Facility LCs or participations therein, then, within fifteen days of demand by such Lender or the LC Issuer, as the case may be, the Borrowers shall pay such Lender or the LC Issuer, as the case may be, such additional amount or amounts as will compensate such Lender or the LC Issuer, as the case may be, for such increased cost or reduction in amount received.

3.2. Changes in Capital Adequacy Regulations. If a Lender or the LC Issuer determines the amount of capital required or expected to be maintained by such Lender or the LC Issuer, any Lending Installation of such Lender or the LC Issuer, or any corporation controlling such Lender or the LC Issuer is increased as a result of a Change, then, within fifteen days of demand by such Lender or the LC Issuer, the Borrowers shall pay such Lender or the LC Issuer the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital which such Lender or the LC Issuer determines is attributable to this Agreement, its Credit Exposure or its Commitment to make Loans and issue or participate in Facility LCs, as the case may be, hereunder (after taking into account such Lender's or the LC Issuer's policies as to capital adequacy). "Change" means (i) any change after the date of this Agreement in the Risk-Based Capital Guidelines (as defined below) or (ii) any adoption of or change in any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) after the date of this Agreement which affects the amount of capital required or expected to be maintained by any Lender or the LC Issuer or any Lending Installation or any corporation controlling any Lender or the LC Issuer. "Risk-Based Capital Guidelines" means (i) the risk-based capital guidelines in effect in the U.S. on the date of this Agreement, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the U.S. implementing the July 1988 report of the Basle Committee on Banking Regulation and Supervisory Practices Entitled "International Convergence of Capital Measurements and Capital Standards," including transition rules, and any amendments to such regulations adopted prior to the date of this Agreement.

3.3. Availability of Types of Advances. If any Lender determines that maintenance of its Eurodollar Loans at a suitable Lending Installation would violate any applicable law, rule, regulation, or directive, whether or not having the force of law, or if the Required Lenders determine that (i) deposits of a type and maturity appropriate to match fund Eurodollar Advances are not available or (ii) the interest rate applicable to Eurodollar Advances does not accurately reflect the cost of making or maintaining Eurodollar Advances, then the Agent shall suspend the availability of Eurodollar Advances and require any affected Eurodollar Advances to be repaid or converted to Floating Rate Advances, subject to the payment of any funding indemnification amounts required by Section 3.4.

3.4. Funding Indemnification. If any payment of a Eurodollar Advance occurs on a date which is not the last day of the applicable Interest Period, whether because of acceleration, prepayment or otherwise, or a Eurodollar Advance is not made on the date specified by the Borrower Representative for any reason other than default by the Lenders, the Borrowers will indemnify each Lender for any loss or cost incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits acquired to fund or maintain such Eurodollar Advance.

3.5. Taxes.

(a) All payments by the Borrowers to or for the account of any Lender, the LC Issuer or the Agent hereunder or under any Note or Facility LC Application shall be made free and clear of and without deduction for any and all Taxes. If any Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Lender, the LC Issuer or the Agent, (a) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.5) such Lender, the LC Issuer or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (b) such Borrower shall make such deductions, (c) such Borrower shall pay the full amount deducted to the relevant authority in accordance with applicable law and (d) such Borrower shall furnish to the Agent the original copy of a receipt evidencing payment thereof within thirty days after such payment is made.

(b) In addition, each Borrower hereby agrees to pay any present or future stamp or documentary taxes and any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under any Note or Facility LC Application or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note or Facility LC Application ("Other Taxes").

(c) The Borrowers hereby agree to, jointly and severally, indemnify the Agent, the LC Issuer and each Lender for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed on amounts payable under this Section 3.5) paid by the Agent, the LC Issuer or such Lender as a result of its Commitment, any Loans made by it hereunder, any Facility LC issued hereunder or otherwise in connection with its participation in this Agreement and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. Payments due under this indemnification shall be made within thirty days of the date the Agent, the LC Issuer or such Lender makes demand therefor pursuant to Section 3.6.

(d) Each Lender that is not incorporated under the laws of the U.S. or a state thereof (each a "Non-U.S. Lender") agrees that it will, not more than ten Business Days after the date of this Agreement, (i) deliver to the Agent two duly completed copies of U.S. Internal Revenue Service Form W-8BEN or W-8ECI, certifying in either case that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any U.S. federal income taxes, and (ii) deliver to the Agent a U.S. Internal Revenue Form W-8 or W-9, as the case may be, and certify that it is entitled to an exemption from U.S. backup withholding tax. Each Non-U.S. Lender further undertakes to deliver to each of the Borrower Representative and the Agent (x) renewals or additional copies of such form (or any successor form) on or before the date that such form expires or becomes obsolete, and (y) after the occurrence of any event requiring a change in the most recent forms so delivered by it, such additional forms or amendments

thereto as may be reasonably requested by the Borrower Representative or the Agent. All forms or amendments described in the preceding sentence shall certify that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any U.S. federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form or amendment with respect to it and such Lender advises the Borrower Representative and the Agent that it is not capable of receiving payments without any deduction or withholding of U.S. federal income tax.

(e) For any period during which a Non-U.S. Lender has failed to provide the Borrower Representative with an appropriate form pursuant to clause (d), above (unless such failure is due to a change in treaty, law or regulation, or any change in the interpretation or administration thereof by any governmental authority, occurring subsequent to the date on which a form originally was required to be provided), such Non-U.S. Lender shall not be entitled to indemnification under this Section 3.5 with respect to Taxes imposed by the U.S.; provided that, should a Non-U.S. Lender which is otherwise exempt from or subject to a reduced rate of withholding tax become subject to Taxes because of its failure to deliver a form required under clause (d), above, the Borrowers shall take such steps as such Non-U.S. Lender shall reasonably request to assist such Non-U.S. Lender to recover such Taxes.

(f) Any Lender that is entitled to an exemption from or reduction of withholding tax with respect to payments under this Agreement or any Note pursuant to the law of any relevant jurisdiction or any treaty shall deliver to the Borrower Representative (with a copy to the Agent), at the time or times prescribed by applicable law, 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.

(g) If the U.S. Internal Revenue Service or any other governmental authority of the U.S. or any other country or any political subdivision thereof asserts a claim that the Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered or properly completed, because such Lender failed to notify the Agent of a change in circumstances which rendered its exemption from withholding ineffective, or for any other reason), such Lender shall indemnify the Agent fully for all amounts paid, directly or indirectly, by the Agent as tax, withholding therefor, or otherwise, including penalties and interest, and including taxes imposed by any jurisdiction on amounts payable to the Agent under this subsection, together with all costs and expenses related thereto (including attorneys fees and time charges of attorneys for the Agent, which attorneys may be employees of the Agent). The obligations of the Lenders under this Section 3.5(g) shall survive the payment of the Obligations and termination of this Agreement.

3.6. Lender Statements; Survival of Indemnity. To the extent reasonably possible, each Lender shall designate an alternate Lending Installation with respect to its Eurodollar Loans to reduce any liability of the Borrowers to such Lender under Sections 3.1, 3.2 and 3.5 or to avoid the unavailability of Eurodollar Advances under Section 3.3, so long as such designation is not, in the judgment of such Lender, disadvantageous to such Lender. Each Lender shall deliver a written statement of such Lender to the Borrower Representative (with a copy to the Agent) as to the amount due, if any, under Section 3.1, 3.2, 3.4 or 3.5. Such written statement shall set forth in reasonable detail the calculations upon which

such Lender determined such amount and shall be final, conclusive and binding on the Borrowers in the absence of manifest error. Determination of amounts payable under such Sections in connection with a Eurodollar Loan shall be calculated as though each Lender funded its Eurodollar Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the Eurodollar Rate applicable to such Loan, whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the written statement of any Lender shall be payable on demand after receipt by the Borrower Representative of such written statement. The obligations of the Borrowers under Sections 3.1, 3.2, 3.4 and 3.5 shall survive payment of the Obligations and termination of this Agreement.

ARTICLE IV

CONDITIONS PRECEDENT

4.1. Effectiveness. This Agreement will not become effective unless the Loan Parties have satisfied each of the following conditions in a manner satisfactory to the Agent and the Lenders, and with respect to any condition requiring delivery of any agreement, certificate, document, or instrument, the Loan Parties shall have furnished to the Agent sufficient copies of any such agreement, certificate, document, or instrument for distribution to the Lenders:

(a) This Agreement or counterparts hereof shall have been duly executed by each Loan Party, the Agent and the Lenders; and the Agent shall have received duly executed copies of the Loan Documents and such other documents, instruments, agreements and legal opinions as the Agent shall reasonably request in connection with the transactions contemplated by this Agreement and the other Loan Documents, each in form and substance reasonably satisfactory to the Agent.

(b) Each Loan Party shall have delivered copies of its articles or certificate of incorporation, organization or limited partnership, together with all amendments, and a certificate of good standing, each certified by the appropriate governmental officer in its jurisdiction of incorporation or organization.

(c) Each Loan Party shall have delivered copies, certified by its Secretary or Assistant Secretary, of its by-laws or operating, management or partnership agreement and of its Board of Directors' resolutions or the resolutions of its members and of resolutions or actions of any other body authorizing the execution, delivery and performance of the Loan Documents to which such Loan Party is a party.

(d) Each Loan Party shall have delivered an incumbency certificate, executed by its Secretary or Assistant Secretary (or Secretary or Assistant Secretary of the general partner of such Borrower, if applicable), which shall identify by name and title and bear the signatures of the Authorized Officers and any other officers such Loan Party authorized to sign the Loan Documents to which such Loan Party is a party, upon which certificate the Agent and the Lenders shall be entitled to rely until informed of any change in writing by such Loan Party.

(e) Each Borrower and each other Loan Party shall have delivered a certificate, signed by the chief financial officer of such Borrower and such other Loan Party, on the initial Credit Extension Date (i) stating that no Default or Unmatured Default has occurred and is continuing, (ii) stating that the representations and warranties

contained in Article V are true and correct as of such Credit Extension Date, (iii) specifying the deposit account at Bank One which shall be used as the Funding Account and (iv) certifying any other factual matters as may be reasonably requested by the Agent or any Lender.

(f) The Loan Parties shall have delivered a written opinion of the Loan Parties' counsel, addressed to the Agent, the LC Issuer and the Lenders in substantially the form of Exhibit D.

(g) The Borrowers shall have delivered any Notes requested by a Lender pursuant to Section 2.21 payable to the order of each such requesting Lender.

(h) The Borrowers shall have delivered money transfer authorizations as the Agent may have reasonably requested.

(i) Unless otherwise agreed by the Agent, the Loan Parties shall have delivered, with respect to each parcel of real Property which is required to be subject to a Lien in favor of the Agent, each of the following, in form and substance reasonably satisfactory to the Agent:

(i) a Mortgage on such property;

(ii) evidence that a counterpart of the Mortgage has been recorded in the place necessary, in the Agent's judgment, to create a valid and enforceable first priority Lien in favor of the Agent for the benefit of itself and the Lenders;

(iii) ALTA or other mortgagee's title policy;

(iv) copies of Phase I Environmental Reports or other similar reports, (in form and substance satisfactory to the Agent) as the Agent may require;

(v) an opinion of counsel in the state in which such parcel of real Property is located in form and substance and from counsel reasonably satisfactory to the Agent; and

such other information, documentation, and certifications as may be reasonably required by the Agent.

(j) The Agent shall have received all Lien and other searches that the Agent deems necessary, the Loan Parties shall have delivered UCC termination statements or amendments to existing UCC financing statements with respect to any filings against the Collateral as may be requested by the Agent and shall have authorized the filing of such termination statements or amendments, the Agent shall have been authorized to file any UCC financing statements that the Agent deems necessary to perfect its Liens in the Collateral and Liens creating a first priority security interest in the Collateral in favor of the Agent shall have been perfected.

(k) The Borrower Representative shall have delivered an Aggregate Borrowing Base Certificate which calculates the Aggregate Borrowing Base as of the end of the Business Day immediately preceding the Effective Date and each Borrower shall have delivered a duly executed Borrowing Base Certificate for such Borrower which

calculates such Borrower's Borrowing Base as of the end of the Business Day immediately preceding the Effective Date.

(l) The Borrowers shall have delivered to the Agent and the Lenders the unaudited consolidated financial statements of the Company and its Subsidiaries for the twelve-month period ending on December 31, 2003.

(m) The Agent shall have completed its business due diligence and the Loan Parties' corporate structure, capital structure, material accounts and governing documents shall be acceptable to the Agent. In addition, the terms and conditions of all Indebtedness of each Loan Party shall be acceptable to the Agent.

(n) All legal (including tax implications) and regulatory matters, including, but not limited to compliance with applicable requirements of Regulations U, T and X of the Board of Governors of the Federal Reserve System, shall be satisfactory to the Agent and the Lenders.

(o) The Loan Parties shall have delivered (i) Collateral audits, satisfactory to the Agent, prepared by an independent firm engaged directly by the Agent and (ii) unless otherwise agreed by the Agent, appraisals, prepared by an independent appraiser engaged directly by the Agent, of each parcel of real property or interest in real property described in the Mortgages, which appraisals satisfy the requirements of the Financial Institutions Reform, Recovery and Enforcement Act, as amended, and the regulations promulgated thereunder, if applicable, and which shall evidence compliance with the supervisory loan-to-value limits set forth in the Federal Deposit Insurance Corporation Improvement Act of 1991, as amended, and the regulations promulgated thereunder, if applicable, which audits and appraisals shall be satisfactory to the Agent, together with evidence of compliance with applicable federal regulations governing loans in areas having special flood hazards

(p) The Loan Parties shall have delivered any requested environmental review reports from firm(s) satisfactory to the Agent, which review reports shall be acceptable to the Agent. Any environmental hazards or liabilities identified in any such environmental review reports shall indicate the Loan Parties' plans with respect thereto.

(q) The Borrowers shall have delivered evidence of insurance coverage in form, scope, and substance reasonably satisfactory to the Agent and otherwise in compliance with the terms of Section 6.7.

(r) The Borrowers shall have delivered each Collateral Access Agreement required to be provided pursuant to Section 6.13.

(s) The Borrowers shall have delivered each Deposit Account Control Agreement required to be provided pursuant to Section 6.14.

(t) The Agent shall have determined that (i) since December 31, 2003, there is an absence of any material adverse change or disruption in primary or secondary loan syndication markets, financial markets or in capital markets generally that would likely impair syndication of the Credit Extensions hereunder and (ii) the Loan Parties shall have fully cooperated with the Agent's syndication efforts including, without limitation, by providing the Agent with information regarding the Loan Parties' operations and

prospects and such other information as the Agent deems necessary to successfully syndicate the Credit Extensions hereunder.

(u) The Borrowers shall have delivered a properly completed Facility LC Application if the initial Credit Extension will include the issuance of a Facility LC. The Borrowers shall have executed the LC Issuer's master agreement for the issuance of Letters of Credit.

(v) After giving effect to all Credit Extensions to be made on the Effective Date and payment of all fees and expenses due hereunder, and with all of the Loan Parties' indebtedness, liabilities, and current obligations, the Borrowers' Availability shall not be less than $12,000,000.

(w) The Borrowers shall have paid all of the fees and expenses owing to the Agent, the Arranger, the LC Issuer and the Lenders pursuant to Section 2.10, and Section 9.6(a).

(x) The Borrowers shall have delivered to the Agent true and complete Customer Lists for each Borrower.

(y) The Loan Parties shall have delivered to the Agent their most recent statement of the Unfunded Liabilities of each Single Employer Plan, certified as correct by an actuary enrolled under ERISA.

(z) The Company shall have delivered a copy of a fully executed supplemental indenture to the Indenture (together with any related documents or agreements delivered to the Indenture trustee in connection therewith), in form and substance satisfactory to Agent in its discretion, reflecting the addition of certain Loan Parties as guarantors under the Indenture and including any other modifications necessary for the Loan Parties to comply with the terms of the Indenture as a result of the consummation of the transactions contemplated by this Agreement.

(aa) The Loan Parties shall have delivered such other documents as the Agent, the LC Issuer, any Lender or their respective counsel may have reasonably requested.

4.2. Each Credit Extension. Except as otherwise expressly provided herein, the Lenders shall not be required to make any Credit Extension if on the applicable Credit Extension Date:

(a) There exists any Default or Unmatured Default or any Default or Unmatured Default shall result from any such Credit Extension and the Agent or the Required Lenders shall have determined not to make any Credit Extension as a result of such Default or Unmatured Default.

(b) Any representation or warranty contained in Article V is untrue or incorrect as of such Credit Extension Date except to the extent any such representation or warranty is stated to relate solely to an earlier date, and the Agent or the Required Lenders shall have determined not to make any Credit Extension as a result of the fact that such representation or warranty is untrue or incorrect.

(c) After giving effect to any Credit Extension, the Borrowers' Availability would be less than zero.

(d) Any legal matter incident to the making of such Credit Extension shall not be satisfactory to the Agent and its counsel.

Each Borrowing Notice or request for issuance of Facility LC with respect to each such Credit Extension shall constitute a representation and warranty by each Borrower that the conditions contained in Section 4.1 have been satisfied and that none of the conditions set forth in Section 4.2 exist as of the applicable Credit Extension Date. Any Lender may require a duly completed Compliance Certificate as a condition to making a Credit Extension.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

Each Loan Party represents and warrants to the Lenders as follows:

5.1. Existence and Standing. Each Loan Party is a corporation, partnership (in the case of Subsidiaries only) or limited liability company duly and properly incorporated or organized, as the case may be, validly existing and (to the extent such concept applies to such entity) in good standing under the laws of its jurisdiction of incorporation or organization and has all requisite authority to conduct its business in each jurisdiction in which its business is conducted.

5.2. Authorization and Validity. Each Loan Party has the power and authority and legal right to execute and deliver the Loan Documents to which it is a party and to perform its obligations thereunder. The execution and delivery by each Loan Party of the Loan Documents to which it is a party and the performance of its obligations thereunder have been duly authorized by proper proceedings, and the Loan Documents to which such Loan Party is a party constitute legal, valid and binding obligations of such Loan Party enforceable against such Loan Party in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

5.3. No Conflict; Government Consent. Neither the execution and delivery by any Loan Party of the Loan Documents to which it is a party, nor the consummation of the transactions therein contemplated, nor compliance with the provisions thereof will violate (a) any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on such Loan Party or (b) any Loan Party's articles or certificate of incorporation, partnership agreement, certificate of partnership, articles or certificate of organization, by-laws, or operating or other management agreement, as the case may be, or (c) the provisions of any indenture, instrument or agreement to which any Loan Party is a party or is subject, or by which it, or its Property, is bound, or conflict with or constitute a default thereunder, or result in, or require, the creation or imposition of any Lien in, of or on the Property of such Loan Party pursuant to the terms of any such indenture, instrument or agreement. No order, consent, adjudication, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, or other action in respect of any governmental or public body or authority, or any subdivision thereof, which has not been obtained by a Loan Party, is required to be obtained by any Loan Party in connection with the execution and delivery of the Loan Documents, the borrowings under this Agreement, the payment and performance by the Loan Parties of the Obligations or the legality, validity, binding effect or enforceability of any of the Loan Documents.

5.4. Security Interest in Collateral. The provisions of this Agreement and the other Loan Documents create legal and valid Liens on all the Collateral in favor of the Agent, for the benefit of the Agent and the Lenders, and such Liens constitute perfected and continuing Liens on the Collateral, securing the Obligations, enforceable against the applicable Loan Party and all third parties, and having priority over all other Liens on the Collateral except in the case of (a) Permitted Liens, to the extent any such Permitted Liens would have priority over the Liens in favor of the Agent pursuant to any applicable law or agreement and (b) Liens perfected only by possession (including possession of any certificate of title) to the extent the Agent has not obtained or does not maintain possession of such Collateral.

5.5. Financial Statements.

(a) The audited consolidated financial statements of the Company and its Subsidiaries for the Fiscal Year ended on December 31, 2002 heretofore delivered to the Lenders were prepared in accordance with GAAP (as in effect on the date such statements were prepared) and fairly present the consolidated financial condition and operations of the Company and its Subsidiaries at such date and the consolidated results of their operations for the period then ended. The unaudited consolidated financial statements of the Company and its Subsidiaries for the Fiscal Year ended December 31, 2003 heretofore delivered by the Borrowers to the Lenders were prepared in accordance with GAAP (as in effect on the date such statements were prepared except for the presentation of footnotes and for applicable normal year-end audit adjustments) and fairly present the consolidated financial condition and operations of the Company and its Subsidiaries at such date and the consolidated results of their operations for the period then ended.

(b) The Projections for the Fiscal Year ending December 31, 2004, and the most recent Projections delivered to the Agent and the Lenders pursuant to Section 6.1(d), represent the Borrowers' good faith estimate of the future financial performance of the Borrowers for the period set forth therein.

5.6. Material Adverse Change. Since December 31, 2003 there has been no change in the business, Property, prospects, condition (financial or otherwise) or results of operations of the Loan Parties which could reasonably be expected to have a Material Adverse Effect.

5.7. Taxes. The Loan Parties have filed all U.S. federal tax returns and all other tax returns which are required to be filed and have paid all taxes due pursuant to said returns or pursuant to any assessment received by any Loan Party, except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided in accordance with GAAP and as to which no Lien exists. The U.S. income tax returns of the Loan Parties have been audited by the Internal Revenue Service through the Fiscal Year ended December 31, 2002. No tax liens have been filed and no claims are being asserted with respect to any such taxes. The charges, accruals and reserves on the books of the Loan Parties in respect of any taxes or other governmental charges are adequate. If any Loan Party is a limited liability company, each such limited liability company that has elected to be taxed as a partnership qualifies for partnership tax treatment under U.S. federal tax law.

5.8. Litigation and Contingent Obligations. Except as set forth on Schedule 5.8, there is no litigation, arbitration, governmental investigation, proceeding or inquiry pending or, to the knowledge of any of their officers, threatened against or affecting any Loan Party (including, without limitation, with respect to the Company's interest in, or potential litigation with respect to, The Loma Company, LLC, a Louisiana limited liability company) which could reasonably be expected to have a Material Adverse Effect or which seeks to prevent, enjoin or delay the making of any Credit Extensions. Other than any

liability incident to any litigation, arbitration or proceeding which (i) could not reasonably be expected to have a Material Adverse Effect or (ii) is set forth on Schedule 5.8, no Loan Party has any material contingent obligations not provided for or disclosed in the financial statements referred to in Section 5.5.

5.9. Capitalization and Subsidiaries. Schedule 5.9 sets forth (a) a correct and complete list of the name and relationship to the Company of each and all of the Company's Subsidiaries, (b) the location of the chief executive office of each Loan Party and each of its Subsidiaries and each other location where any of them have maintained their chief executive office in the past five years, (c) a true and complete listing of each class of each Loan Party's authorized Capital Stock, of which all of such issued shares or interests are validly issued and outstanding and, to the extent applicable, fully paid, non-assessable and owned beneficially and of record by the Persons identified on Schedule 5.9, and (d) the type of entity of each Loan Party. With respect to each Loan Party, Schedule 5.9 also sets forth the employer or taxpayer identification number of each Loan Party and the organizational identification number issued by each Loan Party's jurisdiction of organization or a statement that no such number has been issued. All of the issued and outstanding Capital Stock owned by any Loan Party has been (to the extent such concepts are relevant with respect to such ownership interests) duly authorized and issued and, to the extent applicable, is fully paid and non-assessable.

5.10. ERISA. The Unfunded Liabilities of all Single Employer Plans do not in the aggregate exceed $1,000,000. Neither the Company nor any other member of the Controlled Group has incurred, or is reasonably expected to incur, any withdrawal liability to Multiemployer Plans in excess of $1,000,000 in the aggregate. Each Plan complies in all material respects with all applicable requirements of law and regulations, no Reportable Event has occurred with respect to any Plan, neither the Company nor any other member of the Controlled Group has withdrawn from any Plan or initiated steps to do so, and no steps have been taken to reorganize or terminate any Plan.

5.11. Accuracy of Information. No information, exhibit or report furnished by any Loan Party to the Agent or to any Lender in connection with the negotiation of, or compliance with, the Loan Documents contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not misleading.

5.12. Names; Prior Transactions. Except as set forth on Schedule 5.12, the Loan Parties have not, during the past five years, been known by or used any other corporate or fictitious name, or been a party to any merger or consolidation, or been a party to any Acquisition.

5.13. Regulation U. No Loan Party is engaged, nor will it engage, principally or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin stock" as such terms are defined in Regulation U of the Federal Reserve Board as now and from time to time hereafter in effect (such securities being referred to herein as "Margin Stock"). No Loan Party owns any Margin Stock, and none of the proceeds of the Loans or other extensions of credit under this Agreement will be used, directly or indirectly, for the purpose of purchasing or carrying any Margin Stock, for the purpose of reducing or retiring any Indebtedness that was originally incurred to purchase or carry any Margin Stock or for any other purpose that might cause any of the Loans or other extensions of credit under this Agreement to be considered a "purpose credit" within the meaning of Regulations T, U or X of the Federal Reserve Board. No Loan Party will take or permit to be taken any action that might cause any Loan Document to violate any regulation of the Federal Reserve Board.

5.14. Material Agreements. Schedule 5.14 hereto sets forth as of the Closing Date all material agreements and contracts to which any Loan Party is a party or is bound as of the date hereof. No Loan Party is subject to any charter or other corporate restriction which could reasonably be expected to have a Material Adverse Effect. No Loan Party is in default in the performance, observance or fulfillment of any

of the obligations, covenants or conditions contained in (i) any material agreement to which it is a party or (ii) any agreement or instrument evidencing or governing Indebtedness.

5.15. Compliance With Laws. The Loan Parties have complied with all applicable statutes, rules, regulations, orders and restrictions of any domestic or foreign government or any instrumentality or agency thereof having jurisdiction over the conduct of their respective businesses or the ownership of their respective Property.

5.16. Ownership of Properties. Except as set forth on Schedule 5.16, on the date of this Agreement, the Loan Parties will have good title, free of all Liens other than those permitted by Section 6.22, to all of the Property and assets reflected in the Loan Parties' most recent consolidated financial statements provided to the Agent as owned by the Loan Parties.

5.17. Plan Assets; Prohibited Transactions. No Loan Party is an entity deemed to hold "plan assets" within the meaning of 29 C.F.R. Section 2510.3-101 of an employee benefit plan (as defined in Section 3(3) of ERISA) which is subject to Title I of ERISA or any plan (within the meaning of Section 4975 of the Code), and neither the execution of this Agreement nor the making of Credit Extensions hereunder gives rise to a prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code. No "benefit plan investors" (as defined in 29 C.F.R. Section 2510.3 (101(f)) own 25% or more of the value of any class of equity interests in any Borrower.

5.18. Environmental Matters. In the ordinary course of its business, the officers of each Loan Party consider the effect of Environmental Laws on the business of such Loan Party, in the course of which they identify and evaluate potential risks and liabilities accruing to such Loan Party due to Environmental Laws. On the basis of this consideration, the Loan Parties have concluded that Environmental Laws cannot reasonably be expected to have a Material Adverse Effect. No Loan Party has received any notice to the effect that its operations are not in material compliance with any of the requirements of applicable Environmental Laws or are the subject of any federal or state investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment.

5.19. Investment Company Act. 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.

5.20. Public Utility Holding Company Act. No Loan Party is a "holding company" or a "subsidiary company" of a "holding company", or an "Affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

5.21. Bank Accounts. As of the Closing Date, Exhibit B to the Security Agreement contains a complete and accurate list of all bank accounts maintained by each Loan Party with any bank or other financial institution.

5.22. Indebtedness. As of the Closing Date and after giving effect to the Credit Extensions to be made on the Closing Date (if any), the Loan Parties have no Indebtedness, except for (a) the Obligations, and (b) any Indebtedness described on Schedule 5.22.

5.23. Affiliate Transactions. Except as set forth on Schedule 5.23, as of the Closing Date, there are no existing or proposed agreements, arrangements, understandings, or transactions between any Loan Party and any of the officers, members, managers, directors, stockholders, parents, other interest holders,

employees, or Affiliates (other than Subsidiaries) of any Loan Party or any members of their respective immediate families, and none of the foregoing Persons are directly or indirectly indebted to or have any direct or indirect ownership, partnership, or voting interest in any Affiliate of any Loan Party or any Person with which any Loan Party has a business relationship or which competes with any Loan Party.

5.24. Real Property; Leases. As of the Closing Date, Schedule 5.24 sets forth a correct and complete list of all real Property owned by each Loan Party, all leases and subleases of real Property by each Loan Party as lessee or sublessee, and all leases and subleases of real Property by each Loan Party as lessor or sublessor. Each of such leases and subleases is valid and enforceable in accordance with its terms and is in full force and effect, and no default by any party to any such lease or sublease exists. Each Loan Party has good and indefeasible title in fee simple to the real Property identified on Schedule 5.24 as owned by such Loan Party, or valid leasehold interests in all real Property designated therein as "leased" by such Loan Party.

5.25. Intellectual Property Rights. As of the Closing Date: (a) Schedule 5.25 sets forth a correct and complete list of all Intellectual Property Rights of each Loan Party; (b) none of the Intellectual Property Rights listed in Schedule 5.25 is subject to any licensing agreement or similar arrangement except as set forth in Schedule 5.25; (c) the Intellectual Property Rights described in Schedule 5.25 constitute all of the property of such type necessary to the current and anticipated future conduct of the Loan Parties' business; (d) to the best of each Loan Party's knowledge, no slogan or other advertising device, product, process, method, substance, part, or other material now employed, or now contemplated to be employed, by any Loan Party infringes in any material respect upon any rights held by any other Person; and (e) no claim or litigation regarding any of the foregoing is pending or threatened, and no patent, invention, device, application, principle or any statute, law, rule, regulation, standard, or code is pending or, to the knowledge of any Loan Party, proposed.

5.26. Insurance. Schedule 5.26 lists all insurance policies of any nature maintained, as of the Closing Date, by each Loan Party, as well as a summary of the terms of each such policy.

5.27. Solvency.

(a) Immediately after the consummation of the transactions to occur on the date hereof and immediately following the making of each Credit Extension, if any, made on the date hereof and after giving effect to the application of the proceeds of such Credit Extensions, (a) the fair value of the assets of each Loan Party, at a fair valuation, will exceed the debts and liabilities, subordinated, contingent or otherwise, of each Loan Party; (b) the present fair saleable value of the Property of each Loan Party will be greater than the amount that will be required to pay the probable liability of each Loan Party on its debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (c) each Loan Party will be able to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; and (d) each Loan Party will not have unreasonably small capital with which to conduct the businesses in which it is engaged as such businesses are now conducted and are proposed to be conducted after the date hereof.

