

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 (No Fee Required)**

For the fiscal year ended June 30, 2005

Commission file number 1-5828

CARPENTER TECHNOLOGY CORPORATION
(Exact name of Registrant as specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

23-0458500
(I.R.S. Employer Identification No.)

P. O. Box 14662, Reading, PA
(Address of principal executive offices)

19610
(Zip Code)

610-208-2000
(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, par value \$5 per share

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 the filing requirements for at least the past 90 days. Yes . No .

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

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Securities Exchange Act). Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 26, 2005, 25,056,227 shares of Common Stock of Carpenter Technology Corporation were outstanding. The aggregate market value of Common Stock held only by non-affiliates was \$1,396,939,659 (based upon its closing transaction price on the Composite Tape on August 26, 2005).

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates by reference certain information from the 2005 definitive Proxy Statement.

The Exhibit Index appears on pages E-1 to E-5.

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PART I

Item 1. Business

(a) General Development of Business:

Carpenter Technology Corporation (“Carpenter”), incorporated in 1904, is engaged in the manufacturing, fabrication, and distribution of specialty metals and engineered products. We made no significant changes in the form of our organization or mode of conducting business during the year ended June 30, 2005.

(b) Financial Information About Segments:

We are organized in the following business units: Specialty Alloys Operations, Dynamet, Carpenter Powder Products, and Engineered Products. For segment reporting, the Specialty Alloys Operations, Dynamet, and Carpenter Powder Products operating segments have been aggregated into one reportable segment, Specialty Metals, because of the similarities in products, processes, customers, distribution methods and economic characteristics. See Note 20 to our consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data” for additional segment reporting information.

(c) Narrative Description of Business:

(1) Products:

We primarily process basic raw materials such as chromium, nickel, titanium, iron scrap and other metal alloying elements through various melting, hot forming and cold working facilities to produce finished products in the form of billet, bar, rod, wire, narrow strip, special shapes, and hollow forms in many sizes and finishes. We also produce certain metal powders and fabricated metal products. In addition, ceramic products are produced from various raw materials using molding, heating and other processes.

Our Specialty Metals segment includes the manufacturing and distribution of stainless steels, titanium, high temperature alloys, electronic alloys, tool steels and other alloys in billet, bar, wire, rod, strip and powder forms. Specialty Metals sales are distributed directly from our production plants and distribution network as well as through independent distributors.

Our Engineered Products segment includes the manufacture and sale of structural ceramic products, ceramic cores for the investment casting industry and custom shaped bar.

Our major classes of products are:

Stainless steels –

A broad range of corrosion resistant alloys including conventional stainless steels and many proprietary grades for special applications.

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Special alloys –

Other special purpose alloys used in critical components such as bearings and fasteners. Heat resistant alloys that range from slight modifications of the stainless steels to complex nickel and cobalt base alloys. Alloys for electronic, magnetic and electrical applications with controlled thermal expansion characteristics, or high electrical resistivity or special magnetic characteristics.

Titanium products –

A corrosion resistant, highly specialized metal with a combination of high strength and low density. Most common uses are in aircraft, medical devices, sporting equipment and chemical and petroleum processing.

Ceramics and other materials –

Certain engineered products, including ceramic cores for investment castings ranging from small simple configurations to large complex shapes and structural ceramic components, as well as drawn solid shapes.

Tool and other steels –

Tool and die steels, which are extremely hard metal alloys, used for tooling and other wear-resisting components in metalworking operations such as stamping, extrusion and machining. Other steels include carbon and alloy steels purchased for distribution and other miscellaneous products.