(b) No Borrower intends to, nor will any Borrower permit any of its Subsidiaries to, and no Borrower believes that it or any of its Subsidiaries will, incur debts beyond its ability to pay such debts as they mature, taking into account the timing of and amounts of cash to be received by it or any such Subsidiary and the timing of the

amounts of cash to be payable on or in respect of its Indebtedness or the Indebtedness of any such Subsidiary.

5.28. Subordinated Indebtedness; Indenture. The Secured Obligations constitute senior indebtedness which is entitled to the benefits of the subordination provisions of all outstanding Subordinated Indebtedness. In addition, (a) no Event of Default or Default (each as defined in the Indenture) exists, nor will any such Event of Default or Default exist immediately after the granting or continuation of any Loan, under the Indenture, the Senior Subordinated Notes or any agreement executed by any Borrower in connection therewith; (b) no Loan Party nor any of its Subsidiaries has incurred any Indebtedness (as defined in the Indenture) in violation of Section 1008 of the Indenture; and (c) all of the Obligations constitute Indebtedness permitted by the terms of Section 1008 of the Indenture.

5.29. Post-Retirement Benefits. The present value of the expected cost of post-retirement medical and insurance benefits payable by each Loan Party to its employees and former employees, as estimated by such Loan Party in accordance with procedures and assumptions deemed reasonable by the Required Lenders, does not exceed $500,000.

5.30. Common Enterprise. The successful operation and condition of each of the Loan Parties is dependent on the continued successful performance of the functions of the group of the Loan Parties as a whole and the successful operation of each of the Loan Parties is dependent on the successful performance and operation of each other Loan Party. Each Loan Party expects to derive benefit (and its board of directors or other governing body has determined that it may reasonably be expected to derive benefit), directly and indirectly, from (i) successful operations of each of the other Loan Parties and (ii) the credit extended by the Lenders to the Borrowers hereunder, both in their separate capacities and as members of the group of companies. Each Loan Party has determined that execution, delivery, and performance of this Agreement and any other Loan Documents to be executed by such Loan Party is within its purpose, will be of direct and indirect benefit to such Loan Party, and is in its best interest.

5.31. Reportable Transaction. The Borrowers do not intend to treat the Advances and related transactions as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4). In the event a Borrower determines to take any action inconsistent with such intention, it will promptly notify the Agent thereof.

5.32. Labor Disputes. Except as set forth on Schedule 5.32, as of the Closing Date (a) there is no collective bargaining agreement or other labor contract covering employees of the Borrower or any of its Subsidiaries, (b) no such collective bargaining agreement or other labor contract is scheduled to expire during the term of this Agreement, (c) no union or other labor organization is seeking to organize, or to be recognized as, a collective bargaining unit of employees of the Borrower or any of its Subsidiaries or for any similar purpose, and (d) there is no pending or (to the best of the Borrower's knowledge) threatened, strike, work stoppage, material unfair labor practice claim, or other material labor dispute against or affecting the Borrower or its Subsidiaries or their employees.

5.33. Joint Venture. The Company has set aside adequate reserves on its books to satisfy any obligations that may arise as a result of the potential dissolution of The Loma Company, LLC, a Louisiana limited liability company.

ARTICLE VI

COVENANTS

Each Loan Party executing this Agreement jointly and severally agrees as to all Loan Parties that from and after the date hereof and until the Facility Termination Date:

6.1. Financial and Collateral Reporting. Each Loan Party will maintain, for itself and each Subsidiary, a system of accounting established and administered in accordance with GAAP, and will furnish to the Lenders:

(a) on the date of the filing of Form 10-K with the Securities and Exchange Commission, but in no event later than ninety days after the close of each Fiscal Year of the Company and its Subsidiaries, an audit report certified without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by independent certified public accountants acceptable to the Required Lenders, prepared in accordance with GAAP on a consolidated and consolidating basis (consolidating statements need not be certified by such accountants), including balance sheets as of the end of such Fiscal Year, related profit and loss and reconciliation of surplus statements, and a statement of cash flows, accompanied by (i) any management letter prepared by said accountants and (ii) a certificate of said accountants that, in the course of their examination necessary for their certification of the foregoing, they have obtained no knowledge of any Default or Unmatured Default, or if, in the opinion of such accountants, any Default or Unmatured Default shall exist, stating the nature and status thereof;

(b) on the date of the filing of Form 10-Q with the Securities and Exchange Commission, but in no event later than forty-five days after the close of the first three quarterly periods of each Fiscal Year of the Company and its Subsidiaries, consolidated and consolidating unaudited balance sheets as at the close of each such Fiscal Quarter and consolidated and consolidating profit and loss and reconciliation of surplus statements and a statement of cash flows for the period from the beginning of the applicable Fiscal Year to the end of such Fiscal Quarter, all certified by its chief financial officer and prepared in accordance with GAAP (except for exclusion of footnotes and subject to normal year-end audit adjustments);

(c) within thirty days after the close of each Fiscal Month of the Company and its Subsidiaries, consolidated and consolidating unaudited balance sheets as at the close of each such Fiscal Month and consolidated and consolidating profit and loss and reconciliation of surplus statements, and certain cash flow items deemed necessary by Agent in its discretion, from the beginning of the applicable Fiscal Year to the end of such Fiscal Month, all prepared in accordance with GAAP (except for exclusion of footnotes and subject to normal year-end audit adjustments) and certified by its chief financial officer;

(d) as soon as available, but not later than thirty days prior to the end of such Fiscal Year, a copy of the plan and forecast (including a projected consolidated and consolidating balance sheet, income statement and funds flow statement) of the Company for each Fiscal Quarter of the following Fiscal Year (the "Projections") in form reasonably satisfactory to the Agent;

(e) together with each of the financial statements required under Sections 6.1(a), (b) and (c), a compliance certificate in substantially the form of Exhibit E (a "Compliance Certificate") signed by the chief financial officer of the Borrower Representative showing the calculations necessary to determine compliance with this Agreement and stating that no Default or Unmatured Default exists, or if any Default or Unmatured Default exists, stating the nature and status thereof.

(f) as soon as available but in any event within three days of the end of each calendar week (or Fiscal Month if Borrowers' average Availability for the prior thirty-day period exceeds $20,000,000), and at such other times as may be requested by the Agent, as of the period then ended, an Aggregate Borrowing Base Certificate, together with a duly executed Borrowing Base Certificate for each Borrower which calculates such Borrower's Borrowing Base, and supporting information in connection therewith;

(g) as soon as available but in any event within fifteen days of the end of each Fiscal Month and at such other times as may be requested by the Agent, as of the period then ended:

(i) a detailed aging of each Borrower's Accounts (1) including all invoices aged by invoice date and (2) reconciled to the Aggregate Borrowing Base Certificate and such Borrower's Borrowing Base Certificate delivered as of such date prepared in a manner reasonably acceptable to the Agent, together with a summary specifying the name, address, and balance due for each Account Debtor;

(ii) a schedule detailing each Borrower's Inventory, in form satisfactory to the Agent, (1) by location (showing Inventory in transit, any Inventory located with a third party under any consignment, bailee arrangement, or warehouse agreement), by class (raw material, work-in-process and finished goods), by product type, and by volume on hand, which Inventory shall be valued at the lower of cost (determined on a first-in, first-out basis) or market and adjusted for Reserves as the Agent has previously indicated to the Borrower are deemed by the Agent to be appropriate, (2) including a report of any variances or other results of Inventory counts performed by such Borrower since the last Inventory schedule (including information regarding sales or other reductions, additions, returns, credits issued by such Borrower and complaints and claims made against such Borrower), and (3) reconciled to such Borrower's Borrowing Base Certificate delivered as of such date;

(iii) a worksheet of calculations prepared by each Borrower to determine Eligible Accounts, Eligible Unbilled Accounts and Eligible Inventory, such worksheets detailing the Accounts and Inventory excluded from Eligible Accounts, Eligible Unbilled Accounts and Eligible Inventory and the reason for such exclusion;

(iv) a reconciliation of each Borrower's Accounts and Inventory between the amounts shown in such Borrower's general ledger and financial statements and the reports delivered pursuant to clauses (i) and (ii) above; and

(v) a reconciliation of the loan balance per each Borrower's general ledger to the loan balance under this Agreement.

(h) as soon as available but in any event within fifteen days of the end of each Fiscal Month, and at such other times as may be requested by the Agent, as of the month then ended, a schedule and aging of the Borrowers' accounts payable;

(i) promptly upon the Agent's request:

(i) copies of invoices in connection with the invoices issued by the Borrowers in connection with any Accounts, credit memos, shipping and delivery documents, and other information related thereto;

(ii) copies of purchase orders, invoices, and shipping and delivery documents in connection with any Inventory or Equipment purchased by any Loan Party; and

(iii) a schedule detailing the balance of all intercompany accounts of the Loan Parties;

(j) as soon as available but in any event within three days of the end of each calendar week and at such other times as may be requested by the Agent, as of the period then ended, the Borrower's sales journal, cash receipts journal (identifying trade and non-trade cash receipts) and debit memo/credit memo journal;

(k) as soon as possible and in any event within thirty days of filing thereof, copies of all tax returns filed by any Loan Party with the U.S. Internal Revenue Service;

(l) as soon as possible and in any event within two-hundred and seventy days after the close of the Fiscal Year of the Company, a statement of the Unfunded Liabilities of each Single Employer Plan, certified as correct by an actuary enrolled under ERISA;

(m) as soon as possible and in any event within ten days after any Borrower knows that any Reportable Event has occurred with respect to any Plan, a statement, signed by the chief financial officer of such Borrower, describing said Reportable Event and the action which such Borrower proposes to take with respect thereto;

(n) as soon as possible and in any event within thirty days of filing therewith with the PBGC, the U.S. Internal Revenue Service or any other governmental entity, a copy of each annual report or other filing with respect to any Plan;

(o) as soon as possible and in any event within ten days after receipt by any Loan Party, a copy of (i) any material notice or claim to the effect that any Loan Party is or may be liable to any Person as a result of the release by any Loan Party, or any other Person of any toxic or hazardous waste or substance into the environment, and (ii) any material notice alleging any violation of any federal, state or local environmental, health or safety law or regulation by the any Loan Party;

(p) within ten days of each March 31 and September 30 (commencing September 30, 2004), an updated Customer List for each Borrower, certified as true and correct by an Authorized Officer of each such Borrower;

(q) concurrently with the furnishing thereof to the shareholders of the Borrowers, copies of all financial statements, reports and proxy statements so furnished;

(r) promptly upon the filing thereof, copies of all registration statements and annual, quarterly, monthly or other regular reports which any Loan Party files with the Securities and Exchange Commission;

(s) as soon as possible and in any event within ten days after the end of each Fiscal Quarter (or more frequently as requested by Agent in its discretion), a detailed listing of all advances of proceeds of Loans made by the Borrower Representative to each Borrower during the immediately preceding Fiscal Month and a detailed listing of all intercompany loans made by the Borrowers during such Fiscal Month;

(t) on the first Business Day of the month of each March and September (commencing September 2004), a certificate of good standing for each Loan Party from the appropriate governmental officer in its jurisdiction of incorporation, formation, or organization; and

(u) such other information (including non-financial information) as the Agent or any Lender may from time to time reasonably request.

6.2. Use of Proceeds.

(a) The Borrowers will use the proceeds of the Credit Extensions (i) for general corporate purposes (not otherwise prohibited by this Agreement) and (ii) for Permitted Acquisitions.

(b) No Loan Party will use any of the proceeds of the Credit Extensions to (i) purchase or carry any Margin Stock in violation of Regulation U, (ii) repay or refinance any Indebtedness of any Person incurred to buy or carry any Margin Stock, (iii) acquire any security in any transaction that is subject to Section 13 or Section 14 of the Securities Exchange Act of 1934 (and the regulations promulgated thereunder), or (iv) make any Acquisition other than Permitted Acquisitions.

6.3. Notices. Each Loan Party will give prompt notice in writing to the Agent and the Lenders of:

(a) the occurrence of any Default or Unmatured Default;

(b) any other development, financial or otherwise, which could reasonably be expected to have a Material Adverse Effect;

(c) the assertion by the holder of any Capital Stock of any Loan Party or the holder of any Indebtedness of any Loan Party in excess of $1,000,000 that any default exists with respect thereto or that any Loan Party is not in compliance therewith;

(d) receipt of any material written notice that any Loan Party is subject to any investigation by any governmental entity with respect to any potential or alleged violation of any applicable Environmental Law or of imposition of any Lien against any Property of any Loan Party for any liability with respect to damages arising from, or costs resulting from, any violation of any Environmental Laws;

(e) receipt of any notice of litigation commenced or threatened against any Loan Party that (i) seeks damages in excess of $2,000,000, (ii) seeks injunctive relief, (iii) is asserted or instituted against any Plan, its fiduciaries or its assets, (iv) alleges criminal misconduct by any Loan Party, (v) alleges the violation of any law regarding, or seeks remedies in connection with, any Environmental Laws; or (vi) involves any product recall;

(f) any Lien (other than Permitted Liens) or claim made or asserted against any of the Collateral;

(g) its decision to change, (i) such Loan Party's name or type of entity, (ii) such Loan Party's articles or certificate of incorporation, partnership agreement, certificate of partnership, articles or certificate of organization, by-laws, or operating or other management agreement, and (iii) the location where any Collateral is held or maintained; provided that, in no event shall the Agent receive notice of such change less than thirty days prior thereto;

(h) commencement of any proceedings contesting any tax, fee, assessment, or other governmental charge in excess of $500,000;

(i) the opening of any new deposit account by any Loan Party with any bank or other financial institution;

(j) any loss, damage, or destruction to the Collateral in the amount of $500,000 or more, whether or not covered by insurance;

(k) any and all default notices received under or with respect to any leased location or public warehouse where Collateral is located (which shall be delivered within two Business Days after receipt thereof);

(l) all material amendments to real estate leases, together with a copy of each such amendment;

(m) immediately after becoming aware of any pending or threatened strike, work stoppage, unfair labor practice claim, or other labor dispute affecting the Borrower or any of its Subsidiaries in a manner;

(n) evidence of payment of monthly lease or rental payments as to each leased or rented location for which a landlord or bailee waiver has not been obtained (which shall be delivered within three Business Days after payment thereof);

(o) the fact that such Loan Party has entered into a Rate Management Transaction or an amendment to a Rate Management Transaction, together with copies of all agreements evidencing such Rate Management Transactions or amendments thereto (which shall be delivered within two Business Days);

(p) any notice provided to the trustee of the Holders (as defined in the Indenture) of the Senior Subordinated Notes under the Indenture, such notice to be contemporaneously delivered by the Borrower Representative to the Agent and the lenders; and

(q) any other matter as the Agent may reasonably request.

6.4. Conduct of Business. Each Loan Party will:

(a) carry on and conduct its business in substantially the same manner and in substantially the same fields of enterprise as it is presently conducted;

(b) do all things necessary to remain duly incorporated or organized, validly existing and (to the extent such concept applies to such entity) in good standing as a domestic corporation, partnership or limited liability company in its jurisdiction of incorporation or organization, as the case may be, and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted;

(c) keep adequate books and records with respect to its business activities in which proper entries, reflecting all financial transactions, are made in accordance with GAAP and on a basis consistent with the Financial Statements delivered to the Agent pursuant to Section 4.1(n) (unless otherwise consented to by Agent in its discretion);

(d) at all times maintain, preserve and protect all of its assets and properties used or useful in the conduct of its business, and keep the same in good repair, working order and condition in all material respects (taking into consideration ordinary wear and tear) and from time to time make, or cause to be made, all necessary or appropriate repairs, replacements and improvements thereto consistent with industry practices; and

(e) transact business only in such corporate and trade names as are set forth in Schedule 5.12, unless such Loan Party has provided Agent with thirty days' prior written notice of a change to such corporate or trade names and otherwise complied with the terms of Section 6.23.

6.5. Taxes. Each Loan Party will timely file complete and correct U.S. federal and applicable foreign, state and local tax returns required by law and pay when due all taxes, assessments and governmental charges and levies upon it or its income, profits, Property or Collateral, except those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been set aside in accordance with GAAP. At any time that any Loan Party is organized as a limited liability company, each such limited liability company that has elected to be taxed as a partnership will qualify for partnership tax treatment under U.S. federal tax law.

6.6. Payment of Indebtedness and Other Liabilities. Each Loan Party will pay or discharge when due all Material Indebtedness permitted by Section 6.17 owed by such Loan Party and all other liabilities and obligations due to materialmen, mechanics, carriers, warehousemen, and landlords, except that the Loan Parties may in good faith contest, by appropriate proceedings diligently pursued, any such obligations; provided that, (a) adequate reserves have been set aside for such liabilities in accordance with GAAP, (b) such liabilities would not result in aggregate liabilities in excess of $1,000,000, (c) no Lien shall be imposed to secure payment of such liabilities that is superior to the Agent's Liens securing the Secured Obligations, (d) none of the Collateral becomes subject to forfeiture or loss as a result of the contest and (e) such Loan Party shall promptly pay or discharge such contested liabilities, if any, and shall deliver to the Agent evidence reasonably acceptable to the Agent of such compliance, payment or discharge, if such contest is terminated or discontinued adversely to such Loan Party or the conditions set forth in this proviso are no longer met.

6.7. Insurance.

(a) Except as set forth on Schedule 6.7, each Loan Party shall at all times maintain, with financially sound and reputable carriers having a Financial Strength rating of at least A by A.M. Best Company, insurance against: (i) loss or damage by fire and loss in transit; (ii) theft, burglary, pilferage, larceny, embezzlement, and other criminal activities; (iii) business interruption; (iv) general liability and (v) and such other hazards, as is customary in the business of such Loan Party. All such insurance shall be in amounts, cover such assets and be under policies acceptable to the Agent in its Permitted Discretion. In the event any Collateral is located in any area that has been designated by the Federal Emergency Management Agency as a "Special Flood Hazard Area", the applicable Loan Party shall purchase and maintain flood insurance on such Collateral (including any personal Property which is located on any real Property leased by such Loan Party within a "Special Flood Hazard Area"). The amount of all insurance required by this Section shall at a minimum comply with applicable law, including the Flood Disaster Protection Act of 1973, as amended. All premiums on such insurance shall be paid when due by the applicable Loan Party, and copies of the policies delivered to the Agent. If any Loan Party fails to obtain any insurance as required by this Section, the Agent at the direction of the Required Lenders may obtain such insurance at the Borrowers' expense. By purchasing such insurance, the Agent shall not be deemed to have waived any Default or Unmatured Default arising from any Loan Party's failure to maintain such insurance or pay any premiums therefor. No Loan Party will use or permit any Property to be used in violation of applicable law or in any manner which might render inapplicable any insurance coverage.

(b) All insurance policies required under Section 6.7(a) shall name the Agent (for the benefit of the Agent and the Lenders) as an additional insured or as loss payee, as applicable, and shall provide that, or contain loss payable clauses or mortgagee clauses, in form and substance satisfactory to the Agent, which provide that:

(i) all proceeds thereunder with respect to any Collateral shall be payable to the Agent;

(ii) no such insurance shall be affected by any act or neglect of the insured or owner of the Property described in such policy; and

(iii) such policy and loss payable clauses may be canceled, amended, or terminated only upon at least thirty days prior written notice given to the Agent.

(c) The Borrowers must give the Agent prior written notice of any change in insurance carriers and any new insurance policy shall comply with the provisions of this Section 6.7 and otherwise be acceptable to the Agent. Without in any way limiting the foregoing, in no event shall the Borrowers change their insurance carrier without first obtaining a loss payable endorsement in form and substance satisfactory to the Agent.

(d) Notwithstanding the foregoing, any insurance or condemnation proceeds received by the Loan Parties shall be immediately forwarded to the Agent and the Agent may, at its option, apply any such proceeds to the reduction of the Obligations in accordance with Section 2.15(e), provided that in the case of insurance proceeds pertaining to any Loan Party other than the Borrowers, such insurance proceeds shall be

applied to the Loans owing by the Borrowers. The Agent may permit or require any Loan Party to use such money, or any part thereof, to replace, repair, restore or rebuild the Collateral in a diligent and expeditious manner with materials and workmanship of substantially the same quality as existed before the loss, damage or destruction. Notwithstanding the foregoing, if the casualty giving rise to such insurance proceeds could not reasonably be expected to have a Material Adverse Effect and such insurance proceeds do not exceed $1,000,000 in the aggregate, upon the applicable Loan Party's request, the Agent shall permit such Loan Party to replace, restore, repair or rebuild the property; provided that, if such Loan Party has not completed or entered into binding agreements to complete such replacement, restoration, repair or rebuilding within ninety days of such casualty, the Agent may apply such insurance proceeds to the Obligations in accordance with Section 2.15. All insurance proceeds that are to be made available to the Borrowers to replace, repair, restore or rebuild the Collateral shall be applied by the Agent to reduce the outstanding principal balance of the Revolving Loans (which application shall not result in a permanent reduction of the Revolving Commitment) and upon such application, the Agent shall establish a Reserve against the Aggregate Borrowing Base in an amount equal to the amount of such proceeds so applied. All insurance proceeds made available to any Loan Party that is not a Borrower to replace, repair, restore or rebuild Collateral shall be deposited in a cash collateral account. In either case, thereafter, such funds shall be made available to the applicable Loan Party to provide funds to replace, repair, restore or rebuild the Collateral as follows:

(i) the Borrower Representative, on behalf of the applicable Borrower, shall request a Revolving Loan or the Borrower Representative, on behalf of the applicable Loan Party, shall request a release from the cash collateral account be made in the amount needed;

(ii) so long as the conditions set forth in Section 4.2 have been met, the Revolving Lenders shall make such Revolving Loan or the Agent shall release funds from the cash collateral account; and

(iii) in the case of insurance proceeds applied against the Revolving Loan, the Reserve established with respect to such insurance proceeds shall be reduced by the amount of such Revolving Loan.

6.8. Compliance with Laws. Each Loan Party will comply with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject including, without limitation, all Environmental Laws.

6.9. Maintenance of Properties and Intellectual Property Rights. Each Loan Party will do all things necessary to (a) maintain, preserve, protect and keep its Property in good repair, working order and condition, and make all necessary and proper repairs, renewals and replacements so that its business carried on in connection therewith may be properly conducted at all times and (b) obtain and maintain in effect at all times all material franchises, governmental authorizations, Intellectual Property Rights, licenses and permits, which are necessary for it to own its Property or conduct its business as conducted on the Closing Date.

6.10. Inspection. Each Loan Party will permit the Agent and the Lenders, by their respective employees, representatives and agents, from time to time upon two Business Days' prior notice as frequently as the Agent reasonably determines to be appropriate, to (a) inspect any of the Property, the Collateral, and the books and financial records of such Loan Party, (b) examine, audit and make extracts

or copies of the books of accounts and other financial records of such Loan Party, (c) have access to its properties, facilities, the Collateral and its advisors, officers, directors and employees to discuss the affairs, finances and accounts of such Loan Party and (d) review, evaluate and make test verifications and counts of the Accounts, Inventory and other Collateral of such Loan Party. If a Default or an Unmatured Default has occurred and is continuing, each Loan Party shall provide such access to the Agent and to each Lender at all times and without advance notice. Furthermore, so long as any Default has occurred and is continuing, each Loan Party shall provide the Agent and each Lender with access to its suppliers. Each Loan Party shall promptly make available to the Agent and its counsel originals or copies of all books and records that the Agent may reasonably request. The Loan Parties acknowledge that from time to time the Agent may prepare and may distribute to the Lenders certain audit reports pertaining to the Loan Parties' assets for internal use by the Agent and the Lenders from information furnished to it by or on behalf of the Loan Parties, after the Agent has exercised its rights of inspection pursuant to this Agreement.

6.11. Appraisals; Additional Real Property Requirements. Whenever a Default or Unmatured Default exists, and at such other times (which shall occur not less than once per calendar year) as the Agent requests, the Loan Parties shall, at their sole expense, provide the Agent with appraisals or updates thereof of their Inventory, Equipment and real Property from an appraiser selected and engaged by the Agent, and prepared on a basis, satisfactory to the Agent, such appraisals and updates to include, without limitation, information required by applicable law and regulations and by the internal policies of the Lenders. At the request of the Agent, the Loan Parties shall, at their sole expense, deliver, with respect to each parcel of real Property, which is required from time to time to be subject to a Lien in favor of the Agent, a Mortgage on such real Property duly executed by the appropriate Loan Party in recordable form, an ALTA or other mortgagee's title policy and a copy of a Phase I Environmental Report or other similar report, each in form and substance satisfactory to the Agent.

6.12. Communications with Accountants. Each Loan Party executing this Agreement authorizes (a) the Agent and (b) so long as a Default has occurred and is continuing, each Lender, to communicate directly with its independent certified public accountants and authorizes and shall instruct those accountants and advisors to communicate to the Agent and each Lender information relating to any Loan Party with respect to the business, results of operations and financial condition of any Loan Party.

6.13. Collateral Access Agreements and Real Estate Purchases. Each Loan Party shall use commercially reasonable efforts to obtain a Collateral Access Agreement, from the lessor of each leased property, mortgagee of owned property or bailee or consignee with respect to any warehouse, processor or converter facility or other location where Collateral is stored or located, which agreement or letter shall provide access rights, contain a waiver or subordination of all Liens or claims that the landlord, mortgagee or bailee or consignee may assert against the Collateral at that location, and shall otherwise be reasonably satisfactory in form and substance to the Agent. With respect to such locations or warehouse space leased or owned as of the Closing Date and thereafter, if the Agent has not received a Collateral Access Agreement as of the Effective Date (or, if later, as of the date such location is acquired or leased), the Borrowers' Eligible Inventory at that location shall be excluded from the Aggregate Borrowing Base and the applicable Borrower's Borrowing Base. After the Closing Date, no real property or warehouse space shall be leased by any Loan Party and no Inventory shall be shipped to a processor or converter under arrangements established after the Closing Date, unless and until a satisfactory Collateral Access Agreement shall first have been obtained with respect to such location and if it has not been obtained, Borrowers' Eligible Inventory at that location shall be excluded from the Aggregate Borrowing Base and the applicable Borrower's Borrowing Base. Each Loan Party shall timely and fully pay and perform its obligations under all leases and other agreements with respect to each leased location or third party warehouse where any Collateral is or may be located. To the extent permitted hereunder, if any Loan Party proposes to acquire a fee ownership interest in real Property after the Closing Date, it shall first

provide the Agent with notice of such proposed acquisition and, if required by the Agent, provide to the Agent a mortgage or deed of trust granting the Agent a first priority Lien on such real Property, together with environmental audits, mortgage title insurance commitment, real property survey, local counsel opinion(s), and, if required by the Agent, supplemental casualty insurance and flood insurance, and such other documents, instruments or agreements reasonably requested by the Agent, in each case, in form and substance reasonably satisfactory to the Agent.

6.14. Deposit Account Control Agreements. The Loan Parties will provide to the Agent upon the Agent's request, a Deposit Account Control Agreement duly executed on behalf of each financial institution holding a deposit account of a Loan Party as set forth in the Security Agreement.

6.15. Additional Collateral; Further Assurances.

(a) Subject to applicable law, each Loan Party shall, unless the Required Lenders otherwise consent, (i) cause each of its Subsidiaries (excluding any Foreign Subsidiary) to become or remain a Borrower (unless otherwise permitted by Agent in its sole discretion) and (ii) cause each of its Subsidiaries (excluding any Foreign Subsidiary) formed or acquired after the Closing Date in accordance with the terms of this Agreement to become a party to this Agreement by executing the Joinder Agreement set forth as Exhibit F hereto (the "Joinder Agreement").

(b) Upon the request of the Agent, each Loan Party shall (i) grant Liens to the Agent, for the benefit of the Agent and the Lenders, pursuant to such documents as the Agent may reasonably deem necessary and deliver such property, documents, and instruments as the Agent may request to perfect the Liens of the Agent in any Property of such Loan Party which constitutes Collateral, including any parcel of real Property located in the U.S. owned by any Loan Party, and (ii) in connection with the foregoing requirements, or either of them, deliver to the Agent all items of the type required by Section 4.1 (as applicable). Upon execution and delivery of such Loan Documents and other instruments, certificates, and agreements, each such Person shall automatically become a Guarantor hereunder and thereupon shall have all of the rights, benefits, duties, and obligations in such capacity under the Loan Documents.

(c) Each Loan Party will cause (i) 100% of the issued and outstanding Capital Stock of each of its Domestic Subsidiaries and (ii) 65% (or such greater percentage that, due to a change in an applicable law after the date hereof, (1) could not reasonably be expected to cause the undistributed earnings of such Foreign Subsidiary as determined for U.S. federal income tax purposes to be treated as a deemed dividend to such Foreign Subsidiary's U.S. parent and (2) could not reasonably be expected to cause any material adverse tax consequences) of the issued and outstanding Capital Stock entitled to vote (within the meaning of Treas. Reg. Section 1.956-2(c)(2)) and 100% of the issued and outstanding Capital Stock not entitled to vote (within the meaning of Treas. Reg. Section 1.956-2(c)(2)) in each Foreign Subsidiary directly owned by such Loan Party or any Domestic Subsidiary to be subject at all times to a first priority, perfected Lien in favor of the Agent pursuant to the terms and conditions of the Loan Documents or other security documents as the Agent shall reasonably request.

(d) Without limiting the foregoing, each Loan Party shall, and shall cause each of the Loan Parties' Subsidiaries which is required to become a Loan Party pursuant to the terms of this Agreement to, execute and deliver, or cause to be executed and delivered, to the Agent such documents and agreements, and shall take or cause to be

taken such actions as the Agent may, from time to time, reasonably request to carry out the terms and conditions of this Agreement and the other Loan Documents.

(e) Notwithstanding the foregoing, at any time after a Default has occurred, each Loan Party shall, upon the request of the Agent, cause each Foreign Subsidiary to become a Loan Party and a Guarantor and to grant Liens to the Agent on its assets and have the balance of its stock pledged to the Agent.