(2) **Classes of Products:**

The amounts and percentages of our net sales contributed by our major classes of products for the last three fiscal years are summarized in the following table:

	2005		2004		2003	
(\$ in millions)						
Stainless steels	\$ 531.9	40%	\$ 447.8	44%	\$ 392.8	45%
Special alloys	515.6	39	369.6	37	291.7	33
Titanium products	112.5	9	73.4	7	66.6	8
Ceramics and other materials	98.7	8	82.9	8	83.2	10
Tool and other steels	55.5	4	43.0	4	36.8	4
Total net sales	\$1,314.2	100%	\$1,016.7	100%	\$ 871.1	100%

(3) **Raw Materials:**

Our Specialty Metals segment depends on continued delivery of critical raw materials for its day-to-day operations. These raw materials include nickel, ferrochrome, cobalt, molybdenum, titanium, manganese and scrap. Some of these raw materials sources could be subject to potential interruptions of supply

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as a result of political events, labor unrest or other reasons. These potential interruptions could cause material shortages and affect availability and price.

We have long-term relationships with major suppliers who provide availability of material at competitive prices.

(4) Patents and Licenses:

We own a number of United States and foreign patents and have granted licenses under some of them. Certain of our products are covered by patents held or owned by other companies from whom licenses have been obtained. We do not consider our business to be materially dependent upon any patent or patent rights.

(5) Seasonality of Business:

Our sales are normally influenced by seasonal factors. The first fiscal quarter (three months ending September 30) is typically the lowest – principally because of annual plant vacation and maintenance shutdowns in this period by us as well as by many of our customers. However, the timing of major changes in the general economy or the markets for certain products can alter this pattern.

The chart below summarizes the percent of net sales by quarter for the past three fiscal years:

<u>Quarter Ended</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
September 30	23%	21%	25%
December 31	24	22	24
March 31	26	28	27
June 30	27	29	24
	<u>100%</u>	<u>100%</u>	<u>100%</u>

(6) Customers:

On a consolidated basis, we are not dependent upon a single customer, or a very few customers, to the extent that the loss of any one or more would have a materially adverse effect on our consolidated statement of operations. In our Engineered Products segment (see Note 20 to the consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data” for further segment discussion), which accounted for \$129.1 million, \$110.0 million and \$113.3 million of our sales in fiscal years 2005, 2004 and 2003, respectively, approximately 17 percent (\$21.9 million) of segment sales were to one customer in fiscal 2005, and approximately 18 percent (\$19.8 million) of segment sales were to one customer in fiscal 2004. In fiscal 2003, approximately 14 percent (\$15.9 million) of segment sales were to one customer and 12 percent (\$13.6 million) of segment sales were to a second

customer. There were no other significant individual customer sales volumes during fiscal years 2005, 2004 or 2003.

(7) **Backlog:**

As of June 30, 2005 we had a backlog of orders, believed to be firm, of approximately \$430 million, substantially all of which is expected to be shipped within the current fiscal year. Our backlog as of June 30, 2004 was approximately \$324 million. Our backlogs have become less indicative of future sales levels due to shifting product mixes and changing customer re-ordering practices.

(8) **Competition:**

Our business is highly competitive. We supply materials to a wide variety of end-use market sectors, none of which consumes more than 30 percent of our output, and compete with various companies depending on end-use market, product or geography.

There are approximately ten domestic companies producing one or more similar specialty metal products that are considered to be major competitors to the specialty metals operations in one or more end-use markets. There are several dozen smaller producing companies and converting companies in the United States that are competitors. We also compete directly with several hundred independent distributors of products similar to those distributed by us. Additionally, numerous foreign producers export into the United States various specialty metal products similar to those produced by us. Furthermore, a number of different products may, in certain instances, be substituted for our finished product.

Imports of foreign specialty steels, particularly stainless steels, have long been a concern to the domestic steel industry because of the potential for unfair pricing by foreign producers. Foreign governments through direct and indirect subsidies have usually supported such pricing practices. These unfair trade practices have resulted in high import penetration into the U.S. stainless steel markets, with calendar year 2004 levels at approximately 41 percent for stainless bar, 65 percent for stainless rod and 51 percent for stainless wire.