6.16. Dividends.

(a) No Loan Party will declare or pay any dividends or make any distributions on its Capital Stock (other than dividends or distributions payable in its own common stock) or redeem, repurchase or otherwise acquire or retire any of its Capital Stock at any time outstanding, other than with respect to the following:

(i) any Subsidiary may declare and pay dividends or make distributions to the Borrowers or to a Wholly-Owned Subsidiary of the Borrowers;

(ii) the Company may pay cash dividends on its Existing Preferred Stock in an aggregate amount not to exceed $1,000,000 per Fiscal Year, provided that there is no Default or Unmatured Default and none would result from such payment;

(iii) the Company may repurchase or redeem its Capital Stock from time to time, not in excess of an aggregate of $10,000,000 from the Closing Date to the Facility Termination Date; provided, however, that no repurchase or redemption may be made unless (A) the Supplemental Term Loans have been paid in full in cash, and (B) both before and (on a pro-forma basis) after giving effect thereto (1) the Borrowers' Fixed Charge Coverage Ratio has been and will be equal to or greater than 1.5 to 1.0 for two consecutive Fiscal Quarters, (2) the Borrowers' Availability is equal to or greater than $15,000,000, and (3) there is no Default or Unmatured Default and none would result from such repurchase of redemption,

(iv) any Loan Party may retire Capital Stock if the retirement (A) consists of a conversion of any class of Capital Stock into another class of common stock or (B) the sole consideration paid in connection with such retirement is common stock; and

(v) each Borrower may pay dividends or make distributions to its partners or members in an aggregate amount not greater than the amount necessary for such partners or members to pay their actual state and United States federal income tax liabilities in respect of income earned by such Borrower.

(b) No Loan Party shall directly or indirectly enter into or become bound by any agreement, instrument, indenture or other obligation (other than this Agreement and the other Loan Documents) that could directly or indirectly restrict, prohibit or require the consent of any Person with respect to the payment of dividends or distributions or the making or repayment of intercompany loans by a Subsidiary of the Borrowers to the Borrowers.

6.17. Indebtedness. No Loan Party will create, incur or suffer to exist any Indebtedness, except:

(a) the Obligations;

(b) Indebtedness existing on the date hereof and described in Schedule 5.22;

(c) purchase money Indebtedness incurred in connection with the purchase of any Equipment; provided that, the amount of such purchase money Indebtedness shall be limited to an amount not in excess of the purchase price of such Equipment and the aggregate of all such purchase money Indebtedness shall not exceed $5,000,000;

(d) Indebtedness which represents an extension, refinancing, or renewal of any of the Indebtedness described in clauses (b), (c), (g) and (i) hereof; provided that, (i) the principal amount or interest rate of such Indebtedness is not increased, (ii) any Liens securing such Indebtedness are not extended to any additional Property of any Loan Party, (iii) no Loan Party that is not obligated with respect to repayment of such Indebtedness as of the Closing Date or as of the date such Indebtedness was incurred, whichever is later, is required to become obligated with respect thereto, (iv) such extension, refinancing or renewal does not result in a shortening of the average weighted maturity of the Indebtedness so extended, refinanced, renewed, (v) the terms of any such extension, refinancing, or renewal are not less favorable to the obligor thereunder than the original terms of such Indebtedness and (iv) if the Indebtedness that is refinanced, renewed, or extended was subordinated in right of payment to the Obligations, then the terms and conditions of the refinancing, renewal, or extension Indebtedness must include subordination terms and conditions that are at least as favorable to the Agent and the Lenders as those that were applicable to the refinanced, renewed, or extended Indebtedness;

(e) Indebtedness owing by any Borrower to any other Loan Party with respect to intercompany loans, provided further, that:

(i) upon the request of the Agent, the applicable Loan Parties shall have executed and delivered to the other Borrower, on the Effective Date, a demand note (collectively, the "Intercompany Notes") to evidence any such intercompany Indebtedness owing at any time by any Borrower to another Loan Party, which Intercompany Notes shall be in form and substance reasonably satisfactory to the Agent and shall be pledged and delivered to the Agent pursuant to the Security Agreement as additional collateral security for the Secured Obligations;

(ii) the Loan Parties shall record all intercompany transactions on their books and records in a manner reasonably satisfactory to the Agent;

(iii) the obligations of the Borrowers under any such Intercompany Notes shall be subordinated to the Obligations of the Loan Parties hereunder in a manner reasonably satisfactory to the Agent;

(iv) at the time any such intercompany loan or advance is made and after giving effect thereto, each Loan Party thereto shall be Solvent; and

(v) no Default or Unmatured Default would occur and be continuing after giving effect to any such proposed intercompany loan.

(f) Contingent Obligations (i) by endorsement of instruments for deposit or collection in the ordinary course of business, (ii) consisting of the Reimbursements Obligations and (iii) consisting of guarantees of Indebtedness incurred for the benefit of any other Loan Party if the primary obligation is expressly permitted elsewhere in this Section 6.17;

(g) Indebtedness arising under Rate Management Transactions related to the Loans having a Net Mark-to-Market Exposure not exceeding $1,000,000;

(h) Indebtedness under the Senior Subordinated Notes, provided that such Indebtedness is subordinate and junior in right of payment to the Obligations; and

(i) other unsecured Indebtedness in an amount not in excess of $5,000,000.

6.18. Capital Structure. If all or any part of a Loan Party's Capital Stock has been pledged to the Agent, that Loan Party shall not issue additional Capital Stock. No Loan Party shall engage in any business other than the businesses currently engaged in by it.

6.19. Merger. No Loan Party will merge or consolidate with or into any other Person, except that (a) any Subsidiary of a Borrower may merge into such Borrower or a Wholly-Owned Subsidiary of such Borrower is a Loan Party, (b) any Loan Party (other than the Borrowers) may merge with any other Loan Party and (c) in connection with a Permitted Acquisition, provided that the Loan Party is the surviving entity.

6.20. Sale of Assets. No Loan Party will lease, sell or otherwise dispose of its Property (including any Capital Stock owned by it) to any other Person, except:

(a) sales of Inventory in the ordinary course of business;

(b) the sale or other disposition of Equipment that is obsolete or no longer useful in such Loan Party's business and having a book value not exceeding $100,000 in the aggregate in any Fiscal Year; and

(c) the sale or disposition of other assets having a book value not exceeding $100,000 in the aggregate in any Fiscal Year.

The Net Cash Proceeds of any sale or disposition (to the extent such Net Cash Proceeds exceed $100,000) permitted pursuant to this Section (other than pursuant to Section 6.20(a)) shall be delivered to the Agent as required by Section 2.15 and applied to the Obligations as set forth therein; provided, however, that the Company may retain up to $150,000 of un-reinvested Net Cash Proceeds from any sale or disposition pursuant to this Section in any calendar year.

6.21. Investments and Acquisitions. No Loan Party will (i) make or suffer to exist any Investments (including without limitation, loans and advances to, and other Investments in, Subsidiaries), or commitments therefor, (ii) create any Subsidiary, (iii) become or remain a partner in any partnership or joint venture, or (iv) make any Acquisition, except:

(a) Cash Equivalent Investments, subject to control agreements in favor of the Agent for the benefit of the Lenders or otherwise subject to a perfected security interest in favor of the Agent for the benefit of the Lenders;

(b) Investments in existence on the Closing Date and described in Schedule 6.21;

(c) Investments consisting of loans or advances made to (i) the executive officers of such Loan Party on an arms-length basis in the ordinary course of business consistent with past practices for travel and entertainment expenses and similar purposes up to a maximum of $25,000 to any employee and up to a maximum of $75,000 in the aggregate (for all Loan Parties) at any one time outstanding and (ii) the executive officers of such Loan Party on an arms-length basis in the ordinary course of business consistent with past practices for relocation expenses and similar purposes up to a maximum of $300,000 to any employee and up to a maximum of $300,000 in the aggregate (for all Loan Parties) at any one time outstanding;

(d) subject to Sections 4.2(a) and 4.4 of the Security Agreement, Investments comprised of notes payable, or stock or other securities issued by Account Debtors to such Loan Party pursuant to negotiated agreements with respect to settlement of such Account Debtor's Accounts in the ordinary course of business, consistent with past practices;

(e) additional Investments in Wholly-Owned Subsidiaries which are Loan Parties; and

(f) Permitted Acquisitions and the formation of Wholly Owned Subsidiaries of the Borrowers in connection with a Permitted Acquisition; and

(g) Investments in the form of loans and advances to Wholly-Owned Foreign Subsidiaries, provided that:

(i) the applicable Foreign Subsidiary shall have executed and delivered to the Loan Party a demand note (collectively, the "Foreign Intercompany Notes") to evidence any such intercompany Indebtedness owing at any time by any Foreign Subsidiary to a Loan Party, which Foreign Intercompany Notes shall be in form and substance reasonably satisfactory to the Agent (a copy of such executed note shall be delivered to Agent);

(ii) all Foreign Subsidiaries and Loan Parties shall record all intercompany transactions on their books and records in a manner reasonably satisfactory to the Agent;

(iii) at the time any such intercompany loan or advance is made by a Loan Party and after giving effect thereto, such Loan Party shall be Solvent;

(iv) no Default or Unmatured Default would occur and be continuing after giving effect to any such proposed intercompany loan;

(v) in the case of any such intercompany loans made by any Borrower, the Borrowers' Availability shall not be less than $15,000,000 after giving effect to such intercompany loan; and

(vi) the aggregate balance of all such intercompany loans owing to the Borrowers by the Foreign Subsidiaries shall not exceed $20,000,000 at any time.

6.22. Liens.

(a) No Loan Party will create, incur, or suffer to exist any Lien in, of, or on the Property of such Loan Party, (including, without limitation, the real Property or marine vessels of such Loan Party) except the following (collectively, "Permitted Liens"):

(i) Liens for taxes, fees, assessments, or other governmental charges or levies on the Property of such Loan Party if such Liens (1) shall not at the time be delinquent or (2) subject to the provisions of Section 6.6, do not secure obligations in excess of $250,000, are being contested in good faith and by appropriate proceedings diligently pursued, adequate reserves in accordance with GAAP have been set aside on the books of such Loan Party, and a stay of enforcement of such Lien is in effect;

(ii) Liens imposed by law, such as carrier's, warehousemen's, and mechanic's Liens and other similar Liens arising in the ordinary course of business which secure payment of obligations not more than ten days past due;

(iii) statutory Liens in favor of landlords of real Property leased by such Loan Party; provided that, such Loan Party is current with respect to payment of all rent and other amounts due to such landlord under any lease of such real Property;

(iv) Liens arising out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation or to secure the performance of bids, tenders, or contracts (other than for the repayment of Indebtedness) or to secure indemnity, performance, or other similar bonds for the performance of bids, tenders, or contracts (other than for the repayment of Indebtedness) or to secure statutory obligations (other than liens arising under ERISA or Environmental Laws) or surety or appeal bonds, or to secure indemnity, performance, or other similar bonds;

(v) utility easements, building restrictions, and such other encumbrances or charges against real Property as are of a nature generally existing with respect to properties of a similar character and which do not in any material way affect the marketability of such real Property or interfere with the use thereof in the business of such Loan Party;

(vi) Liens existing on the Closing Date and described in Schedule 6.22;

(vii) Liens resulting from any extension, refinancing, or renewal of the related Indebtedness as permitted pursuant to Section 6.17(d); provided that, the Liens evidenced thereby are not increased to cover any additional Property not covered thereby immediately prior to such extension, refinancing or renewal;

(viii) Liens securing purchase money Indebtedness of such Loan Party permitted pursuant to Section 6.17(c); provided that, such Liens attach only to the Property which was purchased with the proceeds of such purchase money Indebtedness; and

(ix) Liens in favor of the Agent granted pursuant to any Loan Document.

(b) Notwithstanding the foregoing, none of the Liens permitted pursuant to this Section 6.22, other than (1) clauses (i) and (ix) above, may at any time attach to any Accounts of any Loan Party and (2) clauses (i) through (iii) and (ix) above, may at any time attach to any Inventory of any Loan Party.

(c) Other than as provided in the Loan Documents or in connection with the creation or incurrence of any Indebtedness under Section 6.17(c), no Loan Party will enter into or become subject to any negative pledge or other restriction on the right of such Loan Party to grant Liens to the Agent and the Lenders on any of its Property; provided that, any such negative pledge or other restriction entered into in connection with the creation of Indebtedness under Section 6.17(c) shall be limited to the Property securing such purchase money Indebtedness.

6.23. Change of Name or Location; Change of Fiscal Year. No Loan Party shall (a) change its name as it appears in official filings in the state of its incorporation or organization, (b) change its chief executive office, principal place of business, mailing address, corporate offices or warehouses or locations at which Collateral is held or stored, or the location of its records concerning the Collateral as set forth in the Security Agreement, (c) change the type of entity that it is, (d) change its organization identification number, if any, issued by its state of incorporation or other organization, or (e) change its state of incorporation or organization, in each case, unless (1) the Agent shall have received at least thirty days' prior written notice of such change and (2) the Agent shall have acknowledged in writing that, either (i) such change will not adversely affect the validity, perfection or priority of the Agent's security interest in the Collateral, or (ii) any reasonable action requested by the Agent in connection therewith has been completed or taken (including any action to continue the perfection of any Liens in favor of the Agent, on behalf of Lenders, in any Collateral), provided that, any new location shall be in the continental U.S. No Loan Party shall change its Fiscal Year.

6.24. Affiliate Transactions. No Loan Party will enter into any transaction (including, without limitation, the purchase or sale of any Property or service) with, or make any payment or transfer (including, without limitation, any payment or transfer with respect to any fees or expenses for management services) to, any Affiliate except in the ordinary course of business and pursuant to the reasonable requirements of such Loan Party's business and upon fair and reasonable terms no less favorable to such Loan Party than such Loan Party would obtain in a comparable arms-length transaction.

6.25. Amendments to Agreements. No Loan Party will, nor will any Loan Party permit its Subsidiary to, amend or terminate its articles of incorporation, charter, certificate of formation, by-laws, operating, management or partnership agreement or other organizational document.

6.26. Prepayment of Indebtedness; Subordinated Indebtedness.

(a) No Loan Party shall, directly or indirectly, voluntarily purchase, redeem, defease or prepay any principal of, premium, if any, interest or other amount payable in respect of any Indebtedness prior to its scheduled maturity, other than (i) the Obligations; (ii) Indebtedness secured by a Permitted Lien if the asset securing such Indebtedness has been sold or otherwise disposed of in accordance with Section 6.20; (iii) Indebtedness permitted by Section 6.17(d) upon any refinancing thereof in accordance therewith; (iv) Indebtedness permitted by Section 6.17(e); (v) Indebtedness under the Senior Subordinated Notes repaid in connection with a refinancing thereof, provided that such refinancing constitutes Indebtedness permitted under Section 6.17(d); and (vi) the purchase of Senior Subordinated Notes, provided that (x) the Supplemental Term Loans have been paid in full in cash, (y) both before and (on a pro-forma basis) after giving effect thereto (1) the Borrowers' Fixed Charge Coverage Ratio has been and will be equal to or greater than 1.5 to 1.0 for two consecutive Fiscal Quarters (2) the Borrowers' Availability is equal to or greater than $15,000,000, (3) there is no Default or Unmatured Default and none would result from such purchase, and (z) the purchase price paid for any Senior Subordinated Note is not in excess of the outstanding principal balance thereof, plus accrued and unpaid interest thereon.

(b) No Loan Party shall make any amendment or modification to the Indenture, or any note or other agreement evidencing or governing any Subordinated Indebtedness, or directly or indirectly voluntarily prepay, defease or in substance defease, purchase, redeem, retire or otherwise acquire any Indebtedness under the Indenture or any Subordinated Indebtedness.

6.27. Financial Contracts. No Loan Party shall enter into or remain liable upon any Financial Contract, except for (a) Rate Management Transactions permitted by Section 6.17(g), and (b) Financial Contracts that constitute currency swap transactions of Canadian Dollars provided that (i) they do not exceed an aggregate notional amount of 100% of all Canadian Dollar loans reasonably projected to be outstanding from the Company to Newpark Canada and any other Canadian Subsidiaries, together with all Investments by the Company in such entities during the term of such Financial Contract minus the aggregate principal amount (stated in Canadian Dollars) of all Revolving Loans, reasonably projected to be outstanding during the term of such Financial Contract, and (ii) they are for a term of three years or less.

6.28. Capital Expenditures. No Loan Party shall expend, or be committed to expend, in excess of (a) during the Fiscal Year 2004 $15,000,000 or, if the Bridge Period has terminated, $20,000,000, provided for each expenditure during such year in excess of $15,000,000 in the aggregate, both before and (on a pro-forma basis) after giving effect to such expenditure (i) Borrowers' Fixed Charge Coverage Ratio shall be equal to or greater than 1.1 to 1.0, (ii) the Aggregate Borrowing Base less the Aggregate Revolving Exposure shall be at least $15,000,000, and (iii) there is no Default or Unmatured Default and none would result therefrom, and (b) $20,000,000 during any subsequent Fiscal Year, for Capital Expenditures in the aggregate for the Company and its Subsidiaries.

6.29. Financial Covenants.

6.29.1. Fixed Charge Coverage Ratio. The Company will not permit the Fixed Charge Coverage Ratio, determined as of the end of each of the Company's Fiscal Quarter for the applicable Test Period, to be less than the corresponding ratio set forth below:

DATE OF DETERMINATION	MINIMUM FIXED CHARGE COVERAGE RATIO
Through and including September 30, 2004	1.0 to 1.0
Thereafter	1.1 to 1.0

6.29.2. Minimum Tangible Net Worth. The Company will at all times maintain Consolidated Tangible Net Worth of not less than the sum of (a) $140,771,900 plus (b) 75% of positive Consolidated Net Income earned in each Fiscal Quarter beginning with the Fiscal Quarter ending March 31, 2004.

6.29.3. Minimum Excess Availability. Borrowers shall maintain at all times during the period from May 16, 2004, through and including June 16, 2004, Availability (with all of the Loan Parties' indebtedness, liabilities and obligations current) in excess of $5,000,000.

6.30. Depository Banks. Each Loan Party shall maintain the Agent as such Loan Party's principal depository bank, including for the maintenance of operating, administrative, cash management, collection activity, and other deposit accounts for the conduct of its business.

6.31. Real Property Purchases. No Loan Party shall purchase a fee simple ownership interest in real Property with an aggregate purchase price in excess of $5,000,000

6.32. Sale of Accounts. No Loan Party will, nor will any Loan Party permit its Subsidiary to, sell or otherwise dispose of any notes receivable or accounts receivable, with or without recourse.

6.33. Canadian Subsidiaries Negative Pledge. No Loan Party will, nor will any Loan Party permit any of its Subsidiaries that are organized under the laws of a province of Canada ("Canadian Subsidiaries") to, create, incur or suffer to exist, any Lien in, of, or on any Property of such Canadian Subsidiary (including, without limitation, the real Property or marine vessels of such Canadian Subsidiary).

ARTICLE VII

DEFAULTS

The occurrence of any one or more of the following events shall constitute a "Default" hereunder:

(a) any representation or warranty made or deemed made by or on behalf of any Loan Party to any Lender or the Agent under or in connection with this Agreement, any other Loan Document, any Credit Extension, or any certificate or information delivered in connection with any of the foregoing shall be materially false on the date as of which made;

(b) nonpayment, when due (whether upon demand or otherwise), of any principal, interest, fee, Reimbursement Obligation or any other obligation owing under any of the Loan Document;

(c) the breach by any Loan Party of any of the terms or provisions of Section 6.2, 6.3(a), 6.16 through 6.23 or 6.25 through 6.33;

(d) the breach by any Loan Party (other than a breach which constitutes a Default under another Section of this Article VII) of any of the terms or provisions of (i) Section 6.1, 6.3 (other than Section 6.3(a)), 6.4 through 6.15, or 6.24 of this Agreement which is not remedied within five days from the earlier of (x) the date on which any Loan Party had actual or constructive knowledge of such breach or (y) the date on which such Loan Party receives written notice from the Agent or any Lender or (ii) any other Section of this Agreement which is not remedied within fifteen days after the earlier of (x) the date on which any Loan Party had actual or constructive knowledge of such breach or (y) the date on which such Loan Party receives written notice from the Agent or any Lender;

(e) failure of any Loan Party to pay when due any Material Indebtedness or a default, breach or other event occurs under any term, provision or condition contained in any Material Indebtedness Agreement of any Loan Party, the effect of which default, event or condition is to cause, or to permit the holder(s) of such Material Indebtedness or the lender(s) under any Material Indebtedness Agreement to cause, such Material Indebtedness to become due prior to its stated maturity or any commitment to lend under any Material Indebtedness Agreement to be terminated prior to its stated expiration date; any Material Indebtedness of any Loan Party shall be declared to be due and payable or required to be prepaid or repurchased (other than by a regularly scheduled payment) prior to the stated maturity thereof; or any Loan Party shall not pay, or admit in writing its inability to pay, its debts generally as they become due;

(f) any Loan Party shall (i) have an order for relief entered with respect to it under the Bankruptcy Code as now or hereafter in effect, (ii) make an assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any portion of its Property which constitutes a Substantial Portion, (iv) institute any proceeding seeking an order for relief under the Bankruptcy Code as now or hereafter in effect or seeking to adjudicate it a bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (v) take any corporate or partnership action to authorize or effect any of the foregoing actions set forth in this subsection (f) or (vi) fail to contest in good faith any appointment or proceeding described in subsection (g) below;

(g) a receiver, trustee, examiner, liquidator or similar official shall be appointed for any Loan Party or any portion of its Property which constitutes a Substantial Portion, or a proceeding described in subsection (f)(iv) of Article VII shall be instituted against any Loan Party and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of sixty consecutive days;

(h) any court, government or governmental agency shall condemn, seize or otherwise appropriate, or take custody or control of, all or any portion of the Property of any Loan Party which, when taken together with all other Property of any Loan Party so condemned, seized, appropriated, or taken custody or control of, during the twelve-month period ending with the month in which any such action occurs, constitutes a Substantial Portion;

(i) any loss, theft, damage or destruction of any item or items of Collateral or other property of any Loan Party occurs which could reasonably be expected to cause a Material Adverse Effect and is not adequately covered by insurance;

(j) any Loan Party shall fail within thirty days to pay, bond or otherwise discharge one or more (i) judgments or orders for the payment of money in excess of $1,000,000 (or the equivalent thereof in currencies other than U.S. Dollars) in the aggregate, or (ii) nonmonetary judgments or orders which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, which judgments or orders, in any such case, are not stayed on appeal or otherwise being appropriately contested in good faith by proper proceedings diligently pursued;

(k) any Change in Control shall occur;

(l) the Unfunded Liabilities of all Single Employer Plans shall exceed in the aggregate $1,000,000 or any Reportable Event shall occur in connection with any Plan;

(m) any Borrower or any other member of the Controlled Group shall have been notified by the sponsor of a Multiemployer Plan that it has incurred withdrawal liability to such Multiemployer Plan in an amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans by such Borrower or any other member of the Controlled Group as withdrawal liability (determined as of the date of such notification), exceeds $1,000,000 or requires payments exceeding $1,000,000 per annum;

(n) a Borrower or any other member of the Controlled Group shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if as a result of such reorganization or termination the aggregate annual contributions of such Borrower and the other members of the Controlled Group (taken as a whole) to all Multiemployer Plans which are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the respective plan years of each such Multiemployer Plan immediately preceding the plan year in which the reorganization or termination occurs by an amount exceeding $1,000,000;

(o) any Loan Party shall (i) be the subject of any proceeding or investigation pertaining to the release by the any Loan Party or any other Person of any toxic or hazardous waste or substance into the environment, or (ii) violate any Environmental Law, which, in the case of an event described in clause (i) or clause (ii), could reasonably be expected to have a Material Adverse Effect (as determined by Agent in its Permitted Discretion);

(p) the occurrence of any "default", as defined in any Loan Document (other than this Agreement) or the breach of any of the terms or provisions of any Loan Document (other than this Agreement), which default or breach continues beyond any period of grace therein provided;

(q) any Guaranty shall fail to remain in full force or effect or any action shall be taken to discontinue or to assert the invalidity or unenforceability of any Guaranty, or any Guarantor shall fail to comply with any of the terms or provisions of the Guaranty to

which it is a party, or any Guarantor shall deny that it has any further liability under any Guaranty to which it is a party, or shall give notice to such effect;

(r) any Collateral Document shall for any reason fail to create a valid and perfected first priority security interest in any Collateral purported to be covered thereby, except as permitted by the terms of any Collateral Document, or any Collateral Document shall fail to remain in full force or effect or any action shall be taken to discontinue or to assert the invalidity or unenforceability of any Collateral Document, or any Loan Party shall fail to comply with any of the terms or provisions of any Collateral Document;

(s) any material provision of any Loan Document for any reason ceases to be valid, binding and enforceable in accordance with its terms (or any Loan Party shall challenge the enforceability of any Loan Document or shall assert in writing, or engage in any action or inaction based on any such assertion, that any provision of any of the Loan Documents has ceased to be or otherwise is not valid, binding and enforceable in accordance with its terms);

(t) the representations and warranties set forth in Section 5.17 (Plan Assets; Prohibited Transactions) shall at any time not be true and correct;

(u) nonpayment by any Borrower or any of its Subsidiaries of any Rate Management Obligation when due or the breach by any Borrower or any of its Subsidiaries of any term, provision or condition contained in any Rate Management Transaction or any transaction of the type described in the definition of "Rate Management Transactions," whether or not any Lender or Affiliate of a Lender is a party thereto; or

(v) any Loan Party is criminally indicted or convicted under any law that may reasonably be expected to lead to a forfeiture of any Property of such Loan Party having a fair market value in excess of $500,000.

ARTICLE VIII

REMEDIES; WAIVERS AND AMENDMENTS

8.1. Remedies.

(a) If any Default occurs, the Agent may in its discretion (and at the written request of the Required Lenders, shall) (i) reduce the Aggregate Commitment or the Revolving Commitment, (ii) terminate or suspend the obligations of the Lenders to make Loans hereunder and the obligation and power of the LC Issuer to issue Facility LCs, (iii) declare all or any portion of the Obligations to be due and payable, whereupon such Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which the Borrower hereby expressly waives, (iv) upon notice to the Borrower Representative and in addition to the continuing right to demand payment of all amounts payable under this Agreement, the Agent may either (1) make demand on the Borrowers to pay, and the Borrowers will, forthwith upon such demand and without any further notice or act, pay to the Agent an amount, in immediately available funds (which funds shall be held in the Facility LC Collateral Account), equal to 105% of the Collateral Shortfall Amount or (2) deliver a Supporting

Letter of Credit as required by Section 2.1.2(l), whichever the Agent may specify in its sole discretion, (v) increase the rate of interest applicable to the Loans and the LC Fees as set forth in this Agreement and (vi) exercise any rights and remedies provided to the Agent under the Loan Documents or at law or equity, including all remedies provided under the UCC.

(b) If any Default described in subsections (f) or (g) of Article VII occurs with respect to any Loan Party, the obligations of the Lenders to make Loans hereunder and the obligation and power of the LC Issuer to issue Facility LCs shall automatically terminate and all Obligations shall immediately become due and payable without any election or action on the part of the Agent, the LC Issuer or any Lender and the Loan Parties will be and become thereby unconditionally obligated, without any further notice, act or demand, to pay to the Agent an amount equal to 105% of the Collateral Shortfall Amount, which funds shall be deposited in the Facility LC Collateral Account.

(c) If, within thirty days after acceleration of the maturity of the Obligations or termination of the obligations of the Lenders to make Loans and the obligation and power of the LC Issuer to issue Facility LCs hereunder as a result of any Default (other than any Default as described in subsections (f) or (g) of Article VII with respect to any Borrower) and before any judgment or decree for the payment of the Obligations due shall have been obtained or entered, the Required Lenders (in their sole discretion) shall so direct, the Agent shall, by notice to the Borrower Representative, rescind and annul such acceleration and/or termination.

(d) If at any time while any Default is continuing, the Agent determines that the Collateral Shortfall Amount at such time is greater than zero, the Agent may make demand on the Borrowers (upon notice to the Borrower Representative) to pay, and the Borrowers will, forthwith upon such demand and without any further notice or act, pay to the Agent an amount equal to 105% of the Collateral Shortfall Amount, which funds shall be deposited in the Facility LC Collateral Account. The Borrowers hereby pledge, assign, and grant to the Agent, on behalf of and for the benefit of the Agent, the Lenders, and the LC Issuer, a security interest in all of the Borrowers' right, title, and interest in and to all funds which may from time to time be on deposit in the Facility LC Collateral Account to secure the prompt and complete payment and performance of the Obligations.

(e) The Agent may at any time or from time to time after funds are deposited in the Facility LC Collateral Account, apply such funds to the payment of the Obligations and any other amounts as shall from time to time have become due and payable by the Borrowers to the Lenders or the LC Issuer under the Loan Documents.

(f) At any time while any Default is continuing, neither the Borrowers nor any Person claiming on behalf of or through the Borrowers shall have any right to withdraw any of the funds held in the Facility LC Collateral Account. After all of the Secured Obligations have been indefeasibly paid in full and the Aggregate Commitment has been terminated, any funds remaining in the Facility LC Collateral Account shall be returned by the Agent to the Borrowers or paid to whomever may be legally entitled thereto at such time.

8.2. Waivers by Loan Parties. Except as otherwise provided for in this Agreement or by applicable law, each Loan Party waives: (a) presentment, demand and protest and notice of presentment, dishonor, notice of intent to accelerate, notice of acceleration, protest, default, nonpayment, maturity,

release, compromise, settlement, extension or renewal of any or all commercial paper, accounts, contract rights, documents, instruments, chattel paper and guaranties at any time held by the Agent on which any Loan Party may in any way be liable, and hereby ratifies and confirms whatever the Agent may do in this regard, (b) all rights to notice and a hearing prior to the Agent's taking possession or control of, or to the Agent's replevy, attachment or levy upon, the Collateral or any bond or security that might be required by any court prior to allowing the Agent to exercise any of its remedies, and (c) the benefit of all valuation, appraisal, marshaling and exemption laws.

8.3. Amendments.

(a) Subject to the provisions of this Section 8.3, no amendment, waiver or modification of any provision of this Agreement or any other Loan Document, and no consent with respect to any departure by any Loan Party therefrom, shall be effective unless the same shall be in writing and signed by the Required Lenders (or the Agent with the consent in writing of the Required Lenders) and the Loan Parties and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(b) Notwithstanding subsection (a) above, no such amendment, waiver or other modification with respect to this Agreement shall, without the consent of all of the Lenders:

(i) extend the final maturity of any Loan to a date after the Facility Termination Date;

(ii) postpone any regularly scheduled payment of principal of any Loan or reduce or forgive all or any portion of the principal amount of any Loan or any Reimbursement Obligation;

(iii) reduce the rate or extend the time of payment of interest or fees payable to the Lenders pursuant to any Loan Document;

(iv) reduce the percentage or number of Lenders specified in the definition of Required Lenders;

(v) extend the Facility Termination Date;

(vi) increase the amount of the Aggregate Commitment or the Commitment of any Lender hereunder (other than pursuant to Section 12.3);

(vii) increase the advance rates set forth in the definition of Borrowing Base;

(viii) permit any Loan Party to assign its rights under this Agreement;

(ix) amend this Section 8.3;

(x) release any guarantor of any Credit Extension, except as otherwise permitted herein or in the other Loan Documents; or

(xi) except as provided in Section 10.16 or any Collateral Document, release all or substantially all of the Collateral.

(c) No amendment of any provision of this Agreement relating to the Agent or to the Non-Ratable Loans, the Overadvances or the Protective Advances shall be effective without the written consent of the Agent. No amendment of any provision relating to the LC Issuer shall be effective without the written consent of the LC Issuer. The Agent may (i) amend the Commitment Schedule to reflect assignments entered into pursuant to Section 12.3, and (ii) waive payment of the fee required under Section 12.3(c) without obtaining the consent of any other party to this Agreement.

8.4. Preservation of Rights. No delay or omission of the Lenders, the LC Issuer or the Agent to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Default or an acquiescence therein, and the making of a Credit Extension notwithstanding the existence of a Default or the inability of the Borrowers to satisfy the conditions precedent to such Credit Extension shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the Lenders required pursuant to Section 8.3, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Agent, the LC Issuer and the Lenders until the Obligations have been paid in full.

ARTICLE IX

GENERAL PROVISIONS

9.1. Survival of Representations. All representations and warranties of the Loan Parties contained in this Agreement and the other Loan Documents shall survive the execution and delivery of the Loan Documents and the making of the Credit Extensions herein contemplated.

9.2. Governmental Regulation. Anything contained in this Agreement to the contrary notwithstanding, neither the LC Issuer nor any Lender shall be obligated to extend credit to the Borrowers in violation of any limitation or prohibition provided by any applicable statute or regulation.

9.3. Headings. Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

9.4. Entire Agreement. The Loan Documents embody the entire agreement and understanding among the Loan Parties, the Agent, the LC Issuer and the Lenders and supersede all prior agreements and understandings among the Loan Parties, the Agent and the Lenders relating to the subject matter thereof other than those contained in the Fee Letter which shall survive and remain in full force and effect during the term of this Agreement. THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

9.5. Several Obligations; Benefits of this Agreement. The respective obligations of the Lenders hereunder are several and not joint and no Lender shall be the partner or agent of any other

lender (except to the extent to which the Agent is authorized to act as administrative agent for the Lenders hereunder). The failure of any Lender to perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. This Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns, provided however,, that the parties hereto expressly agree that the Arranger shall enjoy the benefits of the provisions of Sections 9.6, 9.10 and 10.11 to the extent specifically set forth therein and shall have the right to enforce such provisions on its own behalf and in its own name to the same extent as if it were a party to this Agreement.

9.6. Expenses; Indemnification.

(a) Expenses. The Borrowers shall reimburse the Agent and the Arranger for any costs, internal charges and out-of-pocket expenses (including attorneys' fees and time charges of attorneys for the Agent, which attorneys may be employees of the Agent) paid or incurred by the Agent or the Arranger in connection with the preparation, negotiation, execution, delivery, syndication, distribution (including, without limitation, via the internet or through a service such as Intralinks), review, amendment, modification, and administration of the Loan Documents. The Borrowers also agree to reimburse the Agent, the Arranger, the LC Issuer and the Lenders for any costs, internal charges and out-of-pocket expenses (including attorneys' fees and time charges of attorneys for the Agent, the Arranger, the LC Issuer and the Lenders, which attorneys may be employees of the Agent, the Arranger, the LC Issuer or the Lenders) paid or incurred by the Agent, the Arranger, the LC Issuer or any Lender in connection with the collection and enforcement of the Loan Documents. Expenses being reimbursed by the Borrowers under this Section include, without limitation, costs and expenses incurred in connection with:

(i) appraisals of all or any portion of the Collateral, including each parcel of real Property or interest in real Property described in any Collateral Document, if required, which appraisals shall be in conformity with the applicable requirements of any law or any governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any interpretation thereof, including, without limitation, the provisions of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as amended, reformed or otherwise modified from time to time, and any rules promulgated to implement such provisions (including travel, lodging, meals and other out of pocket expenses);

(ii) field examinations and audits and the preparation of Reports at the Agent's then customary charge (such charge is currently $800 per day (or portion thereof) for each Person retained or employed by the Agent with respect to each field examination or audit) plus travel, lodging, meals and other out of pocket expenses;

(iii) any amendment, modification, supplement, consent, waiver or other documents prepared with respect to any Loan Document and the transactions contemplated thereby;

(iv) lien and title searches and title insurance;

(v) taxes, fees and other charges for recording the Mortgages, filing financing statements and continuations, and other actions to perfect, protect, and continue the Agent's Liens (including costs and expenses paid or incurred by the Agent in connection with the consummation of the Agreement);

(vi) sums paid or incurred to take any action required of any Loan Party under the Loan Documents that such Loan Party fails to pay or take;

(vii) any litigation, contest, dispute, proceeding or action (whether instituted by Agent, the LC Issuer, any Lender, any Loan Party or any other Person and whether as to party, witness or otherwise) in any way relating to the Collateral, the Loan Documents or the transactions contemplated thereby; and

(viii) costs and expenses of forwarding loan proceeds, collecting checks and other items of payment, and establishing and maintaining the Funding Account and lock boxes, and costs and expenses of preserving and protecting the Collateral

The foregoing shall not be construed to limit any other provisions of the Loan Documents regarding costs and expenses to be paid by the Borrowers. All of the foregoing costs and expenses may be charged to the Borrower's Loan Account as Revolving Loans, or to another deposit account, all as described in Section 2.17(b).

(b) Indemnification. The Borrowers hereby further agree, jointly and severally, to indemnify the Agent, the Arranger, the LC Issuer each Lender, their respective Affiliates, and each of their directors, officers and employees against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all expenses of litigation or preparation therefor whether or not the Agent, the Arranger, the LC Issuer any Lender or any Affiliate is a party thereto) which any of them may pay or incur arising out of or relating to this Agreement, the other Loan Documents, the transactions contemplated hereby or the direct or indirect application or proposed application of the proceeds of any Credit Extension hereunder except to the extent that they are determined in a final non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the party seeking indemnification. The obligations of the Borrowers under this Section 9.6 shall survive the termination of this Agreement. WITHOUT LIMITATION OF THE FOREGOING, IT IS THE INTENTION OF THE BORROWERS AND THE BORROWERS AGREE THAT THE FOREGOING INDEMNITIES SHALL APPLY TO EACH INDEMNIFIED PARTY WITH RESPECT TO LOSSES, CLAIMS, DAMAGES, PENALTIES, JUDGMENTS, LIABILITIES AND EXPENSES (INCLUDING, WITHOUT LIMITATION, ALL EXPENSES OF LITIGATION OR PREPARATION THEREFOR), WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF THE NEGLIGENCE OF SUCH (AND/OR ANY OTHER) INDEMNIFIED PARTY.

9.7. Numbers of Documents. All statements, notices, closing documents, and requests hereunder shall be furnished to the Agent with sufficient counterparts so that the Agent may furnish one to each of the Lenders.

9.8. Accounting. Except as provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP

in a manner consistent with that used in preparing the financial statements referred to in Section 5.5, except that any calculation or determination which is to be made on a consolidated basis shall be made for the Company and all of its Subsidiaries, including those Subsidiaries, if any, which are unconsolidated on the Company's audited financial statements. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and the Borrowers (through the Borrower Representative), the Agent or the Required Lenders shall so request the Agent, the Lenders and the Loan Parties shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders), provided that, until so amended, such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and the Borrowers shall provide to the Agent and the Lenders reconciliation statements showing the difference in such calculation, together with the delivery of monthly, quarterly and annual financial statements required hereunder.

9.9. Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

9.10. Nonliability of Lenders. The relationship between any Loan Party on the one hand and the Lenders, the LC Issuer and the Agent on the other hand shall be solely that of debtor and creditor. Neither the Agent, the Arranger, the LC Issuer nor any Lender shall have any fiduciary responsibilities to any Loan Party. Neither the Agent, the Arranger, the LC Issuer nor any Lender undertakes any responsibility to any Loan Party to review or inform such Loan Party of any matter in connection with any phase of any Loan Party's business or operations. The Loan Parties agree that neither the Agent, the Arranger, the LC Issuer nor any Lender shall have liability to any Loan Party (whether sounding in tort, contract or otherwise) for losses suffered by any Loan Party in connection with, arising out of, or in any way related to, the transactions contemplated and the relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, unless it is determined in a final non-appealable judgment by a court of competent jurisdiction that such losses resulted from the gross negligence or willful misconduct of the party from which recovery is sought. Neither the Agent, the Arranger, the LC Issuer nor any Lender shall have any liability with respect to, and each Loan Party hereby waives, releases and agrees not to sue for, any special, indirect, consequential or punitive damages suffered by any Loan Party in connection with, arising out of, or in any way related to the Loan Documents or the transactions contemplated thereby.

9.11. Confidentiality. The Agent and each Lender agrees to hold any confidential information which it may receive from the Borrower in connection with this Agreement in confidence, except for disclosure (a) to its Affiliates and to the Agent and any other Lender and their respective Affiliates, (b) to legal counsel, accountants, and other professional advisors to such Lender or to a Transferee, (c) to regulatory officials, (d) to any Person as requested pursuant to or as required by law, regulation, or legal process, (e) to any Person in connection with any legal proceeding to which it is a party, (f) to its direct or indirect contractual counterparties in swap agreements or to legal counsel, accountants and other professional advisors to such counterparties, (g) permitted by Section 12.4, and (h) to rating agencies if requested or required by such agencies in connection with a rating relating to the Credit Extensions hereunder. Without limiting Section 9.4, the Borrowers agree that the terms of this Section 9.11 shall set forth the entire agreement between the Borrowers and each Lender (including the Agent) with respect to any confidential information previously or hereafter received by such Lender in connection with this Agreement, and this Section 9.11 shall supersede any and all prior confidentiality agreements entered into by such Lender with respect to such confidential information. Notwithstanding anything herein to the contrary, confidential information shall not include, and each party to any of the Loan Documents and

their respective Affiliates (and the respective partners, directors, officers, employees, advisors, representatives and other agents of each of the foregoing and their Affiliates) may disclose to any and all Persons, without limitation of any kind, (i) any information with respect to the U.S. federal and state income tax treatment of the transactions contemplated hereby and any facts that may be relevant to understanding such tax treatment, which facts shall not include for this purpose the names of the parties or any other Person named herein, or information that would permit identification of the parties or such other Persons, or any pricing terms or other nonpublic business or financial information that is unrelated to such tax treatment or facts, and (ii) all materials of any kind (including opinions or other tax analyses) relating to such tax treatment or facts that are provided to any of the Persons referred to above, and it is hereby confirmed that each of the Persons referred to above has been authorized to make such disclosures since the commencement of discussions regarding the transactions contemplated hereby.

9.12. Nonreliance. Each Lender hereby represents that it is not relying on or looking to any Margin Stock for the repayment of the Credit Extensions provided for herein.

9.13. Disclosure. Each Loan Party and each Lender hereby acknowledges and agrees that Bank One and/or its Affiliates from time to time may hold investments in, make other loans to or have other relationships with any of the Loan Parties and their respective Affiliates.

9.14. PATRIOT ACT NOTICE. IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT. TO HELP THE GOVERNMENT FIGHT THE FUNDING OF TERRORISM AND MONEY LAUNDERING ACTIVITIES, FEDERAL LAW REQUIRES ALL FINANCIAL INSTITUTIONS TO OBTAIN, VERIFY, AND RECORD INFORMATION THAT IDENTIFIES EACH PERSON OR ENTITY THAT OPENS AN ACCOUNT, INCLUDING ANY DEPOSIT ACCOUNT, TREASURY MANAGEMENT ACCOUNT, LOAN, OTHER EXTENSION OF CREDIT, OR OTHER FINANCIAL SERVICES PRODUCT. WHAT THIS MEANS FOR THE BORROWERS: WHEN A BORROWER OPENS AN ACCOUNT, IF SUCH BORROWER IS AN INDIVIDUAL, THE AGENT AND THE LENDERS WILL ASK FOR SUCH BORROWER'S NAME, RESIDENTIAL ADDRESS, DATE OF BIRTH, AND OTHER INFORMATION THAT WILL ALLOW AGENT AND THE LENDERS TO IDENTIFY SUCH BORROWER, AND, IF THE BORROWER IS NOT AN INDIVIDUAL, THE AGENT AND THE LENDERS WILL ASK FOR SUCH BORROWER'S NAME, EMPLOYER IDENTIFICATION NUMBER, BUSINESS ADDRESS, AND OTHER INFORMATION THAT WILL ALLOW THE AGENT AND THE LENDERS TO IDENTIFY SUCH BORROWER. THE AGENT AND THE LENDERS MAY ALSO ASK, IF A BORROWER IS AN INDIVIDUAL, TO SEE SUCH BORROWER'S DRIVER'S LICENSE OR OTHER IDENTIFYING DOCUMENTS, AND, IF A BORROWER IS NOT AN INDIVIDUAL, TO SEE SUCH BORROWER'S LEGAL ORGANIZATIONAL DOCUMENTS OR OTHER IDENTIFYING DOCUMENTS.

9.15. Amendment and Restatement. This Agreement is an amendment and restatement of that certain Amended and Restated Credit Agreement, dated as of January 31, 2002, among Newpark Resources, Inc., the lending institutions party thereto as "Lenders", Bank One, NA, as administrative agent and LC Issuer, and the other parties thereto, as amended (the "Amended Loan Agreement" and together with the Original Loan Agreement and all interim amendments, restatements and other modifications thereto, collectively, the "Prior Loan Agreements"). All "Obligations" under the Prior Loan Agreements and all Liens securing payment of "Obligations" under the Prior Loan Agreements shall in all respects be continuing and this Agreement shall not be deemed to evidence or result in a novation or repayment and re-borrowing of such "Obligations". This Agreement shall supersede the Prior Loan Agreements. From and after the Effective Date, this Agreement shall govern the terms of the "Obligations" under the Prior Loan Agreements. To the extent not replaced by Loan Documents dated as of the Closing Date, any "Loan Documents" (as defined in the Prior Loan Agreements) executed in connection with the Prior Loan Agreements (other than any such Loan Document that is specifically terminated by the parties thereto) shall continue to be effective, and all references in those prior Loan Documents to the "Amended and Restated Credit Agreement," the "Credit Agreement", the "Agreement" or similar references, shall be deemed to refer to this Agreement without further amendment thereof.

ARTICLE X

THE AGENT

10.1. Appointment; Nature of Relationship. Bank One, NA is hereby appointed by each of the Lenders as its contractual representative (herein referred to as the "Agent") hereunder and under each other Loan Document, and each of the Lenders irrevocably authorizes the Agent to act as the contractual representative of such Lender with the rights and duties expressly set forth herein and in the other Loan Documents. The Agent agrees to act as such contractual representative upon the express conditions contained in this Article X. Notwithstanding the use of the defined term "Agent," it is expressly understood and agreed that the Agent shall not have any fiduciary responsibilities to any Lender by reason of this Agreement or any other Loan Document and that the Agent is merely acting as the contractual representative of the Lenders with only those duties as are expressly set forth in this Agreement and the other Loan Documents. In its capacity as the Lenders' contractual representative, the Agent (a) does not hereby assume any fiduciary duties to any of the Lenders, (b) is a "representative" of the Lenders within the meaning of the term "secured party" as defined in the Texas Uniform Commercial Code and (c) is acting as an independent contractor, the rights and duties of which are limited to those expressly set forth in this Agreement and the other Loan Documents. Each of the Lenders hereby agrees to assert no claim against the Agent on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims each Lender hereby waives.

10.2. Powers. The Agent shall have and may exercise such powers under the Loan Documents as are specifically delegated to the Agent by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Agent shall have no implied duties to the Lenders, or any obligation to the Lenders to take any action thereunder except any action specifically provided by the Loan Documents to be taken by the Agent.

10.3. General Immunity. Neither the Agent nor any of its directors, officers, agents or employees shall be liable to the Borrowers, the Lenders or any Lender for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith except to the extent such action or inaction is determined in a final non-appealable judgment by a court of competent jurisdiction to have arisen from the gross negligence or willful misconduct of such Person.

10.4. No Responsibility for Credit Extensions, Recitals, etc. Neither the Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into, or verify (a) any statement, warranty or representation made in connection with any Loan Document or any borrowing hereunder; (b) the performance or observance of any of the covenants or agreements of any obligor under any Loan Document, including, without limitation, any agreement by an obligor to furnish information directly to each Lender; (c) the satisfaction of any condition specified in Article IV, except receipt of items required to be delivered solely to the Agent; (d) the existence or possible existence of any Default or Unmatured Default; (e) the validity, enforceability, effectiveness, sufficiency or genuineness of any Loan Document or any other instrument or writing furnished in connection therewith; (f) the value, sufficiency, creation, perfection or priority of any Lien in any Collateral; or (g) the financial condition of any Loan Party, any Guarantor or any Affiliate of any Loan Party.

10.5. Action on Instructions of the Lenders. The Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Loan Document in accordance with written instructions signed by the Required Lenders, and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders. The Lenders hereby acknowledge that the Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement or any other Loan Document unless it shall be requested in writing to do so by the Required Lenders. The Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Loan Document unless it shall first be indemnified to its satisfaction by the Lenders pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

10.6. Employment of Agents and Counsel. The Agent may execute any of its duties as the Agent hereunder and under any other Loan Document by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders, except as to money or securities received by the Agent or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Agent shall be entitled to advice of counsel concerning the contractual arrangement between the Agent and the Lenders and all matters pertaining to the Agent's duties hereunder and under any other Loan Document.

10.7. Reliance on Documents; Counsel. The Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex, electronic mail message, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect to legal matters, upon the opinion of counsel selected by the Agent, which counsel may be employees of the Agent. For purposes of determining compliance with the conditions specified in Sections 4.1 and 4.2, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Agent shall have received notice from such Lender prior to the applicable date specifying its objection thereto.

10.8. Agent's Reimbursement and Indemnification. The Lenders agree to reimburse and indemnify the Agent ratably in proportion to their respective Commitments (or, if the Commitments have been terminated, in proportion to their Commitments immediately prior to such termination) (a) for any

amounts not reimbursed by the Borrowers for which the Agent is entitled to reimbursement by the Borrowers under the Loan Documents, (b) for any other expenses incurred by the Agent on behalf of the Lenders, in connection with the preparation, execution, delivery, administration and enforcement of the Loan Documents (including, without limitation, for any expenses incurred by the Agent in connection with any dispute between the Agent and any Lender or between two or more of the Lenders) and (c) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of the Loan Documents or any other document delivered in connection therewith or the transactions contemplated thereby (including, without limitation, for any such amounts incurred by or asserted against the Agent in connection with any dispute between the Agent and any Lender or between two or more of the Lenders), or the enforcement of any of the terms of the Loan Documents or of any such other documents, provided that, (i) no Lender shall be liable for any of the foregoing to the extent any of the foregoing is found in a final non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Agent and (ii) any indemnification required pursuant to Section 3.5(g) shall, notwithstanding the provisions of this Section 10.8, be paid by the relevant Lender in accordance with the provisions thereof. The obligations of the Lenders under this Section 10.8 shall survive payment of the Obligations and termination of this Agreement.

10.9. Notice of Default. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Unmatured Default hereunder unless the Agent has received written notice from a Lender, any Borrower or the Borrower Representative referring to this Agreement describing such Default or Unmatured Default and stating that such notice is a "notice of default." In the event that the Agent receives such a notice, the Agent shall give prompt notice thereof to the Lenders; provided, that, the Agent shall not be liable to any Lender for any failure to do so, except to the extent that such failure is attributable to the Agent's gross negligence or willful misconduct.

10.10. Rights as a Lender. In the event the Agent is a Lender, the Agent shall have the same rights and powers hereunder and under any other Loan Document with respect to its Commitment and its Credit Extensions as any Lender and may exercise the same as though it were not the Agent, and the term "Lender" or "Lenders" shall, at any time when the Agent is a Lender, unless the context otherwise indicates, include the Agent in its individual capacity. The Agent and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of trust, debt, equity or other transaction, in addition to those contemplated by this Agreement or any other Loan Document, with any Loan Party in which such Loan Party is not restricted hereby from engaging with any other Person, all as if Bank One were not the Agent and without any duty to account therefor to Lenders. Bank One and its Affiliates may accept fees and other consideration from any Loan Party for services in connection with this Agreement or otherwise without having to account for the same to Lenders. The Agent in its individual capacity, is not obligated to remain a Lender.

10.11. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Agent, the Arranger or any other Lender and based on the financial statements prepared by the Loan Parties and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and the other Loan Documents. Each Lender also acknowledges that it will, independently and without reliance upon the Agent, the Arranger 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 decisions in taking or not taking action under this Agreement and the other Loan Documents. Except for any notice, report, document, credit information or other information expressly required to be furnished to the Lenders by the Agent or Arranger hereunder, neither the Agent nor the Arranger shall have any duty or responsibility (either initially or on a continuing basis) to provide any Lender with any notice, report, document, credit information or other information

concerning the affairs, financial condition or business of the Borrowers or any of their Affiliates that may come into the possession of the Agent or Arranger (whether or not in their respective capacity as Agent or Arranger) or any of their Affiliates.

10.12. Successor Agent. The Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower Representative, such resignation to be effective upon the appointment of a successor Agent or, if no successor Agent has been appointed, forty-five days after the retiring Agent gives notice of its intention to resign. The Agent may be removed at any time with or without cause by written notice received by the Agent from the Required Lenders, such removal to be effective on the date specified by the Required Lenders. Upon any such resignation or removal, the Required Lenders shall have the right to appoint, on behalf of the Borrowers and the Lenders, a successor Agent. If no successor Agent shall have been so appointed by the Required Lenders within thirty days after the resigning Agent's giving notice of its intention to resign, then the resigning Agent may appoint, on behalf of the Borrowers and the Lenders, a successor Agent. Notwithstanding the previous sentence, the Agent may at any time without the consent of the Borrowers or any Lender, appoint any of its Affiliates which is a commercial bank as a successor Agent hereunder. If the Agent has resigned or been removed and no successor Agent has been appointed, the Lenders may perform all the duties of the Agent hereunder and the Borrowers shall make all payments in respect of the Obligations to the applicable Lender and for all other purposes shall deal directly with the Lenders. No successor Agent shall be deemed to be appointed hereunder until such successor Agent has accepted the appointment. Any such successor Agent shall be a commercial bank having capital and retained earnings of at least $100,000,000. Upon the acceptance of any appointment as the Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning or removed Agent. Upon the effectiveness of the resignation or removal of the Agent, the resigning or removed Agent shall be discharged from its duties and obligations hereunder and under the Loan Documents. After the effectiveness of the resignation or removal of an Agent, the provisions of this Article X shall continue in effect for the benefit of such Agent in respect of any actions taken or omitted to be taken by it while it was acting as the Agent hereunder and under the other Loan Documents. In the event that there is a successor to the Agent by merger, or the Agent assigns its duties and obligations to an Affiliate pursuant to this Section 10.12, then the term "Prime Rate" as used in this Agreement shall mean the prime rate, base rate or other analogous rate of the new Agent.

10.13. Delegation to Affiliates. The Borrowers and the Lenders agree that the Agent may delegate any of its duties under this Agreement to any of its Affiliates. Any such Affiliate (and such Affiliate's directors, officers, agents and employees) which performs duties in connection with this Agreement shall be entitled to the same benefits of the indemnification, waiver and other protective provisions to which the Agent is entitled under Articles IX and X.

10.14. Execution of Loan Documents. The Lenders hereby empower and authorize the Agent, on behalf of the Agent and the Lenders, to execute and deliver to the Loan Parties the Loan Documents and all related agreements, certificates, documents, or instruments as shall be necessary or appropriate to effect the purposes of the Loan Documents. Each Lender agrees that any action taken by the Agent or the Required Lenders in accordance with the terms of this Agreement or the other Loan Documents, and the exercise by the Agent or the Required Lenders of their respective powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon all of the Lenders. The Lenders acknowledge that all of the Obligations hereunder constitute one debt, secured pari passu by all of the Collateral.

10.15. Collateral Matters.

(a) The Lenders hereby irrevocably authorize the Agent, at its option and in its sole discretion, to release or subordinate (as applicable) any Liens granted to the Agent by the Loan Parties on any Collateral (i) upon the termination of the Aggregate Commitment, payment and satisfaction in full in cash of all Obligations (other than Unliquidated Secured Obligations), and the cash collateralization of all Unliquidated Secured Obligations in a manner satisfactory to each affected Lender, (ii) constituting Property being sold or disposed of if the Loan Party disposing of such Property certifies to the Agent that the sale or disposition is made in compliance with the terms of this Agreement (and the Agent may rely conclusively on any such certificate, without further inquiry), (iii) constituting Property in which no Loan Party has at any time during the term of this Agreement owned any interest, (iv) constituting property leased to a Loan Party under a lease which has expired or been terminated in a transaction permitted under this Agreement, (v) owned by or leased to an Loan Party which is subject to a purchase money security interest or which is the subject of a Capitalized Lease, in either case, entered into by such Loan Party pursuant to Section 6.17(c), or (vi) as required to effect any sale or other disposition of such Collateral in connection with any exercise of remedies of the Agent and the Lenders pursuant to Section 8.1. Upon request by the Agent at any time, the Lenders will confirm in writing the Agent's authority to release any Liens upon particular types or items of Collateral pursuant to this Section 10.15. Except as provided in the preceding sentence, the Agent will not release any Liens on Collateral without the prior written authorization of the Required Lenders; provided that, the Agent may in its discretion, release its Liens on Collateral valued in the aggregate not in excess of $2,500,000 during any calendar year without the prior written authorization of the Lenders.

(b) Upon receipt by the Agent of any authorization required pursuant to Section 10.15(a) from the Required Lenders of the Agent's authority to release any Liens upon particular types or items of Collateral, and upon at least five Business Days prior written request by the Loan Parties, the Agent shall (and is hereby irrevocably authorized by the Lenders to) execute such documents as may be necessary to evidence the release of its Liens upon such Collateral; provided that, (i) the Agent shall not be required to execute any such document on terms which, in the Agent's opinion, would expose the Agent to liability or create any obligation or entail any consequence other than the release of such Liens without recourse or warranty and (ii) such release shall not in any manner discharge, affect, or impair the Obligations or any Liens (other than those expressly being released) upon (or obligations of the Loan Parties in respect of) all interests retained by the Loan Parties, including the proceeds of any sale, all of which shall continue to constitute part of the Collateral.

(c) The Agent shall have no obligation whatsoever to any of the Lenders to assure that the Collateral exists or is owned by the Loan Parties or is cared for, protected, or insured or has been encumbered, or that the Liens granted to the Agent therein have been properly or sufficiently or lawfully created, perfected, protected, or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure, or fidelity, or to continue exercising, any of the rights, authorities, and powers granted or available to the Agent pursuant to any of the Loan Documents, it being understood and agreed that in respect of the Collateral, or any act, omission, or event related thereto, the Agent may act in any manner it may deem appropriate, in its sole discretion given the Agent's own interest in the Collateral in its

capacity as one of the Lenders and that the Agent shall have no other duty or liability whatsoever to any Lender as to any of the foregoing.

(d) Each Lender hereby appoints each other Lender as its agent for the purpose of perfecting Liens, for the benefit of the Agent and the Lenders, in assets which, in accordance with Article 9 of the UCC or any other applicable law can be perfected only by possession. Should any Lender (other than the Agent) obtain possession of any such Collateral, such Lender shall notify the Agent thereof, and, promptly upon the Agent's request therefor shall deliver such Collateral to the Agent or otherwise deal with such Collateral in accordance with the Agent's instructions.

(e) Each Lender hereby agrees as follows: (a) such Lender is deemed to have requested that the Agent furnish such Lender, promptly after it becomes available, a copy of each Report prepared by or on behalf of the Agent; (b) such Lender expressly agrees and acknowledges that neither Bank One nor the Agent (i) makes any representation or warranty, express or implied, as to the completeness or accuracy of any Report or any of the information contained therein, or (ii) shall be liable for any information contained in any Report; (c) such Lender expressly agrees and acknowledges that the Reports are not comprehensive audits or examinations, that the Agent, Bank One, or any other party performing any audit or examination will inspect only specific information regarding the Loan Parties and will rely significantly upon the Loan Parties' books and records, as well as on representations of the Loan Parties' personnel and that Bank One undertakes no obligation to update, correct or supplement the Reports; (d) such Lender agrees to keep all Reports confidential and strictly for its internal use, not share the Report with any Loan Party and not to distribute any Report to any other Person except as otherwise permitted pursuant to this Agreement; and (e) without limiting the generality of any other indemnification provision contained in this Agreement, such Lender agrees (i) that neither Bank One nor the Agent shall be liable to such Lender or any other Person receiving a copy of the Report for any inaccuracy or omission contained in or relating to a Report, (ii) to conduct its own due diligence investigation and make credit decisions with respect to the Loan Parties based on such documents as such Lender deems appropriate without any reliance on the Reports or on the Agent or Bank One, (iii) to hold the Agent and any such other Person preparing a Report harmless from any action the indemnifying Lender may take or conclusion the indemnifying Lender may reach or draw from any Report in connection with any Credit Extensions that the indemnifying Lender has made or may make to the Loan Parties, or the indemnifying Lender's participation in, or the indemnifying Lender's purchase of, any Obligations and (iv) to pay and protect, and indemnify, defend, and hold the Agent and any such other Person preparing a Report harmless from and against, the claims, actions, proceedings, damages, costs, expenses, and other amounts (including reasonable attorney fees) incurred by the Agent and any such other Person preparing a Report as the direct or indirect result of any third parties who might obtain all or part of any Report through the indemnifying Lender.

10.16. Co-Agents, Documentation Agent, Syndication Agent, etc. Neither any of the Lenders identified in this Agreement as a "co-agent" nor the Documentation Agent or the Syndication Agent shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, none of such Lenders shall have or be deemed to have a fiduciary relationship with any Lender. Each Lender hereby makes the same acknowledgments with respect to such Lenders as it makes with respect to the Agent in Section 10.11.

ARTICLE XI

SETOFF; RATABLE PAYMENTS

11.1. Setoff. In addition to, and without limitation of, any rights of the Lenders under applicable law, if any Loan Party becomes insolvent, however evidenced, or any Default occurs, any and all deposits (including all account balances, whether provisional or final and whether or not collected or available) and any other Indebtedness at any time held or owing by any Lender or any Affiliate of any Lender to or for the credit or account of any Borrower may be offset and applied toward the payment of the Secured Obligations owing to such Lender, whether or not the Secured Obligations, or any part thereof, shall then be due.