Because of the unfair trade practices and the resulting injury, we joined with other domestic producers in the filing of trade actions against foreign producers who dumped their stainless steel products into the United States. As a result of these actions, in March 1995, the U.S. Department of Commerce issued antidumping orders for the collection of dumping duties on imports of stainless bar from Brazil, India, Japan and Spain at rates ranging up to 63 percent of their value. These orders will remain in effect until January 2006 and may be reviewed subsequently for five year periods. New antidumping orders were issued in March 2002 against imports of stainless bar from France, Germany, Italy, Korea and the United Kingdom and will continue in effect until March 2007.

In December 1993, the U.S. Department of Commerce issued antidumping orders on imports of stainless rod from Brazil, France and India at rates ranging up to 49 percent of their value. These orders were in effect until July 2005. Additionally, in September 1998, antidumping orders were put in place with regard to imports of stainless rod from Italy, Japan, Korea, Spain, Sweden and Taiwan at rates ranging up to 34 percent of their value. A sunset review was completed in June 2004 by the International Trade Commission (ITC) recommending continuation of these orders for another five years. The ITC determined that revoking the existing antidumping duty orders on stainless steel wire rod from Italy, Japan, Korea, Spain, Sweden, and Taiwan would likely lead to continuation or recurrence of material injury within a reasonably foreseeable time. As a result of the Commission's affirmative determinations and the Department of Commerce's affirmative findings, the existing orders on imports of stainless steel wire rod from Italy, Japan, Korea, Spain, Sweden, and Taiwan will remain in place. Italy did contest the final determination by the ITC not to revoke the antidumping duty order on stainless steel wire rod from Italy.

The U.S. International Trade Commission and U.S. Department of Commerce have initiated the second "Sunset Review" of the antidumping duty orders covering stainless steel wire rod from Brazil, France and India. The Commission will be closely scrutinizing all aspects of this review given that the orders have now been in place for more than ten years. The majority of this work will begin in calendar year 2006.

(9) Research, Product and Process Development:

Our expenditures for company-sponsored research and development were \$10.0 million, \$10.8 million and \$11.7 million in fiscal 2005, 2004 and 2003, respectively.

(10) Environmental Regulations:

We are subject to various stringent federal, state, local and foreign environmental laws and regulations relating to pollution, protection of public health and the environment, natural resource damages and occupational safety and health. Management evaluates the liability for future environmental remediation costs on a quarterly basis. We accrue amounts for environmental remediation costs representing management's best estimate of the probable and reasonably estimable costs relating to environmental remediation. For further information on environmental remediation, see the Contingencies section included in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 13 to our consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data".

Our costs of maintaining and operating environmental control equipment were \$1.5 million, \$4.7 million and \$5.4 million for fiscal 2005, 2004 and 2003, respectively. The capital expenditures for environmental control equipment were \$0.2 million, \$0.2 million and \$0.3 million for fiscal 2005, 2004 and 2003,

respectively. We anticipate spending approximately \$1.0 million on major domestic environmental capital projects over the next five fiscal years. This includes approximately \$0.2 million in fiscal 2006 and \$0.2 million in fiscal 2007. Due to the possibility of future regulatory developments, the amount of future capital expenditures may vary from these estimates.

(11) Employees:

As of June 30, 2005, our total workforce was 4,003 employees.

(d) Financial information about foreign and domestic operations and export sales:

Sales outside of the United States, including export sales, were \$365.0 million, \$273.4 million and \$217.9 million in fiscal 2005, 2004 and 2003, respectively.

For further information on domestic and foreign sales, see Note 20 to our consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data".

(e) Available Information:

The Board of Directors adopted a Code of Ethics for the Chief Financial Officer and Senior Financial Officers of Carpenter Technology Corporation. There were no waivers of the Code in fiscal 2005. The Code and any information regarding any waivers of the Code are disclosed on Carpenter's website at www.carttech.com. Our Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through our Internet website as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission (SEC). Our Internet website and the content contained therein or connected thereto are not intended to be incorporated into this Annual Report on Form 10-K.