11.2. Ratable Payments. If any Lender, whether by setoff or otherwise, has payment made to it upon its Credit Exposure (other than payments received pursuant to Section 3.1, 3.2, 3.4 or 3.5) in a greater proportion than that received by any other Lender, such Lender agrees, promptly upon demand, to purchase a portion of the Aggregate Credit Exposure held by the other Lenders so that after such purchase each Lender will hold its Pro Rata Share of the Aggregate Credit Exposure. If any Lender, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Secured Obligations or such amounts which may be subject to setoff, such Lender agrees, promptly upon demand, to take such action necessary such that all Lenders share in the benefits of such collateral ratably in proportion to respective Pro Rata Share of the Aggregate Credit Exposure. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

ARTICLE XII

BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS

12.1. Successors and Assigns. The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Loan Parties and the Lenders and their respective successors and assigns permitted hereby, except that (a) the Loan Parties shall not have the right to assign their rights or obligations under the Loan Documents without the prior written consent of each Lender, (b) any assignment by any Lender must be made in compliance with Section 12.3, and (c) any transfer by Participation must be made in compliance with Section 12.2. Any attempted assignment or transfer by any party not made in compliance with this Section 12.1 shall be null and void, unless such attempted assignment or transfer is treated as a participation in accordance with Section 12.2. The parties to this Agreement acknowledge that clause (b) of this Section 12.1 relates only to absolute assignments and this Section 12.1 does not prohibit assignments creating security interests, including, without limitation, (x) any pledge or assignment by any Lender of all or any portion of its rights under this Agreement and any Note to a Federal Reserve Bank or (y) in the case of a Lender which is a Fund, any pledge or assignment of all or any portion of its rights under this Agreement and any Note to its trustee in support of its obligations to its trustee; provided however, that no such pledge or assignment creating a security interest shall release the transferor Lender from its obligations hereunder unless and until the parties thereto have complied with the provisions of Section 12.3. The Agent may treat the Person which made any Credit Extension or which holds any Note as the owner thereof for all purposes hereof unless and until such Person complies with Section 12.3; provided however, that the Agent may in its discretion (but shall not be required to) follow instructions from the Person which made any Credit Extension or which holds any Note to direct payments relating to such Credit Extension or Note to another Person. Any assignee of the rights to any Credit Extension or any Note agrees by acceptance of such assignment to be bound by all the terms and provisions of the Loan Documents. Any request, authority or consent of any Person, who at the time of making such request or giving such authority or consent is the owner of the rights to any Credit

Extension (whether or not a Note has been issued in evidence thereof), shall be conclusive and binding on any subsequent holder or assignee of the rights to such Credit Extension.

12.2. Participations.

(a) Permitted Participants; Effect. Any Lender may at any time sell to one or more banks or other entities ("Participants") participating interests in any Credit Exposure of such Lender, any Note held by such Lender, any Commitment of such Lender or any other interest of such Lender under the Loan Documents. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under the Loan Documents shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, such Lender shall remain the owner of its Credit Exposure and the holder of any Note issued to it in evidence thereof for all purposes under the Loan Documents, all amounts payable by the Borrowers under this Agreement shall be determined as if such Lender had not sold such participating interests, and the Borrowers and the Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents.

(b) Voting Rights. Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Credit Extension or Commitment in which such Participant has an interest which would require consent of all of the Lenders pursuant to the terms of Section 8.3 or of any other Loan Document.

(c) Benefit of Certain Provisions. Each Loan Party agrees that each Participant shall be deemed to have the right of setoff provided in Section 11.1 in respect of its participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under the Loan Documents, provided that, each Lender shall retain the right of setoff provided in Section 11.1 with respect to the amount of participating interests sold to each Participant. The Lenders agree to share with each Participant, and each Participant, by exercising the right of setoff provided in Section 11.1, agrees to share with each Lender, any amount received pursuant to the exercise of its right of setoff, such amounts to be shared in accordance with Section 11.2 as if each Participant were a Lender. The Borrowers further agree that each Participant shall be entitled to the benefits of Sections 3.1, 3.2, 3.4 and 3.5 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 12.3, provided that, (i) a Participant shall not be entitled to receive any greater payment under Section 3.1, 3.2 or 3.5 than the Lender who sold the participating interest to such Participant would have received had it retained such interest for its own account, unless the sale of such interest to such Participant is made with the prior written consent of the Borrower Representative, and (ii) any Participant not incorporated under the laws of the U.S. or any state thereof agrees to comply with the provisions of Section 3.5 to the same extent as if it were a Lender.

12.3. Assignments.

(a) Permitted Assignments. Any Lender may at any time assign to one or more banks or other entities ("Purchasers") all or any part of its rights and obligations under the Loan Documents. Such assignment shall be substantially in the form of Exhibit

G (an "Assignment Agreement"). Each such assignment with respect to a Purchaser which is not a Lender or an Affiliate of a Lender or an Approved Fund shall either be in an amount equal to the entire applicable Commitment and Credit Extensions of the assigning Lender or (unless each of the Borrower Representative and the Agent otherwise consents) be in an aggregate amount not less than $5,000,000 in the case of any assignment of a Revolving Commitment and $1,000,000 in the case of any assignment of a Term Loan or Term Loan Commitment. The amount of the assignment shall be based on the Commitment or outstanding Credit Extensions (if the Commitment has been terminated) subject to the assignment, determined as of the date of such assignment or as of the "Trade Date," if the "Trade Date" is specified in the assignment.

(b) Consents. The consent of the Borrower Representative shall be required prior to an assignment becoming effective unless the Purchaser is a Lender, an Affiliate of a Lender or an Approved Fund, provided that, the consent of the Borrower Representative shall not be required if a Default has occurred and is continuing. The consent of the Agent shall be required prior to an assignment becoming effective unless the Purchaser is a Lender with a Revolving Commitment (in the case of an assignment of a Revolving Commitment) or is a Lender, an Affiliate of a Lender or an Approved Fund (in the case of an assignment of any other Commitment or Loans). The consent of the LC Issuer shall be required prior to an assignment of a Revolving Commitment becoming effective unless the Purchaser is a Lender with a Revolving Commitment. Any consent required under this Section 12.3(b) shall not be unreasonably withheld or delayed.

(c) Effect; Effective Date. Upon (i) delivery to the Agent of a duly executed Assignment Agreement, together with any consents required by Sections 12.3(a) and 12.3(b), and (ii) payment of a $3,500 fee to the Agent for processing such assignment effective on the effective date specified by the Agent in such Assignment Agreement. The Assignment Agreement shall contain a representation by the Purchaser to the effect that none of the consideration used to make the purchase of the Commitment and Credit Exposure under the applicable Assignment Agreement constitutes "plan assets" as defined under ERISA and that the rights and interests of the Purchaser in and under the Loan Documents will not be "plan assets" under ERISA. On and after the effective date of such Assignment Agreement, such Purchaser shall for all purposes be a Lender party to this Agreement and any other Loan Document executed by or on behalf of the Lenders and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party thereto, and the transferor Lender shall be released with respect to the Commitment and Credit Exposure assigned to such Purchaser without any further consent or action by the Borrowers, the Lenders or the Agent. In the case of an Assignment Agreement covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a Lender hereunder but shall continue to be entitled to the benefits of, and subject to, those provisions of this Agreement and the other Loan Documents which survive payment of the Obligations and termination of the applicable agreement. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 12.3 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 12.2. Upon the consummation of any assignment to a Purchaser pursuant to this Section 12.3(c), the transferor Lender, the Agent and the Borrowers shall, if the transferor Lender or the Purchaser desires that its Loans be evidenced by Notes, make appropriate arrangements so that new Notes or, as appropriate, replacement Notes are issued to such transferor Lender and new Notes or, as appropriate, replacement Notes, are issued to such Purchaser, in each case in principal

amounts reflecting their respective Commitments, as adjusted pursuant to such assignment.

(d) Register. The Agent, acting solely for this purpose as an agent of the Borrowers, shall maintain at one of its offices in the U.S. a copy of each Assignment Agreement delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Credit Extensions owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrowers, the Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrowers and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

12.4. Dissemination of Information. Each Loan Party authorizes each Lender to disclose to any Participant or Purchaser or any other Person acquiring an interest in the Loan Documents by operation of law (each a "Transferee") and any prospective Transferee any and all information in such Lender's possession concerning the creditworthiness of the Loan Parties, including without limitation any information contained in any Reports; provided that, each Transferee and prospective Transferee agrees to be bound by Section 9.11 of this Agreement.

12.5. Tax Treatment. If any interest in any Loan Document is transferred to any Transferee which is not incorporated under the laws of the U.S. or any state thereof, the transferor Lender shall cause such Transferee, concurrently with the effectiveness of such transfer, to comply with the provisions of Section 3.5(d).

12.6. Assignment by LC Issuer. Notwithstanding anything contained herein, if at any time Bank One assigns all of its Revolving Commitment and Revolving Loans pursuant to Section 12.3, Bank One may, upon thirty days' notice to the Borrower Representative and the Lenders, resign as LC Issuer. In the event of any such resignation as LC Issuer, the Borrower Representative shall be entitled to appoint from among the Lenders a successor LC Issuer hereunder; provided however, that no failure by the Borrower Representative to appoint any such successor shall affect the resignation of Bank One as LC Issuer. If Bank One resigns as LC Issuer, it shall retain all the rights and obligations of the LC Issuer hereunder with respect to the Facility LCs outstanding as of the effective date of its resignation as LC Issuer and all LC Obligations with respect thereto (including the right to require the Lenders to make Revolving Loans or fund risk participations in outstanding Reimbursement Obligations pursuant to Section 2.1.2(d)).

ARTICLE XIII

NOTICES

13.1. Notices; Effectiveness; Electronic Communications.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier as follows:

(i) if to any Loan Party, at its address or telecopier number set forth on the signature page hereof;

(ii) if to the Agent, at its address or telecopier number set forth on the signature page hereof;

(iii) if to the LC Issuer, at its address or telecopier number set forth on the signature page hereof;

(iv) if to a Lender, to it at its address or telecopier number set forth in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices delivered through electronic communications to the extent provided in paragraph (b) below, shall be effective as provided in said paragraph (b).

(b) Electronic Communications. Notices and other communications to the Lenders and the LC Issuer hereunder may be delivered or furnished by electronic communication (including e-mail and internet or intranet websites) pursuant to procedures approved by the Agent or as otherwise determined by the Agent, provided that, the foregoing shall not apply to notices to any Lender or the LC Issuer pursuant to Article II if such Lender or the LC Issuer, as applicable, has notified the Agent that it is incapable of receiving notices under such Article by electronic communication. The Agent or any Loan Party may, in its respective discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it or as it otherwise determines, provided that such determination or approval may be limited to particular notices or communications. Notwithstanding the foregoing, in every instance, the Borrower Representative shall be required to provide paper copies of the Compliance Certificates required by Section 6.1(e) to the Agent.

Unless the Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not given during the normal business hours of the recipient, such notice or communication shall be deemed to have been given at the opening of business on the next Business Day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

13.2. Change of Address, Etc. Any party hereto may change its address or telecopier number for notices and other communications hereunder by notice to the other parties hereto.

ARTICLE XIV

COUNTERPARTS

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement shall be effective when it has been executed by the Loan Parties, the Agent, the LC Issuer and the Lenders and each party has notified the Agent by facsimile transmission or telephone that it has taken such action.

ARTICLE XV

GUARANTY

15.1. Guaranty. Each Guarantor (other than those that have delivered a separate Guaranty; each to be referred to in this Article XV as a Guarantor and collectively as the Guarantors) hereby agrees that it is jointly and severally liable for, and, as primary obligor and not merely as surety, absolutely and unconditionally guarantees to the Lenders the prompt payment when due, whether at stated maturity, upon acceleration or otherwise, and at all times thereafter, of the Secured Obligations and all costs and expenses including, without limitation, all court costs and attorneys' and paralegals' fees (including allocated costs of in-house counsel and paralegals) and expenses paid or incurred by the Agent, the LC Issuer and the Lenders in endeavoring to collect all or any part of the Secured Obligations from, or in prosecuting any action against, any Borrower, any Guarantor or any other guarantor of all or any part of the Secured Obligations (such costs and expenses, together with the Secured Obligations, collectively the "Guaranteed Obligations"). Each Guarantor further agrees that the Guaranteed Obligations may be extended or renewed in whole or in part without notice to or further assent from it, and that it remains bound upon its guarantee notwithstanding any such extension or renewal.

15.2. Guaranty of Payment. This Guaranty is a guaranty of payment and not of collection. Each Guarantor waives any right to require the Agent, the LC Issuer or any Lender to sue any Borrower, any Guarantor, any other guarantor, or any other person obligated for all or any part of the Guaranteed Obligations, or otherwise to enforce its payment against any collateral securing all or any part of the Guaranteed Obligations.

15.3. No Discharge or Diminishment of Guaranty.

(a) Except as otherwise provided for herein and to the extent provided for herein, the obligations of each Guarantor hereunder are unconditional and absolute and not subject to any reduction, limitation, impairment or termination for any reason (other than the indefeasible payment in full in cash of the Guaranteed Obligations), including:

(i) any claim of waiver, release, extension, renewal, settlement, surrender, alteration, or compromise of any of the Guaranteed Obligations, by operation of law or otherwise;

(ii) any change in the corporate existence, structure or ownership of any Borrower or any other guarantor of or other person liable for any of the Guaranteed Obligations;

(iii) any insolvency, bankruptcy, reorganization or other similar proceeding affecting any Borrower, any Guarantor, or any other guarantor of or other person liable for any of the Guaranteed Obligations, or their assets or any resulting release or discharge of any obligation of any Borrower, any Guarantor,

or any other guarantor of or other person liable for any of the Guaranteed Obligations; or

(iv) the existence of any claim, setoff or other rights which any Guarantor may have at any time against any Borrower, any Guarantor, any other guarantor of the Guaranteed Obligations, the Agent, the LC Issuer, any Lender, or any other person, whether in connection herewith or in any unrelated transactions.

(b) The obligations of each Guarantor hereunder are not subject to any defense or setoff, counterclaim, recoupment, or termination whatsoever by reason of the invalidity, illegality, or unenforceability of any of the Guaranteed Obligations or otherwise, or any provision of applicable law or regulation purporting to prohibit payment by any Borrower, any Guarantor or any other guarantor of or other person liable for any of the Guaranteed Obligations, of the Guaranteed Obligations or any part thereof.

(c) Further, the obligations of any Guarantor hereunder are not discharged or impaired or otherwise affected by:

(i) the failure of the Agent, the LC Issuer or any Lender to assert any claim or demand or to enforce any remedy with respect to all or any part of the Guaranteed Obligations;

(ii) any waiver or modification of or supplement to any provision of any agreement relating to the Guaranteed Obligations;

(iii) any release, non-perfection, or invalidity of any indirect or direct security for the obligations of any Borrower for all or any part of the Guaranteed Obligations or any obligations of any other guarantor of or other person liable for any of the Guaranteed Obligations;

(d) any action or failure to act by the Agent, the LC Issuer or any Lender with respect to any collateral securing any part of the Guaranteed Obligations; and

(e) any default, failure or delay, willful or otherwise, in the payment or performance of any of the Guaranteed Obligations, or any other circumstance, act, omission or delay that might in any manner or to any extent vary the risk of such Guarantor or that would otherwise operate as a discharge of any Guarantor as a matter of law or equity (other than the indefeasible payment in full in cash of the Guaranteed Obligations).

15.4. Defenses Waived. To the fullest extent permitted by applicable law, each Guarantor hereby waives any defense based on or arising out of any defense of any Borrower or any Guarantor or the unenforceability of all or any part of the Guaranteed Obligations from any cause, or the cessation from any cause of the liability of any Borrower or any Guarantor, other than the indefeasible payment in full in cash of the Guaranteed Obligations. Without limiting the generality of the foregoing, each Guarantor irrevocably waives acceptance hereof, presentment, demand, protest and, to the fullest extent permitted by law, any notice not provided for herein, as well as any requirement that at any time any action be taken by any person against any Borrower, any Guarantor, any other guarantor of any of the Guaranteed Obligations, or any other person. The Agent may, at its election, foreclose on any Collateral held by it by one or more judicial or nonjudicial sales, accept an assignment of any such Collateral in lieu of foreclosure or

otherwise act or fail to act with respect to any collateral securing all or a part of the Guaranteed Obligations, compromise or adjust any part of the Guaranteed Obligations, make any other accommodation with any Borrower, any Guarantor, any other guarantor or any other person liable on any part of the Guaranteed Obligations or exercise any other right or remedy available to it against any Borrower, any Guarantor, any other guarantor or any other person liable on any of the Guaranteed Obligations, without affecting or impairing in any way the liability of such Guarantor under this Guaranty except to the extent the Guaranteed Obligations have been fully and indefeasibly paid in cash. To the fullest extent permitted by applicable law, each Guarantor waives any defense arising out of any such election even though that election may operate, pursuant to applicable law, to impair or extinguish any right of reimbursement or subrogation or other right or remedy of any Guarantor against any Borrower, any other guarantor or any other person liable on any of the Guaranteed Obligations, as the case may be, or any security.

15.5. Rights of Subrogation. No Guarantor will assert any right, claim or cause of action, including, without limitation, a claim of subrogation, contribution or indemnification that it has against any Borrower, any Guarantor, any person liable on the Guaranteed Obligations, or any collateral, until the Loan Parties and the Guarantors have fully performed all their obligations to the Agent, the LC Issuer and the Lender.

15.6. Reinstatement; Stay of Acceleration. If at any time any payment of any portion of the Guaranteed Obligations is rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy, or reorganization of any Borrower or otherwise, each Guarantor's obligations under this Guaranty with respect to that payment shall be reinstated at such time as though the payment had not been made and whether or not the Agent, the LC Issuer and the Lenders are in possession of this Guaranty. If acceleration of the time for payment of any of the Guaranteed Obligations is stayed upon the insolvency, bankruptcy or reorganization of any Borrower, all such amounts otherwise subject to acceleration under the terms of any agreement relating to the Guaranteed Obligations shall nonetheless be payable by the Guarantors forthwith on demand by the Lender.

15.7. Information. Each Guarantor assumes all responsibility for being and keeping itself informed of the Borrowers' financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations and the nature, scope and extent of the risks that each Guarantor assumes and incurs under this Guaranty, and agrees that neither the Agent, the LC Issuer nor any Lender shall have any duty to advise any Guarantor of information known to it regarding those circumstances or risks.

15.8. Termination. The Lenders may continue to make loans or extend credit to any Borrower based on this Guaranty until five days after the Agent receives written notice of termination from any Guarantor. Notwithstanding receipt of any such notice, each Guarantor will continue to be liable to the Lender for any Guaranteed Obligations created, assumed or committed to prior to the fifth day after receipt of the notice, and all subsequent renewals, extensions, modifications and amendments with respect to, or substitutions for, all or any part of that Guaranteed Obligations.

15.9. Taxes. All payments of the Guaranteed Obligations will be made by each Guarantor free and clear of and without deduction for or on account of any and all present or future taxes, levies, imposts, duties, charges, deductions or withholdings of whatever nature imposed by any governmental authority with respect to such payments, and any and all liabilities with respect to the foregoing, but excluding franchise taxes and taxes imposed on overall net income of the Lender by the U.S. or the jurisdiction in which the Lender's applicable Lending Installation is located (collectively, "Taxes"). If any Guarantor is required by law to deduct any Taxes from or in respect of any sum payable to the Lenders under this Guaranty, (a) the sum payable must be increased as necessary so that after making all

required deductions (including deductions applicable to additional sums payable under this provision) the Lenders receive an amount equal to the sum it would have received had no such deductions been made, (b) the Guarantors must then make such deductions, and must pay the full amount deducted to the relevant authority in accordance with applicable law, and (c) the Guarantors must furnish to the Lender within forty-five days after their due date certified copies of all official receipts evidencing payment thereof.

15.10. Severability. The provisions of this Guaranty are severable, and in any action or proceeding involving any state corporate law, or any state, federal or foreign bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of any Guarantor under this Guaranty would otherwise be held or determined to be avoidable, invalid or unenforceable on account of the amount of such Guarantor's liability under this Guaranty, then, notwithstanding any other provision of this Guaranty to the contrary, the amount of such liability shall, without any further action by the Guarantors or the Lenders, be automatically limited and reduced to the highest amount that is valid and enforceable as determined in such action or proceeding (such highest amount determined hereunder being the relevant Guarantor's "Maximum Liability". This Section with respect to the Maximum Liability of each Guarantor is intended solely to preserve the rights of the Lenders to the maximum extent not subject to avoidance under applicable law, and no Guarantor nor any other person or entity shall have any right or claim under this Section with respect to such Maximum Liability, except to the extent necessary so that the obligations of any Guarantor hereunder shall not be rendered voidable under applicable law. Each Guarantor agrees that the Guaranteed Obligations may at any time and from time to time exceed the Maximum Liability of each Guarantor without impairing this Guaranty or affecting the rights and remedies of the Lenders hereunder, provided that, nothing in this sentence shall be construed to increase any Guarantor's obligations hereunder beyond its Maximum Liability.

15.11. Contribution. In the event any Guarantor (a "Paying Guarantor") shall make any payment or payments under this Guaranty or shall suffer any loss as a result of any realization upon any collateral granted by it to secure its obligations under this Guaranty, each other Guarantor (each a "Non-Paying Guarantor") shall contribute to such Paying Guarantor an amount equal to such Non-Paying Guarantor's "Pro Rata Share" of such payment or payments made, or losses suffered, by such Paying Guarantor. For purposes of this Article XV, each Non-Paying Guarantor's "Pro Rata Share" with respect to any such payment or loss by a Paying Guarantor shall be determined as of the date on which such payment or loss was made by reference to the ratio of (i) such Non-Paying Guarantor's Maximum Liability as of such date (without giving effect to any right to receive, or obligation to make, any contribution hereunder) or, if such Non-Paying Guarantor's Maximum Liability has not been determined, the aggregate amount of all monies received by such Non-Paying Guarantor from the Borrowers after the date hereof (whether by loan, capital infusion or by other means) to (ii) the aggregate Maximum Liability of all Guarantors hereunder (including such Paying Guarantor) as of such date (without giving effect to any right to receive, or obligation to make, any contribution hereunder), or to the extent that a Maximum Liability has not been determined for any Guarantor, the aggregate amount of all monies received by such Guarantors from the Borrowers after the date hereof (whether by loan, capital infusion or by other means). Nothing in this provision shall affect any Guarantor's several liability for the entire amount of the Guaranteed Obligations (up to such Guarantor's Maximum Liability). Each of the Guarantors covenants and agrees that its right to receive any contribution under this Guaranty from a Non-Paying Guarantor shall be subordinate and junior in right of payment to the payment in full in cash of the Guaranteed Obligations. This provision is for the benefit of both the Agent, the LC Issuer, the Lenders and the Guarantors and may be enforced by any one, or more, or all of them in accordance with the terms hereof.

15.12. Lending Installations. The Guaranteed Obligations may be booked at any Lending Installation. All terms of this Guaranty apply to and may be enforced by or on behalf of any Lending Installation.

15.13. Liability Cumulative. The liability of each Loan Party as a Guarantor under this Article XV is in addition to and shall be cumulative with all liabilities of each Loan Party to the Agent, the LC Issuer and the Lenders under this Agreement and the other Loan Documents to which such Loan Party is a party or in respect of any obligations of liabilities of the other Loan Parties, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

ARTICLE XVI

CHOICE OF LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL

16.1. CHOICE OF LAW. THE LOAN DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW PROVISION) SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS) OF THE STATE OF TEXAS, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

16.2. CONSENT TO JURISDICTION. EACH LOAN PARTY HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY U.S. FEDERAL OR TEXAS STATE COURT SITTING IN DALLAS, TEXAS IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENTS AND EACH LOAN PARTY HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE AGENT, THE LC ISSUER OR ANY LENDER TO BRING PROCEEDINGS AGAINST ANY LOAN PARTY IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY ANY LOAN PARTY AGAINST THE AGENT, THE LC ISSUER OR ANY LENDER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTION WITH ANY LOAN DOCUMENT SHALL BE BROUGHT ONLY IN A COURT IN DALLAS, TEXAS.

16.3. WAIVER OF JURY TRIAL. EACH LOAN PARTY, THE AGENT, THE LC ISSUER AND EACH LENDER HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

ARTICLE XVII

THE BORROWER REPRESENTATIVE

17.1. Appointment; Nature of Relationship. The Company is hereby appointed by each of the Borrowers as its contractual representative (herein referred to as the "Borrower Representative") hereunder and under each other Loan Document, and each of the Borrowers irrevocably authorizes the Borrower Representative to act as the contractual representative of such Borrower with the rights and duties expressly set forth herein and in the other Loan Documents. The Borrower Representative agrees to act as such contractual representative upon the express conditions contained in this Article XVI. Additionally, the Borrowers hereby appoint the Borrower Representative as their agent to receive all of the proceeds of the Loans in the Funding Account, at which time the Borrower Representative shall promptly disburse such Loans to the appropriate Borrower. The Agent and the Lenders, and their respective officers, directors, agents or employees, shall not be liable to the Borrower Representative or any Borrower for any action taken or omitted to be taken by the Borrower Representative or the Borrowers pursuant to this Section 17.1.

17.2. Powers. The Borrower Representative shall have and may exercise such powers under the Loan Documents as are specifically delegated to the Borrower Representative by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Borrower Representative shall have no implied duties to the Borrowers, or any obligation to the Lenders to take any action thereunder except any action specifically provided by the Loan Documents to be taken by the Borrower Representative.

17.3. Employment of Agents. The Borrower Representative may execute any of its duties as the Borrower Representative hereunder and under any other Loan Document by or through Authorized Officers.

17.4. Notices. Each Borrower shall immediately notify the Borrower Representative of the occurrence of any Default or Unmatured Default hereunder referring to this Agreement describing such Default or Unmatured Default and stating that such notice is a "notice of default." In the event that the Borrower Representative receives such a notice, the Borrower Representative shall give prompt notice thereof to the Agent and the Lenders. Any notice provided to the Borrower Representative hereunder shall constitute notice to each Borrower on the date received by the Borrower Representative.

17.5. Successor Borrower Representative. Upon the prior written consent of the Agent, the Borrower Representative may resign at any time, such resignation to be effective upon the appointment of a successor Borrower Representative. The Agent shall give prompt written notice of such resignation to the Lenders.

17.6. Execution of Loan Documents; Aggregate Borrowing Base Certificate. The Borrowers hereby empower and authorize the Borrower Representative, on behalf of the Borrowers, to execute and deliver to the Agent and the Lenders the Loan Documents and all related agreements, certificates,

documents, or instruments as shall be necessary or appropriate to effect the purposes of the Loan Documents, including without limitation, the Aggregate Borrowing Base Certificates and the Compliance Certificates. Each Borrower agrees that any action taken by the Borrower Representative or the Borrowers in accordance with the terms of this Agreement or the other Loan Documents, and the exercise by the Borrower Representative of its powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon all of the Borrowers.

17.7. Reporting. Each Borrower hereby agrees that such Borrower shall furnish promptly after each Fiscal Month to the Borrower Representative a copy of its Borrowing Base Certificate and any other certificate or report required hereunder or requested by the Borrower Representative on which the Borrower Representative shall rely to prepare the Aggregate Borrowing Base Certificates and Compliance Certificates required pursuant to the provisions of this Agreement.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Loan Parties, the Lenders, the LC Issuer and the Agent have executed this Agreement as of the date first above written.

BORROWERS:

NEWPARK RESOURCES, INC.,
DURA-BASE NEVADA, INC.,
EXCALIBAR MINERALS, INC.,
EXCALIBUR MINERALS OF LA., L.L.C.,
NEWPARK DRILLING FLUIDS, L.L.C.,
NEWPARK ENVIRONMENTAL SERVICES, L.L.C.,
NEWPARK ENVIRONMENTAL MANAGEMENT COMPANY, L.L.C.,
NEWPARK HOLDINGS, INC.,
NEWPARK TEXAS L.L.C.,
OGS LABORATORY, INC.,
SOLOCO, L.L.C., AND
SUPREME CONTRACTORS, L.L.C.

By: /s/ John R. Dardenne

Print Name: John R. Dardenne
Title: Treasurer

BATSON-MILL, L.P.,
NES PERMIAN BASIN, L.P.,
NEWPARK ENVIRONMENTAL SERVICES OF TEXAS, L.P.,
NID, L.P., and
SOLOCO TEXAS, L.P.

By: Newpark Holdings, Inc., the general partner of such entity

By: /s/ John R. Dardenne

Print Name: John R. Dardenne
Title: Treasurer

LOAN PARTIES:

CHESSHER CONSTRUCTION, INC.,
MALLARD & MALLARD OF LA., INC., AND
SHAMROCK DRILLING FLUIDS, INC.

By: /s/ John R. Dardenne

Print Name: John R. Dardenne
Title: Treasurer

SCHEDULE 6.22 TO
A&R CREDIT AGREEMENT

DARCOM INTERNATIONAL, L.P.,
NEWPARK ENVIRONMENTAL SERVICES
MISSISSIPPI, L.P., AND
NEWPARK SHIPHOLDING TEXAS, L.P.

By: Newpark Holdings, Inc., the general partner of each

By: /s/ John R. Dardenne

Print Name: John R. Dardenne
Title: Treasurer

NOTICE ADDRESS FOR ALL LOAN PARTIES:
c/o Newpark Resources, Inc.
3850 North Causeway Blvd., Suite 1770
Metairie, Louisiana 70002-1752
Attention: Mr. John R. Dardenne, Sr., Treasurer
Telephone: (504) 838-8222
Facsimile: (504) 833-9506

SCHEDULE 6.22 TO
A&R CREDIT AGREEMENT

LENDERS:

BANK ONE, NA
Individually, as Agent and LC Issuer

By: /s/ C. C. Prudhomme III

Name: C. C. Prudhomme III
Title: Director

Address:
Bank One, N.A.
1717 Main Street, LL1
Dallas, Texas 75201
Attention: J. Devin Mock
Telephone: (214) 290-2596
Facsimile: (214) 290-5382

SCHEDULE 6.22 TO
A&R CREDIT AGREEMENT

FLEET CAPITAL CORPORATION,
as Lender

By: /s/ Larry Trussell

Name: Larry Trussell
Title: Vice-President

SCHEDULE 6.22 TO
A&R CREDIT AGREEMENT

HIBERNIA NATIONAL BANK,
as Lender

By: /s/ Lisa D. Morton

Name: Lisa D. Morton
Title: AVP

SCHEDULE 6.22 TO
A&R CREDIT AGREEMENT

WHITNEY NATIONAL BANK,
as Lender

By: /s/ M. J. Shannon

Name: Michael Jesse Shannon
Title: Senior Vice President

SCHEDULE 6.22 TO
A&R CREDIT AGREEMENT

Exhibit 10.27

PLEDGE AND SECURITY AGREEMENT

DATED AS OF FEBRUARY 25, 2004

AMONG

NEWPARK RESOURCES, INC., A DELAWARE CORPORATION,
BATSON-MILL, L.P., A TEXAS LIMITED PARTNERSHIP,
CHESSHER CONSTRUCTION, INC., A TEXAS CORPORATION,
DARCOM INTERNATIONAL, L.P., A TEXAS LIMITED PARTNERSHIP,
DURA-BASE NEVADA, INC., A NEVADA CORPORATION,
EXCALIBAR MINERALS, INC., A TEXAS CORPORATION,
EXCALIBAR MINERALS OF LA., L.L.C.,
A LOUISIANA LIMITED LIABILITY COMPANY,
MALLARD & MALLARD OF LA., INC., A LOUISIANA CORPORATION,
NES PERMIAN BASIN, L.P., A TEXAS LIMITED PARTNERSHIP,
NEWPARK DRILLING FLUIDS, L.L.C., A TEXAS LIMITED LIABILITY COMPANY,
NEWPARK ENVIRONMENTAL SERVICES, L.L.C.,
A LOUISIANA LIMITED LIABILITY COMPANY,
NEWPARK ENVIRONMENTAL MANAGEMENT COMPANY, L.L.C.,
A LOUISIANA LIMITED LIABILITY COMPANY,
NEWPARK ENVIRONMENTAL SERVICES MISSISSIPPI, L.P.,
A MISSISSIPPI LIMITED PARTNERSHIP,
NEWPARK ENVIRONMENTAL SERVICES OF TEXAS, L.P.,
A TEXAS LIMITED PARTNERSHIP,
NEWPARK HOLDINGS, INC., A LOUISIANA CORPORATION,
NEWPARK SHIPHOLDING TEXAS, L.P., A TEXAS LIMITED PARTNERSHIP,
NEWPARK TEXAS L.L.C., A LOUISIANA LIMITED LIABILITY COMPANY,
NID, L.P., A TEXAS LIMITED PARTNERSHIP,
OGS LABORATORY, INC., A TEXAS CORPORATION,
SHAMROCK DRILLING FLUIDS, INC., AN OKLAHOMA CORPORATION,
SOLOCO, L.L.C., A LOUISIANA LIMITED LIABILITY COMPANY,
SOLOCO TEXAS, L.P., A TEXAS LIMITED PARTNERSHIP, and
SUPREME CONTRACTORS, L.L.C., A LOUISIANA LIMITED LIABILITY COMPANY,

AS GRANTORS,

AND

BANK ONE, NA (Main Office Chicago),
AS AGENT

THIS PLEDGE AND SECURITY AGREEMENT (as it may be amended or modified from time to time, the "Security Agreement") is entered into as of February 25, 2004, by and among Newpark Resources, Inc., a Delaware corporation, as the Company and as a Borrower, Batson-Mill, L.P., a Texas limited partnership, Dura-base Nevada, Inc., a Nevada corporation, Chessher Construction, Inc., a Texas corporation, DarCom International, L.P., a Texas limited partnership, Excalibar Minerals, Inc., a Texas corporation, Excalibar Minerals of LA., L.L.C., a Louisiana limited liability company, Mallard & Mallard of LA., Inc., a Louisiana corporation, NES Permian Basin, L.P., a Texas limited partnership, Newpark Drilling Fluids, L.L.C., a Texas limited liability company, Newpark Environmental Services, L.L.C., a Louisiana limited liability company, Newpark Environmental Management Company, L.L.C., a Louisiana limited liability company, Newpark Environmental Services Mississippi, L.P., a Mississippi limited partnership, Newpark Environmental Services of Texas, L.P., a Texas limited partnership, Newpark Holdings, Inc., a Louisiana corporation, Newpark Shipholding Texas, L.P., a Texas limited partnership, Newpark Texas L.L.C., a Louisiana limited liability company, NID, L.P., a Texas limited partnership, OGS Laboratory, Inc., a Texas corporation, Shamrock Drilling Fluids, Inc., an Oklahoma corporation, SOLOCO, L.L.C., a Louisiana limited liability company, SOLOCO Texas, L.P., a Texas limited partnership, and Supreme Contractors, L.L.C., a Louisiana limited liability company (each a "Grantor", and collectively, the "Grantors"), and Bank One, NA, a national banking association having its principal office in Chicago, Illinois, in its capacity as agent (the "Agent") for the lenders party to the Credit Agreement referred to below.

PRELIMINARY STATEMENT

The Grantors, the other Loan Parties and the Lenders are entering into an Amended and Restated Credit Agreement dated as of the date hereof (as it may be amended or modified from time to time, the "Credit Agreement").

Each Grantor is entering into this Security Agreement in order to induce the Lenders to enter into and extend credit to the Borrowers under the Credit Agreement and to secure the Secured Obligations that it has agreed to guarantee pursuant to Article XV of the Credit Agreement.

ACCORDINGLY, the Grantors and the Agent, on behalf of the Lenders, hereby agree as follows:

ARTICLE I
DEFINITIONS

1.1. Terms Defined in Credit Agreement. All capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement.

1.2. Terms Defined in UCC. Terms defined in the UCC which are not otherwise defined in this Security Agreement are used herein as defined in the UCC.

1.3. Definitions of Certain Terms Used Herein. As used in this Security Agreement, in addition to the terms defined in the Preliminary Statement, the following terms shall have the following meanings:

"Accounts" shall have the meaning set forth in Article 9 of the UCC.

"Article" means a numbered article of this Security Agreement, unless another document is specifically referenced.

"Assigned Contracts" means, collectively, all of the Grantors' rights and remedies under, and all moneys and claims for money due or to become due to the Grantors under those contracts set forth on Exhibit J hereto, and any other material contracts, and any and all amendments, supplements, extensions, and renewals thereof including all rights and claims of the Grantors now or hereafter existing: (a) under any insurance, indemnities, warranties, and guarantees provided for or arising out of or in connection with any of the foregoing agreements; (b) for any damages arising out of or for breach or default under or in connection with any of the foregoing contracts; (c) to all other amounts from time to time paid or payable under or in connection with any of the foregoing agreements; or (d) to exercise or enforce any and all covenants, remedies, powers and privileges thereunder.

"Borrower Representative" shall have the meaning set forth in the Credit Agreement.

"Chattel Paper" shall have the meaning set forth in Article 9 of the UCC.

"Collateral" shall have the meaning set forth in Article II.

"Collateral Deposit Account" shall have the meaning set forth in Section 7.1(a).

"Collateral Report" means any certificate (including any Borrowing Base Certificate), report or other document delivered by any Grantor to the Agent or any Lender with respect to the Collateral pursuant to any Loan Document.

"Collection Account" shall have the meaning set forth in Section 7.1(b).

"Commercial Tort Claims" means the existing commercial tort claims of the Grantors as described on Exhibit K.

"Control" shall have the meaning set forth in Article 8 or, if applicable, in Section 9-104, 9-105, 9-106 or 9-107 of Article 9 of the UCC.

"Copyrights" means, with respect to any Person, all of such Person's right, title, and interest in and to the following: (a) all copyrights, rights and interests in copyrights, works protectable by copyright, copyright registrations, and copyright applications; (b) all renewals of any of the foregoing; (c) all income, royalties, damages, and payments now or hereafter due and/or payable under any of the foregoing, including, without limitation, damages or payments for past or future infringements for any of the foregoing; (d) the right to sue for past, present, and future infringements of any of the foregoing; and (e) all rights corresponding to any of the foregoing throughout the world.

"Default" means an event described in Section 5.1.

"Deposit Accounts" shall have the meaning set forth in Article 9 of the UCC.

"Documents" shall have the meaning set forth in Article 9 of the UCC.

"Equipment" shall have the meaning set forth in Article 9 of the UCC.

"Exhibit" refers to a specific exhibit to this Security Agreement, unless another document is specifically referenced.

"Fixtures" shall have the meaning set forth in Article 9 of the UCC.

"General Intangibles" shall have the meaning set forth in Article 9 of the UCC.

"Goods" shall have the meaning set forth in Article 9 of the UCC.

"Instruments" shall have the meaning set forth in Article 9 of the UCC.

"Inventory" shall have the meaning set forth in Article 9 of the UCC.

"Investment Property" shall have the meaning set forth in Article 9 of the UCC.

"IP Security Agreements" means, individually and collectively, the Patent Security Agreement and the Trademark Security Agreement.

"Lenders" means the lenders party to the Credit Agreement and their successors and assigns.

"Letter-of-Credit Rights" shall have the meaning set forth in Article 9 of the UCC.

"Licenses" means, with respect to any Person, all of such Person's right, title, and interest in and to (a) any and all licensing agreements or similar arrangements in and to its Patents, Copyrights, or Trademarks, (b) all income, royalties, damages, claims, and payments now or hereafter due or payable under and with respect thereto, including, without limitation, damages and payments for past and future breaches thereof, and (c) all rights to sue for past, present, and future breaches thereof.

"Lock Boxes" shall have the meaning set forth in Section 7.1(a).

"Lock Box Agreements" shall have the meaning set forth in Section 7.1(a).

"Patents" means, with respect to any Person, all of such Person's right, title, and interest in and to: (a) any and all patents and patent applications; (b) all inventions and improvements described and claimed therein; (c) all reissues, divisions, continuations, renewals, extensions, and continuations-in-part thereof; (d) all income, royalties, damages, claims, and payments now or hereafter due or payable under and with respect thereto, including, without limitation, damages and payments for past and future infringements thereof; (e) all rights to sue for past, present, and future infringements thereof; and (f) all rights corresponding to any of the foregoing throughout the world.

"Patent Security Agreement" means that certain Patent Security Agreement, dated the date hereof, among certain of the Loan Parties and Agent, for the lenders party to the Credit Agreement.

"Pledged Collateral" means all Instruments (other than (a) those certain intercompany notes issued by certain of the Canadian Subsidiaries and existing as of the Effective Date and (b) any promissory note or series

of promissory notes issued by any one maker, which individually or in the aggregate, do not exceed $2,000,000), Securities and other Investment Property of the Grantors, whether or not physically delivered to the Agent pursuant to this Security Agreement.

"Receivables" means the Accounts, Chattel Paper, Documents, Investment Property, Instruments and any other rights or claims to receive money which are General Intangibles or which are otherwise included as Collateral.

"Required Secured Parties" means (a) prior to an acceleration of the obligations under the Credit Agreement, the Required Lenders, (b) after an acceleration of the obligations under the Credit Agreement but prior to the date upon which the Credit Agreement has terminated by its terms and all of the obligations thereunder have been paid in full, Lenders holding in the aggregate at least a majority of the total of the Aggregate Credit Exposure, and (c) after the Credit Agreement has terminated by its terms and all of the obligations thereunder have been paid in full (whether or not the obligations under the Credit Agreement were ever accelerated), Lenders holding in the aggregate at least a majority of the aggregate net early termination payments and all other amounts then due and unpaid from any Grantor to the Lenders under Rate Management Transactions, as determined by the Agent in its reasonable discretion.

"Section" means a numbered section of this Security Agreement, unless another document is specifically referenced.

"Security" has the meaning set forth in Article 8 of the UCC.

"Stock Rights" means all dividends, instruments or other distributions and any other right or property which the Grantors shall receive or shall become entitled to receive for any reason whatsoever with respect to, in substitution for or in exchange for any Capital Stock constituting Collateral, any right to receive Capital Stock and any right to receive earnings, in which the Grantors now have or hereafter acquire any right, issued by an issuer of such Capital Stock.

"Supporting Obligations" shall have the meaning set forth in Article 9 of the UCC.

"Trademarks" means, with respect to any Person, all of such Person's right, title, and interest in and to the following: (a) all trademarks (including service marks), trade names, trade dress, and trade styles and the registrations and applications for registration thereof and the goodwill of the business symbolized by the foregoing; (b) all licenses of the foregoing, whether as licensee or licensor; (c) all renewals of the foregoing; (d) all income, royalties, damages, and payments now or hereafter due or payable with respect thereto, including, without limitation, damages, claims, and payments for past and future infringements thereof; (e) all rights to sue for past, present, and future infringements of the foregoing, including the right to settle suits involving claims and demands for royalties owing; and (f) all rights corresponding to any of the foregoing throughout the world.

"Trademark Security Agreement" means that certain Trademark Security Agreement, dated the date hereof, among certain of the Loan Parties and Agent, for the lenders party to the Credit Agreement.

"UCC" means the Uniform Commercial Code, as in effect from time to time, of the State of Texas or of any other state the laws of which are required as a result thereof to be applied in connection with the attachment, perfection or priority of, or remedies with respect to, Agent's or any Lender's Lien on any Collateral.

"Unmatured Default" means an event which but for the lapse of time or the giving of notice, or both, would constitute a Default hereunder.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

ARTICLE II
GRANT OF SECURITY INTEREST

Each Grantor hereby pledges, assigns and grants to the Agent, on behalf of and for the ratable benefit of the Lenders, a security interest in all of its right, title and interest in, to and under all personal property and other assets, whether now owned by or owing to, or hereafter acquired by or arising in favor of such Grantor (including under any trade name or derivations thereof), and whether owned or consigned by or to, or leased from or to, such Grantor, and regardless of where located (all of which will be collectively referred to as the "Collateral"), including:

(i) all Accounts;

(ii) all Chattel Paper;

(iii) all Documents;

(iv) all Equipment;

(v) all Fixtures;

(vi) all General Intangibles;

(vii) all Goods;

(viii) all Instruments;

(ix) all Inventory;

(x) all Investment Property;

(xi) all cash or cash equivalents;

(xii) all letters of credit, Letter-of-Credit Rights and Supporting Obligations;

(xiii) all Deposit Accounts with any bank or other financial institution;

(xiv) all Commercial Tort Claims;

(xv) all Assigned Contracts; and

(xvi) all accessions to, substitutions for and replacements, proceeds (including Stock Rights), insurance proceeds and products of the foregoing, together with all books and records, customer lists, credit files, computer files, programs, printouts and other computer materials and records related thereto and any General Intangibles at any time evidencing or relating to any of the foregoing;

to secure the prompt and complete payment and performance of the Secured Obligations.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

Each Grantor represents and warrants to the Agent and the Lenders that:

3.1. Title, Perfection and Priority. Such Grantor has good and valid rights in or the power to transfer the Collateral and title to the Collateral with respect to which it has purported to grant a security interest hereunder, free and clear of all Liens except for Liens permitted under Section 4.1(e), and has full power and authority to grant to the Agent the security interest in such Collateral pursuant hereto. When financing statements have been filed in the appropriate offices against such Grantor in the locations listed on Exhibit H, the Agent will have a fully perfected first priority security interest in that Collateral of the Grantor in which a security interest may be perfected by filing, subject only to Liens permitted under Section 4.1(e).

3.2. Type and Jurisdiction of Organization, Organizational and Identification Numbers. The type of entity of such Grantor, its state of organization, the organizational number issued to it by its state of organization and its federal employer identification number are set forth on Exhibit A.

3.3. Principal Location. Such Grantor's mailing address and the location of its place of business (if it has only one) or its chief executive office (if it has more than one place of business), are disclosed in Exhibit A; such Grantor has no other places of business except those set forth in Exhibit A.

3.4. Collateral Locations. All of such Grantor's locations where Collateral is located are listed on Exhibit A. All of said locations are owned by such Grantor except for locations (i) which are leased by the Grantor as lessee and designated in Part VII(b) of Exhibit A and (ii) at which Inventory is held in a public warehouse or is otherwise held by a bailee or on consignment as designated in Part VII(c) of Exhibit A.

3.5. Deposit Accounts. All of such Grantor's Deposit Accounts are listed on Exhibit B.

3.6. Exact Names. Such Grantor's name in which it has executed this Security Agreement is the exact name as it appears in such Grantor's organizational documents, as amended, as filed with such Grantor's jurisdiction of organization.

3.7. Letter-of-Credit Rights and Chattel Paper. Exhibit C lists all Letter-of-Credit Rights and Chattel Paper of such Grantor. All action by such Grantor necessary or desirable to protect and perfect the Agent's Lien on each item listed on Exhibit C (including the delivery of all originals and the placement of a legend on all Chattel Paper as required hereunder) has been duly taken. The Agent will have a fully perfected first priority security interest in the Collateral listed on Exhibit C, subject only to Liens permitted under Section 4.1(e).

3.8. Accounts and Chattel Paper.

(a) The names of the obligors, amounts owing, due dates and other information with respect to its Accounts and Chattel Paper are and will be correctly stated in all records of the Grantor relating thereto and in all invoices and Collateral Reports with respect thereto furnished to the Agent by such Grantor from time to time. As of the time when each Account or each item of Chattel Paper arises, such Grantor shall

be deemed to have represented and warranted that such Account or Chattel Paper, as the case may be, and all records relating thereto, are genuine and in all respects what they purport to be.

(b) With respect to its Accounts, except as specifically disclosed on the most recent Collateral Report, (i) all Accounts are Eligible Accounts; (ii) all Accounts represent bona fide sales of Inventory or rendering of services to Account Debtors in the ordinary course of such Grantor's business and are not evidenced by a judgment, Instrument or Chattel Paper; (iii) there are no setoffs, claims or disputes existing or asserted with respect thereto and such Grantor has not made any agreement with any Account Debtor for any extension of time for the payment thereof, any compromise or settlement for less than the full amount thereof, any release of any Account Debtor from liability therefor, or any deduction therefrom except a discount or allowance allowed by such Grantor in the ordinary course of its business for prompt payment and disclosed to the Agent; (iv) to such Grantor's knowledge, there are no facts, events or occurrences which in any way impair the validity or enforceability thereof or could reasonably be expected to reduce the amount payable thereunder as shown on such Grantor's books and records and any invoices, statements and Collateral Reports with respect thereto; (v) such Grantor has not received any notice of proceedings or actions which are threatened or pending against any Account Debtor which might result in any material adverse change in such Account Debtor's financial condition; and (vi) such Grantor has no knowledge that any Account Debtor is unable generally to pay its debts as they become due.

(c) In addition, with respect to all of its Accounts, (i) the amounts shown on all invoices, statements and Collateral Reports with respect thereto are actually and absolutely owing to such Grantor as indicated thereon and are not in any way contingent; (ii) no payments have been or shall be made thereon except payments immediately delivered to a Lock Box or a Collateral Deposit Account as required pursuant to Section 7.1; and (iii) to such Grantor's knowledge, all Account Debtors have the capacity to contract.

3.9. Inventory. With respect to any of its Inventory scheduled or listed on the most recent Collateral Report, (a) such Inventory (other than Inventory in transit) is located at one of such Grantor's locations set forth on Exhibit A, (b) no Inventory (other than Inventory in transit) is now, or shall at any time or times hereafter be stored at any other location except as permitted by Section 4.1(g), (c) such Grantor has good, indefeasible and merchantable title to such Inventory and such Inventory is not subject to any Lien or security interest or document whatsoever except for the Lien granted to the Agent, for the benefit of the Agent and Lenders, and except for Permitted Liens, (d) except as specifically disclosed in the most recent Collateral Report, such Inventory is Eligible Inventory of good and merchantable quality, free from any defects, (e) such Inventory is not subject to any licensing, patent, royalty, trademark, trade name or copyright agreements with any third parties which would require any consent of any third party upon sale or disposition of that Inventory or the payment of any monies to any third party upon such sale or other disposition, (f) such Inventory has been produced in accordance with the Federal Fair Labor Standards Act of 1938, as amended, and all rules, regulations and orders thereunder and (g) the completion of manufacture, sale or other disposition of such Inventory by the Agent following a Default shall not require the consent of any Person and shall not constitute a breach or default under any contract or agreement to which such Grantor is a party or to which such property is subject.

3.10. Intellectual Property. Such Grantor does not have any interest in, or title to, any Patent, Trademark or Copyright except as set forth in Exhibit D. This Security Agreement is effective to create a valid and continuing Lien and, upon filing of this Security Agreement with the United States Copyright Office and the United States Patent and Trademark Office, fully perfected first priority security interests in favor of the Agent on such Grantor's Patents, Trademarks and Copyrights, such perfected security interests are enforceable

as such as against any and all creditors of and purchasers from the Grantor and, upon the filing of appropriate financing statements listed on Exhibit H and the Patent Security Agreement and the Trademark Security Agreement, all action necessary or desirable to protect and perfect the Agent's Lien on such Grantor's Patents, Trademarks or Copyrights shall have been duly taken.

3.11. Filing Requirements. None of its Equipment is covered by any certificate of title, except for automobiles and other motor vehicles used in the ordinary course of Grantors' business. None of the Collateral owned by it is of a type for which security interests or liens may be perfected by filing under any federal statute except for (a) the vehicles described in Exhibit E and (b) Patents, Trademarks and Copyrights held by such Grantor and described in Exhibit D. The legal description, county and street address of each property on which any Fixtures are located is set forth in Exhibit F together with the name and address of the record owner of each such property.

3.12. No Financing Statements, Security Agreements. No financing statement or security agreement describing all or any portion of the Collateral which has not lapsed or been terminated naming such Grantor as debtor has been filed or is of record in any jurisdiction except (a) for financing statements or security agreements naming the Agent on behalf of the Lenders as the secured party and (b) as permitted by Section 4.1(e).

3.13. Pledged Collateral.

(a) Exhibit G sets forth a complete and accurate list of all Pledged Collateral owned by such Grantor. Such Grantor is the direct, sole beneficial owner and sole holder of record of the Pledged Collateral listed on Exhibit G as being owned by it, free and clear of any Liens, except for the security interest granted to the Agent for the benefit of the Lenders hereunder. Such Grantor further represents and warrants that (i) all Pledged Collateral owned by it constituting Capital Stock has been (to the extent such concepts are relevant with respect to such Pledged Collateral) duly authorized, validly issued, are fully paid and non-assessable, (ii) with respect to any certificates delivered to the Agent representing Capital Stock, either such certificates are Securities as defined in Article 8 of the UCC as a result of actions by the issuer or otherwise, or, if such certificates are not Securities, such Grantor has so informed the Agent so that the Agent may take steps to perfect its security interest therein as a General Intangible, (iii) all such Pledged Collateral held by a securities intermediary is covered by a control agreement among such Grantor, the securities intermediary and the Agent pursuant to which the Agent has Control and (iv) all Pledged Collateral which represents Indebtedness owed to such Grantor has been duly authorized, authenticated or issued and delivered by the issuer of such Indebtedness, is the legal, valid and binding obligation of such issuer and such issuer is not in default thereunder.

(b) In addition, (i) none of the Pledged Collateral owned by it has been issued or transferred in violation of the securities registration, securities disclosure or similar laws of any jurisdiction to which such issuance or transfer may be subject, (ii) there are existing no options, warrants, calls or commitments of any character whatsoever relating to such Pledged Collateral or which obligate the issuer of any Capital Stock included in Pledged Collateral to issue additional Capital Stock, and (iii) no consent, approval, authorization, or other action by, and no giving of notice, filing with, any governmental authority or any other Person is required for the pledge by such Grantor of such Pledged Collateral pursuant to this Security Agreement or for the execution, delivery and performance of this Security Agreement by such Grantor, or for the exercise by the Agent of the voting or other rights provided for in this Security Agreement or for the

remedies in respect of the Pledged Collateral pursuant to this Security Agreement, except as may be required in connection with such disposition by laws affecting the offering and sale of securities generally.

(c) Except as set forth in Exhibit G, such Grantor owns 100% of the issued and outstanding Capital Stock which constitutes Pledged Collateral and none of the Pledged Collateral which represents Indebtedness owed to such Grantor is subordinated in right of payment to other Indebtedness or subject to the terms of an indenture.

ARTICLE IV
COVENANTS

From the date of this Security Agreement, and thereafter until this Security Agreement is terminated:

4.1. General.

(a) Collateral Records. Such Grantor will maintain complete and accurate books and records with respect to the Collateral owned by it, and furnish to the Agent, with sufficient copies for each of the Lenders, such reports relating to such Collateral as the Agent shall from time to time request.

(b) Authorization to File Financing Statements; Ratification. Such Grantor hereby authorizes the Agent to file, and if requested will deliver to the Agent, all financing statements and other documents and take such other actions as may from time to time be requested by the Agent in order to maintain a first perfected security interest in and, if applicable, Control of, the Collateral owned by such Grantor. Any financing statement filed by the Agent may be filed in any filing office in any UCC jurisdiction and may (i) indicate such Grantor's Collateral (1) as all assets of the Grantor or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the UCC or such jurisdiction, or (2) by any other description which reasonably approximates the description contained in this Security Agreement, and (ii) contain any other information required by part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any financing statement or amendment, including (A) whether such Grantor is an organization, the type of organization and any organization identification number issued to such Grantor, and (B) in the case of a financing statement filed as a fixture filing or indicating such Grantor's Collateral as as-extracted collateral or timber to be cut, a sufficient description of real Property to which the Collateral relates. Such Grantor also agrees to furnish any such information to the Agent promptly upon request. Such Grantor also ratifies its authorization for the Agent to have filed in any UCC jurisdiction any initial financing statements or amendments thereto if filed prior to the date hereof.

(c) Further Assurances. Such Grantor will, if so requested by the Agent, furnish to the Agent, as often as the Agent requests, statements and schedules further identifying and describing the Collateral owned by it and such other reports and information in connection with its Collateral as the Agent may reasonably request, all in such detail as the Agent may specify. Such Grantor also agrees to take any and all actions necessary to defend title to the Collateral owned by it against all persons and to defend the security interest of the Agent in its Collateral and the priority thereof against any Lien not expressly permitted hereunder.

(d) Disposition of Collateral. Such Grantor will not sell, lease or otherwise dispose of the Collateral owned by it except for dispositions specifically permitted pursuant to Section 6.20 of the Credit Agreement.

(e) Liens. Such Grantor will not create, incur, or suffer to exist any Lien on the Collateral owned by it except (i) the security interest created by this Security Agreement, and (ii) other Permitted Liens.

(f) Other Financing Statements. Such Grantor will not authorize the filing of any financing statement naming it as debtor covering all or any portion of the Collateral owned by it, except as permitted by Section 4.1(e). Such Grantor acknowledges that it is not authorized to file any financing statement or amendment or termination statement with respect to any financing statement without the prior written consent of the Agent, subject to such Grantor's rights under Section 9-509(d)(2) of the UCC.

(g) Locations. Such Grantor will not (i) maintain any Collateral owned by it at any location other than those locations listed on Exhibit A, (ii) otherwise change, or add to, such locations without the Agent's prior written consent as required by the Credit Agreement (and if the Agent gives such consent, the Grantor will concurrently therewith obtain a Collateral Access Agreement for each such location to the extent required by the Credit Agreement), or (iii) change its principal place of business or chief executive office from the location identified on Exhibit A, other than as permitted by the Credit Agreement.

(h) Compliance with Terms. Such Grantor will perform and comply with all obligations in respect of the Collateral owned by it and all agreements to which it is a party or by which it is bound relating to such Collateral.

4.2. Receivables.

(a) Certain Agreements on Receivables. Such Grantor will not make or agree to make any discount, credit, rebate or other reduction in the original amount owing on a Receivable or accept in satisfaction of a Receivable less than the original amount thereof, except that, prior to the occurrence of a Default, such Grantor may reduce the amount of Accounts arising from the sale of Inventory in accordance with its present policies and in the ordinary course of business.

(b) Collection of Receivables. Except as otherwise provided in this Security Agreement, such Grantor will collect and enforce, at such Grantor's sole expense, all amounts due or hereafter due to such Grantor under the Receivables owned by it.

(c) Delivery of Invoices. Such Grantor will deliver to the Agent immediately upon its request duplicate invoices with respect to each Account owned by it bearing such language of assignment as the Agent shall specify.

(d) Disclosure of Counterclaims on Receivables. If (i) any discount, credit or agreement to make a rebate or to otherwise reduce the amount owing on any Receivable owned by such Grantor exists or (ii) if, to the knowledge of such Grantor, any dispute, setoff, claim, counterclaim or defense exists or has been asserted or threatened with respect to any such Receivable, such Grantor will promptly disclose such fact to the Agent in writing. Such Grantor shall send the Agent a copy of each credit memorandum in excess of $250,000 as soon as issued, and such Grantor shall promptly report each credit memo and each of the facts required to be

disclosed to the Agent in accordance with this Section 4.2(d) on the Borrowing Base Certificates submitted by it.

(e) Electronic Chattel Paper. Such Grantor shall take all steps necessary to grant the Agent Control of all electronic chattel paper in accordance with the UCC and all "transferable records" as defined in each of the Uniform Electronic Transactions Act and the Electronic Signatures in Global and National Commerce Act.

4.3. Inventory and Equipment.

(a) Maintenance of Goods. Such Grantor will do all things necessary to maintain, preserve, protect and keep its Inventory and the Equipment in good repair and working and saleable condition, except for damaged or defective goods arising in the ordinary course of such Grantor's business and except for ordinary wear and tear in respect of the Equipment.

(b) Returned Inventory. If an Account Debtor returns any Inventory to such Grantor when no Event of Default exists, then such Grantor shall promptly determine the reason for such return and shall issue a credit memorandum to the Account Debtor in the appropriate amount. Such Grantor shall immediately report to the Agent any return involving an amount in excess of $500,000. Each such report shall indicate the reasons for the returns and the locations and condition of the returned Inventory. In the event any Account Debtor returns Inventory to such Grantor when an Event of Default exists, such Grantor, upon the request of the Agent, shall: (i) hold the returned Inventory in trust for the Agent; (ii) segregate all returned Inventory from all of its other property; (iii) dispose of the returned Inventory solely according to the Agent's written instructions; and (iv) not issue any credits or allowances with respect thereto without the Agent's prior written consent. All returned Inventory shall be subject to the Agent's Liens thereon. Whenever any Inventory is returned, the related Account shall be deemed ineligible to the extent of the amount owing by the Account Debtor with respect to such returned Inventory and such returned Inventory shall not be Eligible Inventory.

(c) Inventory Count; Perpetual Inventory System. Such Grantor will conduct a physical count of its Inventory at least once per Fiscal Year, and after and during the continuation of an Event of Default, at such other times as the Agent requests. Such Grantor, at its own expense, shall deliver to the Agent the results of each physical verification, which such Grantor has made, or has caused any other Person to make on its behalf, of all or any portion of its Inventory. Such Grantor will maintain a perpetual inventory reporting system at all times.

(d) Equipment. Such Grantor shall promptly inform the Agent of any additions to or deletions from its Equipment which individually exceed $100,000. Such Grantor shall not permit any Equipment to become a fixture with respect to real property or to become an accession with respect to other personal property with respect to which real or personal property the Agent does not have a Lien. Such Grantor will not, without the Agent's prior written consent, alter or remove any identifying symbol or number on any of such Grantor's Equipment constituting Collateral.

4.4. Delivery of Instruments, Securities, Chattel Paper and Documents. Such Grantor will (a) deliver to the Agent immediately upon execution of this Security Agreement the originals of all Chattel Paper, Securities and Instruments constituting Collateral owned by it (if any then exist), (b) hold in trust for the Agent upon receipt and immediately thereafter deliver to the Agent any such Chattel Paper, Securities and Instruments constituting Collateral, (c) upon the Agent's request, deliver to the Agent (and thereafter hold in trust for the

Agent upon receipt and immediately deliver to the Agent) any Document evidencing or constituting Collateral and (d) upon the Agent's request, deliver to the Agent a duly executed amendment to this Security Agreement, in the form of Exhibit I hereto (the "Amendment"), pursuant to which such Grantor will pledge such additional Collateral. Such Grantor hereby authorizes the Agent to attach each Amendment to this Security Agreement and agrees that all additional Collateral owned by it set forth in such Amendments shall be considered to be part of the Collateral.

4.5. Uncertificated Pledged Collateral. Such Grantor will permit the Agent from time to time to cause the appropriate issuers (and, if held with a securities intermediary, such securities intermediary) of uncertificated securities or other types of Pledged Collateral owned by it not represented by certificates to mark their books and records with the numbers and face amounts of all such uncertificated securities or other types of Pledged Collateral not represented by certificates and all rollovers and replacements therefor to reflect the Lien of the Agent granted pursuant to this Security Agreement. With respect to any Pledged Collateral owned by it, such Grantor will take any actions necessary to cause (a) the issuers of uncertificated securities which are Pledged Collateral and (b) any securities intermediary which is the holder of any such Pledged Collateral, to cause the Agent to have and retain Control over such Pledged Collateral. Without limiting the foregoing, such Grantor will, with respect to any such Pledged Collateral held with a securities intermediary, cause such securities intermediary to enter into a control agreement with the Agent, in form and substance satisfactory to the Agent, giving the Agent Control.

4.6. Pledged Collateral.

(a) Changes in Capital Structure of Issuers. Such Grantor will not (i) permit or suffer any issuer of Capital Stock constituting Pledged Collateral owned by it to dissolve, merge, liquidate, retire any of its Capital Stock or other Instruments or Securities evidencing ownership, reduce its capital, sell or encumber all or substantially all of its assets (except for Permitted Liens and sales of assets permitted pursuant to Section 4.1(d)) or merge or consolidate with any other entity (other than in connection with a Permitted Acquisition), or (ii) vote any such Pledged Collateral in favor of any of the foregoing.

(b) Issuance of Additional Securities. Such Grantor will not permit or suffer the issuer of Capital Stock constituting Pledged Collateral owned by it to issue additional Capital Stock, any right to receive the same or any right to receive earnings, except to such Grantor.

(c) Registration of Pledged Collateral. Such Grantor will permit any registerable Pledged Collateral owned by it to be registered in the name of the Agent or its nominee at any time at the option of the Required Secured Parties.

(d) Exercise of Rights in Pledged Collateral.

(i) Without in any way limiting the foregoing and subject to clause (ii) below, such Grantor shall have the right to exercise all voting rights or other rights relating to the Pledged Collateral owned by it for all purposes not inconsistent with this Security Agreement, the Credit Agreement or any other Loan Document; provided however, that no vote or other right shall be exercised or action taken which would have the effect of impairing the rights of the Agent in respect of such Pledged Collateral.

(ii) Such Grantor will permit the Agent or its nominee at any time after the occurrence of a Default, without notice, to exercise all voting rights or other rights relating to the Pledged Collateral owned by it, including, without limitation, exchange, subscription or any other rights, privileges, or options pertaining to any Capital Stock or Investment Property constituting such Pledged Collateral as if it were the absolute owner thereof.

(iii) Such Grantor shall be entitled to collect and receive for its own use all cash dividends and interest paid in respect of the Pledged Collateral owned by it to the extent not in violation of the Credit Agreement other than any of the following distributions and payments (collectively referred to as the "Excluded Payments"): (A) dividends and interest paid or payable other than in cash in respect of such Pledged Collateral, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, such Pledged Collateral; (B) dividends and other distributions paid or payable in cash in respect of such Pledged Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in capital of an issuer; and (C) cash paid, payable or otherwise distributed, in respect of principal of, or in redemption of, or in exchange for, such Pledged Collateral; provided however, that until actually paid, all rights to such distributions shall remain subject to the Lien created by this Security Agreement; and

(iv) All Excluded Payments and all other distributions in respect of any of the Pledged Collateral owned by such Grantor, whenever paid or made, shall be delivered to the Agent to hold as Pledged Collateral and shall, if received by such Grantor, be received in trust for the benefit of the Agent, be segregated from the other property or funds of such Grantor, and be forthwith delivered to the Agent as Pledged Collateral in the same form as so received (with any necessary endorsement).

4.7. Intellectual Property.

(a) Such Grantor will use its best efforts to secure all consents and approvals necessary or appropriate for the assignment to or benefit of the Agent of any License held by such Grantor and to enforce the security interests granted hereunder.

(b) Such Grantor shall notify the Agent immediately if it knows or has reason to know that any application or registration relating to any Patent, Trademark or Copyright (now or hereafter existing) may become abandoned or dedicated, or of any adverse determination or development (including 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) regarding such Grantor's ownership of any Patent, Trademark or Copyright, its right to register the same, or to keep and maintain the same.

(c) In no event shall such Grantor, either directly or through any the Agent, employee, licensee or designee, file an application for the registration of any Patent, Trademark or Copyright with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency without giving the Agent prior written notice thereof, and, upon request of the Agent, such Grantor shall execute and deliver any and all security agreements as the Agent may request to evidence the Agent's first

priority security interest on such Patent, Trademark or Copyright, and the General Intangibles of such Grantor relating thereto or represented thereby.

(d) Such Grantor shall take all actions necessary or requested by the Agent to maintain and pursue each application, to obtain the relevant registration and to maintain the registration of each of its Patents, Trademarks and Copyrights (now or hereafter existing), including the filing of applications for renewal, affidavits of use, affidavits of noncontestability and opposition and interference and cancellation proceedings, unless the Agent shall determine that such Patent, Trademark or Copyright is not material to the conduct of such Grantor's business.

(e) Such Grantor shall, unless it shall reasonably determine that such Patent, Trademark or Copyright is in no way material to the conduct of its business or operations, promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, and shall take such other actions as the Agent shall deem appropriate under the circumstances to protect such Patent, Trademark or Copyright. In the event that such Grantor institutes suit because any of its Patents, Trademarks or Copyrights constituting Collateral is infringed upon, or misappropriated or diluted by a third party, such Grantor shall comply with Section 4.8.

4.8. Commercial Tort Claims. Such Grantor shall promptly, and in any event within two Business Days after the same is acquired by it, notify the Agent of any commercial tort claim (as defined in the UCC) acquired by it and, unless the Agent otherwise consents, such Grantor shall enter into an amendment to this Security Agreement, in the form of Exhibit I hereto, granting to Agent a first priority security interest in such commercial tort claim.

4.9. Letter-of-Credit Rights. If such Grantor is or becomes the beneficiary of a letter of credit, it shall promptly, and in any event within two Business Days after becoming a beneficiary, notify the Agent thereof and cause the issuer and/or confirmation bank to (i) consent to the assignment of any Letter-of-Credit Rights to the Agent and (ii) agree to direct all payments thereunder to a Deposit Account at the Agent or subject to a Deposit Account Control Agreement for application to the Secured Obligations, in accordance with Section 2.18 of the Credit Agreement, all in form and substance reasonably satisfactory to the Agent.

4.10. Federal, State or Municipal Claims. Such Grantor will promptly notify the Agent of any Collateral which constitutes a claim against the United States government or any state or local government or any instrumentality or agency thereof, the assignment of which claim is restricted by federal, state or municipal law.

4.11. No Interference. Such Grantor agrees that it will not interfere with any right, power and remedy of the Agent provided for in this Security Agreement or now or hereafter existing at law or in equity or by statute or otherwise, or the exercise or beginning of the exercise by the Agent of any one or more of such rights, powers or remedies.

4.12. Assigned Contracts. Such Grantor will use its best efforts to secure all consents and approvals necessary or appropriate for the assignment to or for the benefit of the Agent of any Assigned Contract held by such Grantor and to enforce the security interests granted hereunder. Such Grantor shall fully perform all of its obligations under each of its Assigned Contracts, and shall enforce all of its rights and remedies thereunder, in each case, as it deems appropriate in its business judgment; provided however, that such Grantor shall not take any action or fail to take any action with respect to its Assigned Contracts which would cause the termination of

an Assigned Contract. Without limiting the generality of the foregoing, such Grantor shall take all action necessary or appropriate to permit, and shall not take any action which would have any materially adverse effect upon, the full enforcement of all indemnification rights under its Assigned Contracts. Such Grantor shall notify the Agent and the Lenders in writing, promptly after such Grantor becomes aware thereof, of any event or fact which could give rise to a material claim by it for indemnification under any of its Assigned Contracts, and shall diligently pursue such right and report to the Agent on all further developments with respect thereto. Such Grantor shall deposit into a Deposit Account at the Agent or subject to a Deposit Account Control Agreement for application to the Secured Obligations, in accordance with Section 2.18 of the Credit Agreement, all amounts received by such Grantor as indemnification or otherwise pursuant to its Assigned Contracts. If such Grantor shall fail after the Agent's demand to pursue diligently any right under its Assigned Contracts, or if a Default then exists, the Agent may, and at the direction of the Required Secured Parties shall, directly enforce such right in its own or such Grantor's name and may enter into such settlements or other agreements with respect thereto as the Agent or the Required Secured Parties, as applicable, shall determine. In any suit, proceeding or action brought by the Agent for the benefit of the Lenders under any Assigned Contract for any sum owing thereunder or to enforce any provision thereof, such Grantor shall indemnify and hold the Agent and Lenders harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaims, recoupment, or reduction of liability whatsoever of the obligor thereunder arising out of a breach by such Grantor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing from such Grantor to or in favor of such obligor or its successors. All such obligations of such Grantor shall be and remain enforceable only against such Grantor and shall not be enforceable against the Agent or the Lenders. Notwithstanding any provision hereof to the contrary, such Grantor shall at all times remain liable to observe and perform all of its duties and obligations under its Assigned Contracts, and the Agent's or any Lender's exercise of any of their respective rights with respect to the Collateral shall not release such Grantor from any of such duties and obligations. Neither the Agent nor any Lender shall be obligated to perform or fulfill any of such Grantor's duties or obligations under its Assigned Contracts or to make any payment thereunder, or to make any inquiry as to the nature or sufficiency of any payment or property received by it thereunder or the sufficiency of performance by any party thereunder, or to present or file any claim, or to take any action to collect or enforce any performance, any payment of any amounts, or any delivery of any property.

ARTICLE V
DEFAULTS AND REMEDIES

5.1. Defaults. The occurrence of any one or more of the following events shall constitute a Default hereunder:

(a) Any representation or warranty made by or on behalf of any Grantor under or in connection with this Security Agreement shall be materially false as of the date on which made.

(b) The breach by any Grantor of any of the terms or provisions of Article IV or Article VII.

(c) The breach by any Grantor (other than a breach which constitutes a Default under any other Section of this Article V) of any of the terms or provisions of this Security Agreement which is not remedied within ten days after such breach.

(d) The occurrence of any "Default" under, and as defined in, the Credit Agreement.

(e) Any Capital Stock which is included within the Collateral shall at any time constitute a Security or the issuer of any such Capital Stock shall take any action to have such interests treated as a Security unless (i) all certificates or other documents constituting such Security have been delivered to the Agent and such Security is properly defined as such under Article 8 of the UCC of the applicable jurisdiction, whether as a result of actions by the issuer thereof or otherwise, or (ii) the Agent has entered into a control agreement with the issuer of such Security or with a securities intermediary relating to such Security and such Security is defined as such under Article 8 of the UCC of the applicable jurisdiction, whether as a result of actions by the issuer thereof or otherwise.

5.2. Remedies.

(a) Upon the occurrence of a Default, the Agent may, exercise any or all of the following rights and remedies:

(i) those rights and remedies provided in this Security Agreement, the IP Security Documents, the Credit Agreement, or any other Loan Document; provided that, this Section 5.2(a) shall not be understood to limit any rights or remedies available to the Agent and the Lenders prior to a Default;

(ii) those rights and remedies available to a secured party under the UCC (whether or not the UCC applies to the affected Collateral) or under any other applicable law (including, without limitation, any law governing the exercise of a bank's right of setoff or bankers' lien) when a debtor is in default under a security agreement;

(iii) give notice of sole control or any other instruction under any Deposit Account Control Agreement or and other control agreement with any securities intermediary and take any action therein with respect to such Collateral;

(iv) without notice (except as specifically provided in Section 8.1 or elsewhere herein), demand or advertisement of any kind to any Grantor or any other Person, enter the premises of any Grantor where any Collateral is located (through self-help and without judicial process) to collect, receive, assemble, process, appropriate, sell, lease, assign, grant an option or options to purchase or otherwise dispose of, deliver, or realize upon, the Collateral or any part thereof in one or more parcels at public or private sale or sales (which sales may be adjourned or continued from time to time with or without notice and may take place at any Grantor's premises or elsewhere), for cash, on credit or for future delivery without assumption of any credit risk, and upon such other terms as the Agent may deem commercially reasonable; and

(v) concurrently with written notice to the applicable Grantor, transfer and register in its name or in the name of its nominee the whole or any part of the Pledged Collateral, to exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations, to exercise the voting and all other rights as a holder with respect thereto, to collect and receive all cash dividends, interest, principal and other distributions made thereon and to

otherwise act with respect to the Pledged Collateral as though the Agent was the outright owner thereof.

(b) The Agent, on behalf of the Lenders, may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered to adversely affect the commercial reasonableness of any sale of the Collateral.

(c) The Agent 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 for the benefit of the Agent and the Lenders, the whole or any part of the Collateral so sold, free of any right of equity redemption, which equity redemption each Grantor hereby expressly releases.

(d) Until the Agent is able to effect a sale, lease, or other disposition of Collateral, the Agent shall have the right to hold or use Collateral, or any part thereof, to the extent that it deems appropriate for the purpose of preserving Collateral or its value or for any other purpose deemed appropriate by the Agent. The Agent may, if it so elects, seek the appointment of a receiver or keeper to take possession of Collateral and to enforce any of the Agent's remedies (for the benefit of the Agent and Lenders), with respect to such appointment without prior notice or hearing as to such appointment.

(e) If, after the Credit Agreement has terminated by its terms and all of the Obligations have been paid in full, there remain Rate Management Obligations outstanding, the Required Secured Parties may exercise the remedies provided in this Section 5.2 upon the occurrence of any event which would allow or require the termination or acceleration of any Rate Management Obligations pursuant to the terms of the agreement governing any Rate Management Transaction.

(f) Notwithstanding the foregoing, neither the Agent nor the Lenders shall be required to (i) make any demand upon, or pursue or exhaust any of their rights or remedies against, any Grantor, any other obligor, guarantor, pledgor or any other Person with respect to the payment of the Secured Obligations or to pursue or exhaust any of their rights or remedies with respect to any Collateral therefor or any direct or indirect guarantee thereof, (ii) marshal the Collateral or any guarantee of the Secured Obligations or to resort to the Collateral or any such guarantee in any particular order, or (iii) effect a public sale of any Collateral.

(g) Each Grantor recognizes that the Agent may be unable to effect a public sale of any or all the Pledged Collateral and may be compelled to resort to one or more private sales thereof in accordance with clause (a) above. Each Grantor also acknowledges that any private sale may result in prices and other terms less favorable to the seller than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall not be deemed to have been made in a commercially unreasonable manner solely by virtue of such sale being private. The Agent shall be under no obligation to delay a sale of any of the Pledged Collateral for the period of time necessary to permit any Grantor or the issuer of the Pledged Collateral to register such securities for public sale under the Securities Act of 1933, as amended, or under applicable state securities laws, even if the applicable Grantor and the issuer would agree to do so.

5.3. Grantor's Obligations Upon Default. Upon the request of the Agent after the occurrence of a Default, each Grantor will:

(a) assemble and make available to the Agent the Collateral and all books and records relating thereto at any place or places specified by the Agent, whether at a Grantor's premises or elsewhere;

(b) permit the Agent, by the Agent's representatives and agents, to enter any premises where all or any part of the Collateral, or the books and records relating thereto, or both, are located, to take possession of all or any part of the Collateral or the books and records relating thereto, or both, to remove all or any part of the Collateral or the books and records relating thereto, or both, and to conduct sales of the Collateral;

(c) prepare and file, or cause an issuer of Pledged Collateral to prepare and file, with the Securities and Exchange Commission or any other applicable government agency, registration statements, a prospectus and such other documentation in connection with the Pledged Collateral as the Agent may request, all in form and substance satisfactory to the Agent, and furnish to the Agent, or cause an issuer of Pledged Collateral to furnish to the Agent, any information regarding the Pledged Collateral in such detail as the Agent may specify;

(d) take, or cause an issuer of Pledged Collateral to take, any and all actions necessary to register or qualify the Pledged Collateral to enable the Agent to consummate a public sale or other disposition of the Pledged Collateral; and

(e) at its own expense, cause independent certified public accountants engaged by each Grantor to prepare and deliver to the Agent and each Lender, at any time, and from time to time, promptly upon the Agent's request, the following reports with respect to the applicable Grantor: (i) a reconciliation of all Accounts; (ii) an aging of all Accounts; (iii) trial balances; and (iv) a test verification of such Accounts.

5.4. Grant of Intellectual Property License. For the purpose of enabling the Agent to exercise the rights and remedies under this Article V and under the IP Security Documents, at such time as the Agent shall be lawfully entitled to exercise such rights and remedies, each Grantor hereby (a) grants to the Agent, for the benefit of the Agent and the Lenders, an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to any Grantor) to use, license or sublicense any Intellectual Property Rights now owned or hereafter acquired by such Grantor, and wherever the same may be located, and including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof and (b) irrevocably agrees that the Agent may sell any of such Grantor's Inventory directly to any person, including without limitation persons who have previously purchased the Grantor's Inventory from such Grantor and in connection with any such sale or other enforcement of the Agent's rights under this Security Agreement, may sell Inventory which bears any Trademark owned by or licensed to such Grantor and any Inventory that is covered by any Copyright owned by or licensed to such Grantor and the Agent may finish any work in process and affix any Trademark owned by or licensed to such Grantor and sell such Inventory as provided herein.

ARTICLE VI
ACCOUNT VERIFICATION; ATTORNEY IN FACT; PROXY

6.1. Account Verification. The Agent may at any time, in the Agent's own name, in the name of a nominee of the Agent, or in the name of any Grantor communicate (by mail, telephone, facsimile or otherwise) with the Account Debtors of any such Grantor, parties to contracts with any such Grantor and obligors in respect of Instruments of any such Grantor to verify with such Persons, to the Agent's satisfaction, the

existence, amount, terms of, and any other matter relating to, Accounts, Instruments, Chattel Paper, payment intangibles and/or other Receivables.

6.2. Authorization for Secured Party to Take Certain Action.

(a) Each Grantor irrevocably authorizes the Agent at any time and from time to time in the sole discretion of the Agent and appoints the Agent as its attorney in fact (i) to execute on behalf of such Grantor as debtor and to file financing statements necessary or desirable in the Agent's sole discretion to perfect and to maintain the perfection and priority of the Agent's security interest in the Collateral, (ii) to endorse and collect any cash proceeds of the Collateral, (iii) to file a carbon, photographic or other reproduction of this Security Agreement or any financing statement with respect to the Collateral as a financing statement and to file any other financing statement or amendment of a financing statement (which does not add new collateral or add a debtor) in such offices as the Agent in its sole discretion deems necessary or desirable to perfect and to maintain the perfection and priority of the Agent's security interest in the Collateral, (iv) to contact and enter into one or more agreements with the issuers of uncertificated securities which are Pledged Collateral or with securities intermediaries holding Pledged Collateral as may be necessary or advisable to give the Agent Control over such Pledged Collateral, (v) to apply the proceeds of any Collateral received by the Agent to the Secured Obligations as provided in Section 7.3, (vi) to discharge past due taxes, assessments, charges, fees or Liens on the Collateral (except for such Liens as are specifically permitted hereunder), (vii) to contact Account Debtors for any reason, (viii) to demand payment or enforce payment of the Receivables in the name of the Agent or such Grantor and to endorse any and all checks, drafts, and other instruments for the payment of money relating to the Receivables, (ix) to sign such Grantor's name on any invoice or bill of lading relating to the Receivables, drafts against any Account Debtor of such Grantor, assignments and verifications of Receivables, (x) to exercise all of such Grantor's rights and remedies with respect to the collection of the Receivables and any other Collateral, (xi) to settle, adjust, compromise, extend or renew the Receivables, (xii) to settle, adjust or compromise any legal proceedings brought to collect Receivables, (xiii) to prepare, file and sign such Grantor's name on a proof of claim in bankruptcy or similar document against any Account Debtor of such Grantor, (xiv) to prepare, file and sign such Grantor's name on any notice of Lien, assignment or satisfaction of Lien or similar document in connection with the Receivables, (xv) to change the address for delivery of mail addressed to such Grantor to such address as the Agent may designate and to receive, open and dispose of all mail addressed to such Grantor, and (xvi) to do all other acts and things necessary to carry out this Security Agreement; and such Grantor agrees to reimburse the Agent on demand for any payment made or any expense incurred by the Agent in connection with any of the foregoing; provided that, this authorization shall not relieve such Grantor of any of its obligations under this Security Agreement, the IP Security Documents or under the Credit Agreement.

(b) All acts of said attorney or designee are hereby ratified and approved. The powers conferred on the Agent, for the benefit of the Agent and Lenders, under this Section 6.2 are solely to protect the Agent's interests in the Collateral and shall not impose any duty upon the Agent or any Lender to exercise any such powers.

6.3. Proxy. EACH GRANTOR HEREBY IRREVOCABLY CONSTITUTES AND APPOINTS THE AGENT AS ITS PROXY AND ATTORNEY-IN-FACT (AS SET FORTH IN SECTION 6.2 ABOVE) WITH RESPECT TO ITS PLEDGED COLLATERAL, INCLUDING THE RIGHT TO VOTE SUCH PLEDGED COLLATERAL, WITH FULL POWER OF SUBSTITUTION TO DO SO. IN ADDITION TO THE RIGHT TO VOTE ANY SUCH PLEDGED COLLATERAL, THE APPOINTMENT OF THE AGENT AS PROXY AND ATTORNEY-IN-FACT SHALL INCLUDE THE RIGHT TO EXERCISE ALL OTHER RIGHTS, POWERS, PRIVILEGES AND REMEDIES TO WHICH A HOLDER OF SUCH PLEDGED

COLLATERAL WOULD BE ENTITLED (INCLUDING GIVING OR WITHHOLDING WRITTEN CONSENTS OF SHAREHOLDERS, CALLING SPECIAL MEETINGS OF SHAREHOLDERS AND VOTING AT SUCH MEETINGS). SUCH PROXY SHALL BE EFFECTIVE, AUTOMATICALLY AND WITHOUT THE NECESSITY OF ANY ACTION (INCLUDING ANY TRANSFER OF ANY SUCH PLEDGED COLLATERAL ON THE RECORD BOOKS OF THE ISSUER THEREOF) BY ANY PERSON (INCLUDING THE ISSUER OF SUCH PLEDGED COLLATERAL OR ANY OFFICER OR THE AGENT THEREOF), UPON THE OCCURRENCE OF A DEFAULT.

6.4. Nature of Appointment; Limitation of Duty. THE APPOINTMENT OF THE AGENT AS PROXY AND ATTORNEY-IN-FACT IN THIS ARTICLE VI IS COUPLED WITH AN INTEREST AND SHALL BE IRREVOCABLE UNTIL THE DATE ON WHICH THIS SECURITY AGREEMENT IS TERMINATED IN ACCORDANCE WITH SECTION 8.15. NOTWITHSTANDING ANYTHING CONTAINED HEREIN, NEITHER THE AGENT, NOR ANY LENDER, NOR OR ANY OF THEIR RESPECTIVE AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR REPRESENTATIVES SHALL HAVE ANY DUTY TO EXERCISE ANY RIGHT OR POWER GRANTED HEREUNDER OR OTHERWISE OR TO PRESERVE THE SAME AND SHALL NOT BE LIABLE FOR ANY FAILURE TO DO SO OR FOR ANY DELAY IN DOING SO, EXCEPT IN RESPECT OF DAMAGES ATTRIBUTABLE SOLELY TO THEIR OWN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AS FINALLY DETERMINED BY A COURT OF COMPETENT JURISDICTION; PROVIDED THAT, IN NO EVENT SHALL THEY BE LIABLE FOR ANY PUNITIVE, EXEMPLARY, INDIRECT OR CONSEQUENTIAL DAMAGES.

ARTICLE VII
COLLECTION AND APPLICATION OF COLLATERAL PROCEEDS; DEPOSIT ACCOUNTS

7.1. Collection of Receivables.

(a) On or before the Closing Date, each Grantor shall (a) execute and deliver to the Agent Deposit Account Control Agreements for each Deposit Account maintained by such Grantor into which all cash, checks or other similar payments relating to or constituting payments made in respect of Receivables will be deposited (a "Collateral Deposit Account"), which Collateral Deposit Accounts are identified as such on Exhibit B, and (b) establish lock box service (the "Lock Boxes") with the bank(s) set forth in Exhibit B, which lock boxes shall be subject to irrevocable lockbox agreements in the form provided by or otherwise acceptable to the Agent and shall be accompanied by an acknowledgment by the bank where the Lock Box is located of the Lien of the Agent granted hereunder and of irrevocable instructions to wire all amounts collected therein to the Collection Account (a "Lock Box Agreement"). After the Closing Date, each Grantor will comply with the terms of Section 7.2.

(b) Each Grantor shall direct all of its Account Debtors to forward payments directly to Lock Boxes subject to Lock Box Agreements. The Agent shall have sole access to the Lock Boxes at all times and each Grantor shall take all actions necessary to grant the Agent such sole access. At no time shall any Grantor remove any item from a Lock Box or from a Collateral Deposit Account without the Agent's prior written consent. If any Grantor should refuse or neglect to notify any Account Debtor to forward payments directly to a Lock Box subject to a Lock Box Agreement after notice from the Agent, the Agent shall be entitled to make such notification directly to Account Debtor. If notwithstanding the foregoing instructions, any Grantor receives any proceeds of any Receivables, such Grantor shall receive such payments as the Agent's trustee, and shall immediately deposit all cash, checks or other similar payments related to or constituting payments made in

respect of Receivables received by it to a Collateral Deposit Account. All funds deposited into any Lock Box subject to a Lock Box Agreement or a Collateral Deposit Account will be swept on a daily basis into a collection account maintained by the Borrower Representative with the Agent (the "Collection Account"). The Agent shall hold and apply funds received into the Collection Account as provided by the terms of Section 7.3.

7.2. Covenant Regarding New Deposit Accounts; Lock Boxes. Before opening or replacing any Collateral Deposit Account, other Deposit Account, or establishing a new Lock Box, each Grantor shall (a) obtain the Agent's consent in writing to the opening of such Deposit Account or Lock Box, and (b) cause each bank or financial institution in which it seeks to open (i) a Deposit Account, to enter into a Deposit Account Control Agreement with the Agent in order to give the Agent Control of such Deposit Account, or (ii) a Lock Box, to enter into a Lock Box Agreement with the Agent in order to give the Agent Control of the Lock Box. In the case of Deposit Accounts or Lock Boxes maintained with Lenders, the terms of such letter shall be subject to the provisions of the Credit Agreement regarding setoffs.

7.3. Application of Proceeds; Deficiency. All amounts deposited in the Collection Account shall be deemed received by the Agent in accordance with Section 2.17 of the Credit Agreement and shall, after having been credited in immediately available funds to the Collection Account, be applied (and allocated) by Agent in accordance with Section 2.18 of the Credit Agreement. In no event shall any amount be so applied unless and until such amount shall have been credited in immediately available funds to the Collection Account. The Agent shall require all other cash proceeds of the Collateral, which are not required to be applied to the Obligations pursuant to Section 2.15 of the Credit Agreement, to be deposited in a special non-interest bearing cash collateral account with the Agent and held there as security for the Secured Obligations. No Grantor shall have any control whatsoever over said cash collateral account. Any such proceeds of the Collateral shall be applied in the order set forth in Section 2.18 of the Credit Agreement unless a court of competent jurisdiction shall otherwise direct. The balance, if any, after all of the Secured Obligations have been satisfied, shall be deposited by the Agent into the Borrower Representative's general operating account with the Agent. The Grantors shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay all Secured Obligations, including any attorneys' fees and other expenses incurred by Agent or any Lender to collect such deficiency.

ARTICLE VIII
GENERAL PROVISIONS

8.1. Waivers. Each Grantor hereby waives notice of the time and place of any public sale or the time after which any private sale or other disposition of all or any part of the Collateral may be made. To the extent such notice may not be waived under applicable law, any notice made shall be deemed reasonable if sent to the Grantors, addressed as set forth in Article IX, at least ten days prior to (i) the date of any such public sale or (ii) the time after which any such private sale or other disposition may be made. To the maximum extent permitted by applicable law, each Grantor waives all claims, damages, and demands against the Agent or any Lender arising out of the repossession, retention or sale of the Collateral, except such as arise solely out of the gross negligence or willful misconduct of the Agent or such Lender as finally determined by a court of competent jurisdiction. To the extent it may lawfully do so, each Grantor absolutely and irrevocably waives and relinquishes the benefit and advantage of, and covenants not to assert against the Agent or any Lender, any valuation, stay, appraisal, extension, moratorium, redemption or similar laws and any and all rights or defenses it may have as a surety now or hereafter existing which, but for this provision, might be applicable to the sale of any Collateral made under the judgment, order or decree of any court, or privately under the power of sale

conferred by this Security Agreement, the IP Security Documents or otherwise. Except as otherwise specifically provided herein, each Grantor hereby waives presentment, demand, protest or any notice (to the maximum extent permitted by applicable law) of any kind in connection with this Security Agreement, the IP Security Documents or any Collateral.

8.2. Limitation on Agent's and Lenders' Duty with Respect to the Collateral. The Agent shall have no obligation to clean-up or otherwise prepare the Collateral for sale. The Agent and each Lender shall use reasonable care with respect to the Collateral in its possession or under its control. Neither the Agent nor any Lender shall have any other duty as to any Collateral in its possession or control or in the possession or control of any agent or nominee of the Agent or such Lender, or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto. To the extent that applicable law imposes duties on the Agent to exercise remedies in a commercially reasonable manner, each Grantor acknowledges and agrees that it is commercially reasonable for the Agent (i) to fail to incur expenses deemed significant by the Agent to prepare Collateral for disposition or otherwise to transform raw material or work in process into finished goods or other finished products for disposition, (ii) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (iii) to fail to exercise collection remedies against Account Debtors or other Persons obligated on Collateral or to remove Liens on or any adverse claims against Collateral, (iv) to exercise collection remedies against Account Debtors and other Persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (v) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (vi) to contact other Persons, whether or not in the same business as such Grantor, for expressions of interest in acquiring all or any portion of such Collateral, (vii) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the Collateral is of a specialized nature, (viii) to dispose of Collateral by utilizing internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capacity of doing so, or that match buyers and sellers of assets, (ix) to dispose of assets in wholesale rather than retail markets, (x) to disclaim disposition warranties, such as title, possession or quiet enjoyment, (xi) to purchase insurance or credit enhancements to insure the Agent against risks of loss, collection or disposition of Collateral or to provide to the Agent a guaranteed return from the collection or disposition of Collateral, or (xii) to the extent deemed appropriate by the Agent, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist the Agent in the collection or disposition of any of the Collateral. Each Grantor acknowledges that the purpose of this Section 8.2 is to provide non-exhaustive indications of what actions or omissions by the Agent would be commercially reasonable in the Agent's exercise of remedies against the Collateral and that other actions or omissions by the Agent shall not be deemed commercially unreasonable solely on account of not being indicated in this Section 8.2. Without limitation upon the foregoing, nothing contained in this Section 8.2 shall be construed to grant any rights to any Grantor or to impose any duties on the Agent that would not have been granted or imposed by this Security Agreement or by applicable law in the absence of this Section 8.2.

8.3. Compromises and Collection of Collateral. The Grantors and the Agent recognize that setoffs, counterclaims, defenses and other claims may be asserted by obligors with respect to certain of the Receivables, that certain of the Receivables may be or become uncollectible in whole or in part and that the expense and probability of success in litigating a disputed Receivable may exceed the amount that reasonably may be expected to be recovered with respect to a Receivable. In view of the foregoing, each Grantor agrees that the Agent may at any time and from time to time, if a Default has occurred and is continuing, compromise with the obligor on any Receivable, accept in full payment of any Receivable such amount as the Agent in its sole

discretion shall determine or abandon any Receivable, and any such action by the Agent shall be commercially reasonable so long as the Agent acts in good faith based on information known to it at the time it takes any such action.

8.4. Secured Party Performance of Debtor Obligations. Without having any obligation to do so, the Agent may perform or pay any obligation which any Grantor has agreed to perform or pay in this Security Agreement and the Grantors shall reimburse the Agent for any amounts paid by the Agent pursuant to this Section 8.4. The Grantors' obligation to reimburse the Agent pursuant to the preceding sentence shall be a Secured Obligation payable on demand.

8.5. Specific Performance of Certain Covenants. Each Grantor acknowledges and agrees that a breach of any of the covenants contained in Sections 4.1(d), 4.1(e), 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 4.10, 4.12, 5.3, or 8.7 or in Article VII will cause irreparable injury to the Agent and the Lenders, that the Agent and Lenders have no adequate remedy at law in respect of such breaches and therefore agrees, without limiting the right of the Agent or the Lenders to seek and obtain specific performance of other obligations of the Grantors contained in this Security Agreement, that the covenants of the Grantors contained in the Sections referred to in this Section 8.5 shall be specifically enforceable against the Grantors.

8.6. Use and Possession of Certain Premises. Upon the occurrence of a Default, the Agent shall be entitled to occupy and use any premises owned or leased by any Grantor where any of the Collateral or any records relating to the Collateral are located until the Secured Obligations are paid or the Collateral is removed therefrom, whichever first occurs, without any obligation to pay any Grantor for such use and occupancy.

8.7. Dispositions Not Authorized. No Grantor is authorized to sell or otherwise dispose of the Collateral except as set forth in Section 4.1(d) and notwithstanding any course of dealing between any Grantor and the Agent or other conduct of the Agent, no authorization to sell or otherwise dispose of the Collateral (except as set forth in Section 4.1(d)) shall be binding upon the Agent or the Lenders unless such authorization is in writing signed by the Agent with the consent or at the direction of the Required Secured Parties.

8.8. No Waiver; Amendments; Cumulative Remedies. No delay or omission of the Agent or any Lender to exercise any right or remedy granted under this Security Agreement shall impair such right or remedy or be construed to be a waiver of any Default or an acquiescence therein, and any single or partial exercise of any such right or remedy shall not preclude any other or further exercise thereof or the exercise of any other right or remedy. No waiver, amendment or other variation of the terms, conditions or provisions of this Security Agreement whatsoever shall be valid unless in writing signed by the Agent with the concurrence or at the direction of the Lenders required under Section 8.3 of the Credit Agreement and then only to the extent in such writing specifically set forth. All rights and remedies contained in this Security Agreement or by law afforded shall be cumulative and all shall be available to the Agent and the Lenders until the Secured Obligations have been paid in full.

8.9. Limitation by Law; Severability of Provisions. All rights, remedies and powers provided in this Security Agreement may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Security Agreement are intended to be subject to all applicable mandatory provisions of law that may be controlling and to be limited to the extent necessary so that they shall not render this Security Agreement invalid, unenforceable or not entitled to be recorded or registered, in whole or in part. Any provision in any this Security Agreement that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without

affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of this Security Agreement are declared to be severable.

8.10. Reinstatement. This Security Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against any Grantor for liquidation or reorganization, should any Grantor become insolvent or make an assignment for the benefit of any creditor or creditors or should a receiver or trustee be appointed for all or any significant part of any Grantor's assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Secured Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Secured Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Secured Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

8.11. Benefit of Agreement. The terms and provisions of this Security Agreement shall be binding upon and inure to the benefit of the Grantors, the Agent and the Lenders and their respective successors and assigns (including all persons who become bound as a debtor to this Security Agreement), except that no Grantor shall have the right to assign its rights or delegate its obligations under this Security Agreement or any interest herein, without the prior written consent of the Agent. No sales of participations, assignments, transfers, or other dispositions of any agreement governing the Secured Obligations or any portion thereof or interest therein shall in any manner impair the Lien granted to the Agent, for the benefit of the Agent and the Lenders, hereunder.

8.12. Survival of Representations. All representations and warranties of the Grantors contained in this Security Agreement shall survive the execution and delivery of this Security Agreement.

8.13. Taxes and Expenses. Any taxes (including income taxes) payable or ruled payable by Federal or State authority in respect of this Security Agreement shall be paid by the Grantors, together with interest and penalties, if any. The Grantors shall reimburse the Agent for any and all out-of-pocket expenses and internal charges (including reasonable attorneys', auditors' and accountants' fees and reasonable time charges of attorneys, paralegals, auditors and accountants who may be employees of the Agent) paid or incurred by the Agent in connection with the preparation, execution, delivery, administration, collection and enforcement of this Security Agreement and in the audit, analysis, administration, collection, preservation or sale of the Collateral (including the expenses and charges associated with any periodic or special audit of the Collateral). Any and all costs and expenses incurred by the Grantors in the performance of actions required pursuant to the terms hereof shall be borne solely by the Grantors.

8.14. Headings. The title of and section headings in this Security Agreement are for convenience of reference only, and shall not govern the interpretation of any of the terms and provisions of this Security Agreement.

8.15. Termination. This Security Agreement shall continue in effect (notwithstanding the fact that from time to time there may be no Secured Obligations outstanding) until (i) the Credit Agreement has terminated pursuant to its express terms and (ii) all of the Secured Obligations have been indefeasibly paid and performed in full (or with respect to any outstanding Facility LCs, a cash deposit or Supporting Letter of Credit

has been delivered to the Agent as required by the Credit Agreement) and no commitments of the Agent or the Lenders which would give rise to any Secured Obligations are outstanding.

8.16. Entire Agreement. This Security Agreement embodies the entire agreement and understanding between the Grantors and the Agent relating to the Collateral and supersedes all prior agreements and understandings between the Grantors and the Agent relating to the Collateral.

8.17. CHOICE OF LAW. THIS SECURITY AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF TEXAS, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

8.18. CONSENT TO JURISDICTION. EACH GRANTOR HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY U.S. FEDERAL OR TEXAS STATE COURT SITTING IN DALLAS, TEXAS IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT, THE IP SECURITY DOCUMENTS OR ANY OTHER LOAN DOCUMENT AND EACH GRANTOR HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE AGENT OR ANY LENDER TO BRING PROCEEDINGS AGAINST ANY GRANTOR IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY ANY GRANTOR AGAINST THE AGENT OR ANY LENDER OR ANY AFFILIATE OF THE AGENT OR ANY LENDER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS SECURITY AGREEMENT, THE IP SECURITY DOCUMENTS OR ANY OTHER LOAN DOCUMENT SHALL BE BROUGHT ONLY IN A COURT IN DALLAS, TEXAS.

8.19. WAIVER OF JURY TRIAL. EACH GRANTOR, THE AGENT AND EACH LENDER HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS SECURITY AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

8.20. Indemnity. Each Grantor hereby agrees to indemnify the Agent and the Lenders, and their respective successors, assigns, agents and employees, from and against any and all liabilities, damages, penalties, suits, costs, and expenses of any kind and nature (including, without limitation, all expenses of litigation or preparation therefor whether or not the Agent or any Lender is a party thereto) imposed on, incurred by or asserted against the Agent or the Lenders, or their respective successors, assigns, agents and employees, in any way relating to or arising out of this Security Agreement, or the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, possession, use, operation, condition, sale, return or other disposition of any Collateral (including, without limitation, latent and other defects, whether or not discoverable by the Agent or the Lenders or any Grantor, and any claim for Patent, Trademark or Copyright infringement).

8.21. Counterparts. This Security Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Security Agreement by signing any such counterpart.

8.22. Section Titles. The Section titles contained in this Security Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not part of the agreement between the parties hereto.

8.23. Amendment and Restatement. This Security Agreement, together with the IP Security Agreements, are given in amendment, consolidation, restatement, renewal and extension (but not in novation, extinguishment or satisfaction) of all security agreements, pledge agreements, assignments and similar agreements delivered pursuant to the Prior Loan Agreements (including all without limitation all "Collateral Documents," as defined in, and executed pursuant to the Amended Loan Agreement).

ARTICLE IX
NOTICES

9.1. Sending Notices. Any notice required or permitted to be given under this Security Agreement shall be sent by United States mail, telecopier, personal delivery or nationally established overnight courier service, and shall be deemed received (a) when received, if sent by hand or overnight courier service, or mailed by certified or registered mail notices or (b) when sent, if sent by telecopier (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient), in each case addressed to the Grantors at the notice address set forth on Exhibit A, and to the Agent and the Lenders at the addresses set forth in the Credit Agreement.

9.2. Change in Address for Notices. Each of the Grantors, the Agent and the Lenders may change the address for service of notice upon it by a notice in writing to the other parties.

ARTICLE X
THE AGENT

Bank One, NA has been appointed Agent for the Lenders hereunder pursuant to Article X of the Credit Agreement. It is expressly understood and agreed by the parties to this Security Agreement that any authority conferred upon the Agent hereunder is subject to the terms of the delegation of authority made by the Lenders to the Agent pursuant to the Credit Agreement, and that the Agent has agreed to act (and any successor Agent shall act) as such hereunder only on the express conditions contained in such Article X. Any successor Agent appointed pursuant to Article X of the Credit Agreement shall be entitled to all the rights, interests and benefits of the Agent hereunder.

[Signature Page Follows]

IN WITNESS WHEREOF, the Grantors and the Agent have executed this Security Agreement as of the date first above written.

GRANTORS:

NEWPARK RESOURCES, INC.,
DURA-BASE NEVADA, INC.,
EXCALIBAR MINERALS, INC.,
EXCALIBUR MINERALS OF LA., L.L.C.,
NEWPARK DRILLING FLUIDS, L.L.C.,
NEWPARK ENVIRONMENTAL SERVICES, L.L.C.,
NEWPARK ENVIRONMENTAL MANAGEMENT COMPANY, L.L.C.,
NEWPARK HOLDINGS, INC.,
NEWPARK TEXAS L.L.C.,
OGS LABORATORY, INC.,
SOLOCO, L.L.C.,
SUPREME CONTRACTORS, L.L.C.
CHESSHER CONSTRUCTION, INC.,
MALLARD & MALLARD OF LA., INC., AND
SHAMROCK DRILLING FLUIDS, INC.

By: /s/ John R. Dardenne

Print Name: John R. Dardenne
Title: Treasurer

BATSON-MILL, L.P.,
NES PERMIAN BASIN, L.P.,
NEWPARK ENVIRONMENTAL SERVICES OF TEXAS, L.P.,
NID, L.P.,
SOLOCO TEXAS, L.P.
DARCOM INTERNATIONAL, L.P.,
NEWPARK ENVIRONMENTAL SERVICES
MISSISSIPPI, L.P., AND
NEWPARK SHIPHOLDING TEXAS, L.P.

By: Newpark Holdings, Inc., the general partner
of such entity

By: /s/ John R. Dardenne

Name: John R. Dardenne
Title: Treasurer

AGENT:

BANK ONE, NA, as Agent

By: /s/ C.C. Prudhomme III

Print Name: C.C. Prudhomme III
Title: Director

EXHIBIT 21.1

SUBSIDIARIES
OF
NEWPARK RESOURCES, INC.

1. BATSON-MILL, L.P.

2. CHESSHER CONSTRUCTION, INC.

3. CONSOLIDATED MAYFLOWER MINES, INC.

4. DARCOM INTERNATIONAL, L.P.

5. DURA-BASE NEVADA, INC.

6. EXCALIBAR MINERALS, INC.

7. EXCALIBAR MINERALS OF LA. L.L.C.

8. HYDRA FLUIDS INTERNATIONAL, LTD.

9. INTERNATIONAL MAT, LTD.

10. IML DE VENEZUELA, LLC

11. MALLARD & MALLARD OF LA., INC.

12. NES PERMIAN BASIN, L.P.

13. NEWPARK CANADA, INC.

14. NEWPARK DRILLING FLUIDS, LLC

15. NEWPARK ENVIRONMENTAL SERVICES, L.L.C.

16. NEWPARK ENVIRONMENTAL MANAGEMENT COMPANY, L.L.C.

17. NEWPARK ENVIRONMENTAL SERVICES MISSISSIPPI, L.P.

18. NEWPARK ENVIRONMENTAL SERVICES OF TEXAS, L.P.

19. NEWPARK HOLDINGS, INC.

20. NEWPARK SHIPHOLDING TEXAS, L.P.

21. NEWPARK TEXAS L.L.C.

22. NID, L.P.

23. OGS LABORATORY, INC.

24. SHAMROCK DRILLING FLUIDS, INC.

25. SOLOCO, L.L.C.

26. SOLOCO TEXAS, L.P.

27. SUPREME CONTRACTORS, L.L.C.

28. NEWPARK ITALIA, S.R.L.

29. AVA, S.p.A.

30. AVA ROMANIA 2000 S.R.L.

31. AVA AFRICA S.A.R.L.

32. CRILIO DUE EXIM S.R.L.

33. EUROCONTINENTAL DF GMBH

34. PERFO SERVICES S.P.A.

35. AVA TUNISI S.A.R.L.

36. AVA INTERNATIONAL LTD.

37. AVA ALGERIE E.U.R.L.

EXHIBIT 23.1

Consent of Independent Auditors

We consent to the incorporation by reference in the following Registration Statements of Newpark Resources, Inc. of our report dated March 1, 2004, with respect to the consolidated financial statements of Newpark Resources, Inc. included in this Annual Report on Form 10-K for the year ended December 31, 2003:

- Form S-8 No. 33-22291 (the Newpark Resources, Inc. 1988 Incentive Stock Option Plan);
- Form S-8 No. 33-54060 (the Newpark Resources, Inc. Amended and Restated 1988 Incentive Stock Option Plan);
- Form S-8 No. 33-62643 (the Newpark Resources, Inc. Amended and Restated 1988 Incentive Stock Option Plan, as amended);
- Form S-8 No. 33-83680 (the Newpark Resources, Inc. 1993 Non-Employee Directors' Stock Option Plan and the Newpark Resources, Inc. Amended and Restated 1988 Incentive Stock Option Plan, as amended);
- Form S-8 No. 333-07225 (the Newpark Resources, Inc. 1995 Incentive Stock Option Plan and the Newpark Resources, Inc. 1993 Non-Employee Directors' Stock Option Plan, as amended);
- Form S-8 No. 333-33624 (the Newpark Resources, Inc. 1999 Employee Stock Purchase Plan);
- Form S-8 No. 333-39948 (the Newpark Resources, Inc. 1995 Incentive Stock Option Plan, as amended);
- Form S-3 No. 333-39978 (shares of common stock issuable upon conversion of and as dividends on Series B Convertible Preferred Stock and upon exercise of a warrant); and
- Form S-3 No. 333-53824 (shares of common stock issuable upon conversion of and as dividends on Series C Convertible Preferred Stock).

Ernst & Young LLP

New Orleans, Louisiana
March 9, 2003

EXHIBIT 23.2

NOTICE REGARDING CONSENT OF ARTHUR ANDERSEN LLP

Section 11(a) of the Securities Act of 1933, as amended (the "Securities Act"), provides that if part of a registration statement at the time it becomes effective contains an untrue statement of a material fact, or omits a material fact required to be stated therein or necessary to make the statements therein not misleading, any person acquiring a security pursuant to such registration statement (unless it is proved that at the time of such acquisition such person knew of such untruth or omission) may assert a claim against, among others, every accountant who has consented to be named as having prepared or certified any part of the registration statement , or as having prepared or certified any report or valuation which is used in connection with the registration statement, with respect to the statement in such registration statement, report or valuation which purports to have been prepared or certified by the accountant.

The Annual Report on Form 10-K for the fiscal year ended December 31, 2003 (the "Form 10-K") to which this notice is filed as an exhibit is incorporated by reference into the following registration statements (collectively, the "Registration Statements") filed by Newpark Resources, Inc. ("Newpark") with the Securities and Exchange Commission ("SEC"), and, for purposes of determining any liability under the Securities Act, is deemed to be a new registration statement for each Registration Statement into which it is incorporated by reference:

Form S-8 No. 33-22291
Form S-8 No. 33-54060
Form S-8 No. 33-62643
Form S-8 No. 33-83680
Form S-8 No. 333-07225
Form S-8 No. 333-33624
Form S-8 No. 333-39948
Form S-3 No. 333-39978
Form S-3 No. 333-53824

On June 27, 2002, Newpark dismissed Arthur Andersen LLP ("Arthur Andersen") as its independent auditors and engaged Ernst & Young LLP ("Ernst & Young") to serve as its independent auditors for the fiscal year ending December 31, 2002. The Arthur Andersen dismissal and the Ernst & Young engagement were recommended by Newpark's Audit Committee and approved by Newpark's Board of Directors and became effective immediately. For additional information, see Newpark's Current Report on Form 8-K filed with the SEC on July 2, 2002. Newpark's understanding is that the staff of the SEC has taken the position that it will not accept consents from Arthur Andersen if the engagement partner and the manager for Newpark's audit are no longer with Arthur Andersen. Both the engagement partner and the manager for Newpark's audit are no longer with Arthur Andersen. As a result, Newpark has been unable to obtain Arthur Andersen's written consent to the incorporation by reference into the Registration Statements of Arthur Andersen's audit report with respect to the Company's consolidated financial statements as of December

31, 2001 and for the fiscal year then ended. Under these circumstances, Rule 437a under the Securities Act permits Newpark to file this Form 10-K without a written consent from Arthur Andersen. As a result, however, Arthur Andersen will not have any liability under Section 11(a) of the Securities Act for any untrue statements of a material fact contained in the financial statements audited by Arthur Andersen or any omissions of a material fact required to be stated therein. Accordingly, you would be unable to assert a claim against Arthur Andersen under Section 11(a) of the Securities Act for any purchases of Newpark's securities made on or after the date of this Form 10-K pursuant to the Registration Statements. To the extent provided in Section 11(b)(3)(C) of the Securities Act, however, other persons who are liable under Section 11(a) of the Securities Act, including Newpark's officers and directors, may still rely on Arthur Andersen's original audit reports as being made by an expert for purposes of establishing a due diligence defense under Section 11(b) of the Securities Act.

EXHIBIT 24.1

POWER OF ATTORNEY
WITH RESPECT TO THE ANNUAL REPORT ON FORM 10-K
OF NEWPARK RESOURCES, INC.

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a Director of NEWPARK RESOURCES, INC., does hereby constitute and appoint JAMES D. COLE AND/OR MATTHEW W. HARDEY, his true and lawful attorney and agent to do any and all acts and things and execute, in the name of the undersigned (whether on behalf of Newpark Resources, Inc., or as a Director of Newpark Resources, Inc., or by attesting the seal of Newpark Resources, Inc., or otherwise), any and all instruments which said attorney and agent may deem necessary or advisable in order to enable Newpark Resources, Inc. to comply with the Securities Exchange Act of 1934 and any requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing of the Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K for the fiscal year ended December 31, 2003, including specifically but without limitation thereto, power and authority to sign the name of the undersigned (whether on behalf of Newpark Resources, Inc., or as a Director of Newpark Resources, Inc., or by attesting to the seal of Newpark Resources, Inc., or otherwise) to the Annual Report on Form 10-K to be filed with the Securities and Exchange Commission, or any of the exhibits filed therewith, or any amendment or application for amendment of the Annual Report on Form 10-K, or any of the exhibits filed therewith, and to attest the seal of Newpark Resources, Inc. thereon and to file the same with the Securities and Exchange Commission; and the undersigned does hereby ratify and confirm all that said attorneys and agents, each of them, shall do or cause to be done by virtue hereof. Any one of said attorneys and agents shall have, and may exercise, all the powers hereby conferred.

IN WITNESS WHEREOF, the undersigned has signed his name hereto on the date set forth opposite his name.

DATED: MARCH 8, 2004

/S/ DAVID P. HUNT

DAVID P. HUNT, DIRECTOR

WITNESSES:

/S/ EDAH KEATING

Edah Keating

/S/ SANDRA ROBERT

Sandra Robert

POWER OF ATTORNEY
WITH RESPECT TO THE ANNUAL REPORT ON FORM 10-K
OF NEWPARK RESOURCES, INC.

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a Director of NEWPARK RESOURCES, INC., does hereby constitute and appoint JAMES D. COLE AND/OR MATTHEW W. HARDEY, his true and lawful attorney and agent to do any and all acts and things and execute, in the name of the undersigned (whether on behalf of Newpark Resources, Inc., or as a Director of Newpark Resources, Inc., or by attesting the seal of Newpark Resources, Inc., or otherwise), any and all instruments which said attorney and agent may deem necessary or advisable in order to enable Newpark Resources, Inc. to comply with the Securities Exchange Act of 1934 and any requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing of the Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K for the fiscal year ended December 31, 2003, including specifically but without limitation thereto, power and authority to sign the name of the undersigned (whether on behalf of Newpark Resources, Inc., or as a Director of Newpark Resources, Inc., or by attesting to the seal of Newpark Resources, Inc., or otherwise) to the Annual Report on Form 10-K to be filed with the Securities and Exchange Commission, or any of the exhibits filed therewith, or any amendment or application for amendment of the Annual Report on Form 10-K, or any of the exhibits filed therewith, and to attest the seal of Newpark Resources, Inc. thereon and to file the same with the Securities and Exchange Commission; and the undersigned does hereby ratify and confirm all that said attorneys and agents, each of them, shall do or cause to be done by virtue hereof. Any one of said attorneys and agents shall have, and may exercise, all the powers hereby conferred.

IN WITNESS WHEREOF, the undersigned has signed his name hereto on the date set forth opposite his name.

DATED: MARCH 8, 2004

/S/ ALAN J. KAUFMAN

ALAN J. KAUFMAN, DIRECTOR

WITNESSES:

/S/ EDAH KEATING

Edah Keating

/S/ SANDRA ROBERT

Sandra Robert

POWER OF ATTORNEY
WITH RESPECT TO THE ANNUAL REPORT ON FORM 10-K
OF NEWPARK RESOURCES, INC.

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IN WITNESS WHEREOF, the undersigned has signed his name hereto on the date set forth opposite his name.

DATED: MARCH 8, 2004

/S/ JAMES H. STONE

JAMES H. STONE, DIRECTOR

WITNESSES:

/S/ EDAH KEATING

Edah Keating

/S/ SANDRA ROBERT

Sandra Robert

POWER OF ATTORNEY
WITH RESPECT TO THE ANNUAL REPORT ON FORM 10-K
OF NEWPARK RESOURCES, INC.

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IN WITNESS WHEREOF, the undersigned has signed his name hereto on the date set forth opposite his name.

DATED: MARCH 8, 2004

/S/ ROGER C. STULL

ROGER C. STULL, DIRECTOR

WITNESSES:

/S/ EDAH KEATING

Edah Keating

/S/ SANDRA ROBERT

Sandra Robert

POWER OF ATTORNEY
WITH RESPECT TO THE ANNUAL REPORT ON FORM 10-K
OF NEWPARK RESOURCES, INC.

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a Director of NEWPARK RESOURCES, INC., does hereby constitute and appoint JAMES D. COLE AND/OR MATTHEW W. HARDEY, his true and lawful attorney and agent to do any and all acts and things and execute, in the name of the undersigned (whether on behalf of Newpark Resources, Inc., or as a Director of Newpark Resources, Inc., or by attesting the seal of Newpark Resources, Inc., or otherwise), any and all instruments which said attorney and agent may deem necessary or advisable in order to enable Newpark Resources, Inc. to comply with the Securities Exchange Act of 1934 and any requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing of the Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K for the fiscal year ended December 31, 2003, including specifically but without limitation thereto, power and authority to sign the name of the undersigned (whether on behalf of Newpark Resources, Inc., or as a Director of Newpark Resources, Inc., or by attesting to the seal of Newpark Resources, Inc., or otherwise) to the Annual Report on Form 10-K to be filed with the Securities and Exchange Commission, or any of the exhibits filed therewith, or any amendment or application for amendment of the Annual Report on Form 10-K, or any of the exhibits filed therewith, and to attest the seal of Newpark Resources, Inc. thereon and to file the same with the Securities and Exchange Commission; and the undersigned does hereby ratify and confirm all that said attorneys and agents, each of them, shall do or cause to be done by virtue hereof. Any one of said attorneys and agents shall have, and may exercise, all the powers hereby conferred.

IN WITNESS WHEREOF, the undersigned has signed his name hereto on the date set forth opposite his name.

DATED: MARCH 8, 2004

/S/ F. WALKER TUCEI, JR.

F. WALKER TUCEI, JR., DIRECTOR

WITNESSES:

/S/ EDAH KEATING

Edah Keating

/S/ SANDRA ROBERT

Sandra Robert

POWER OF ATTORNEY
WITH RESPECT TO THE ANNUAL REPORT ON FORM 10-K
OF NEWPARK RESOURCES, INC.

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a Director of NEWPARK RESOURCES, INC., does hereby constitute and appoint JAMES D. COLE AND/OR MATTHEW W. HARDEY, his true and lawful attorney and agent to do any and all acts and things and execute, in the name of the undersigned (whether on behalf of Newpark Resources, Inc., or as a Director of Newpark Resources, Inc., or by attesting the seal of Newpark Resources, Inc., or otherwise), any and all instruments which said attorney and agent may deem necessary or advisable in order to enable Newpark Resources, Inc. to comply with the Securities Exchange Act of 1934 and any requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing of the Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K for the fiscal year ended December 31, 2003, including specifically but without limitation thereto, power and authority to sign the name of the undersigned (whether on behalf of Newpark Resources, Inc., or as a Director of Newpark Resources, Inc., or by attesting to the seal of Newpark Resources, Inc., or otherwise) to the Annual Report on Form 10-K to be filed with the Securities and Exchange Commission, or any of the exhibits filed therewith, or any amendment or application for amendment of the Annual Report on Form 10-K, or any of the exhibits filed therewith, and to attest the seal of Newpark Resources, Inc. thereon and to file the same with the Securities and Exchange Commission; and the undersigned does hereby ratify and confirm all that said attorneys and agents, each of them, shall do or cause to be done by virtue hereof. Any one of said attorneys and agents shall have, and may exercise, all the powers hereby conferred.

IN WITNESS WHEREOF, the undersigned has signed his name hereto on the date set forth opposite his name.

DATED: MARCH 8, 2004

/S/ JERRY W. BOX

JERRY W. BOX, DIRECTOR

WITNESSES:

/S/ EDAH KEATING

Edah Keating

/S/ SANDRA ROBERT

Sandra Robert

Exhibit 31.1

CERTIFICATION
Pursuant to 18 U.S.C. Section 1350
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, James D. Cole, certify that:

1. I have reviewed this annual report on Form 10-K of Newpark Resources, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as is defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9, 2004

By: /s/ James D. Cole

James D. Cole
Chairman of the Board and
Chief Executive Officer

Exhibit 31.2

CERTIFICATION
Pursuant to 18 U.S.C. Section 1350
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Matthew W. Hardey, certify that:

1. I have reviewed this annual report on Form 10-K of Newpark Resources, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9, 2004

By: /s/ Matthew W. Hardey

Matthew W. Hardey
Vice President of Finance
and Chief Financial Officer

Exhibit 32.1

CERTIFICATION
Pursuant To 18 U.S.C. Section 1350
as Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act Of 2002

In connection with the Annual Report on Form 10-K of NEWPARK RESOURCES, INC., a Delaware corporation ("Newpark"), for the period ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James D. Cole, Chairman of the Board and Chief Executive Officer of Newpark, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Newpark.

/s/ James D. Cole

James D. Cole
Chairman of the Board and
Chief Executive Officer

March 9, 2004

Exhibit 32.2

CERTIFICATION
Pursuant To 18 U.S.C. Section 1350
as Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act Of 2002

In connection with the Annual Report on Form 10-K of NEWPARK RESOURCES, INC., a Delaware corporation ("Newpark"), for the period ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew W. Hardey, Vice President-Finance and Chief Financial Officer of Newpark, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(3) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(4) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Newpark.

/s/ Matthew W. Hardey

Matthew W. Hardey
Vice President-Finance and
Chief Financial Officer

March 9, 2004