The public may read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and other information regarding issuers that file electronically. Such information can be accessed through the Internet at www.sec.gov.

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Item 2. Properties

The primary locations of our specialty metals manufacturing plants are: Reading, Pennsylvania; Hartsville, South Carolina; Washington, Pennsylvania; Orangeburg, South Carolina; Bridgeville, Pennsylvania; Orwigsburg, Pennsylvania; Clearwater, Florida and Crawley, England. The Reading, Hartsville, Washington, Orangeburg, Bridgeville, Orwigsburg and Crawley plants are owned. The Clearwater plant is owned, but the land is leased.

The primary locations of our engineered products manufacturing operations are: Wood-Ridge, New Jersey; Wilkes-Barre, Pennsylvania; Twinsburg, Ohio; Auburn, California; Palmer, Massachusetts; Corby, England; Queretaro, Mexico and Monash, Australia. The Corby and Queretaro plants are owned, while the other locations are leased.

We also operate regional customer service and distribution centers, most of which are leased, at various locations in several states and foreign countries.

Our plants, customer service centers, and distribution centers were acquired or leased at various times over several years. There is an active maintenance program to ensure a safe operating environment and to keep facilities in good condition. In addition, we have had an active capital spending program to replace equipment as needed to keep it technologically competitive on a world-wide-basis. We believe our facilities are in good condition and suitable for our business needs. As a specialty materials and alloys producer with considerable diversity in the types of product we manufacture, any measurement of the practical capacities at our facilities is affected by product mix and is therefore not meaningful in total.

Item 3. Legal Proceedings

Pending legal proceedings involve ordinary routine litigation incidental to our business. There are no material proceedings to which any of our Directors, Officers, or affiliates, or any owners of more than five percent of any class of our voting securities, or any associate of any of our Directors, Officers, affiliates, or security holders, is a party adverse to us or has a material interest adverse to our interests or those of our subsidiaries. There is no administrative or judicial proceeding arising under any Federal, State or local provisions regulating the discharge of materials into the environment or primarily for the purpose of protecting the environment that (1) is material to our business or financial condition, (2) involves a claim for damages, potential monetary sanctions or capital expenditures exceeding ten percent of our current assets, or (3) includes a governmental authority as a party and involves potential monetary sanctions in excess of \$100,000.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of our stockholders during the fourth quarter of fiscal 2005.

Item 4a. Executive Officers of the Registrant

Listed below are the names of our corporate executive officers as of June 30, 2005, including those required to be listed as executive officers for Securities and Exchange Commission purposes, each of whom assumes office after the annual organization meeting of the Board of Directors which immediately follows the Annual Meeting of Stockholders. All of the corporate officers listed below have held responsible positions with the registrant for more than five years except for John E. Thames, who joined Carpenter May 24, 2004; Dennis M. Oates, who joined Carpenter September 30, 2003; and Terrence E. Geremski, who joined Carpenter January 29, 2001.

Robert J. Torcolini was elected Chairman, President and Chief Executive Officer on July 1, 2003. Mr. Torcolini had been President and Chief Operating Officer and Director, since July 1, 2002, Senior Vice President – Engineered Products Operations, since January 31, 2002, President of Dynamet, Incorporated, a subsidiary of Carpenter since February 28, 1997 and was Vice President – Manufacturing Operations – Specialty Alloys Operations from January 29, 1993 through February 27, 1997.

Terrence E. Geremski was elected Senior Vice President – Finance and Chief Financial Officer effective January 29, 2001. Mr. Geremski previously served as Executive Vice President and Chief Financial Officer and as a director of Guilford Mills, Inc., Greensboro, NC. He was employed by Guilford Mills in various financial positions from 1992 through August 2000, with the most current position held being Executive Vice President and Chief Financial Officer. Mr. Geremski's experience also includes Dayton Walther Corp., Dayton, Ohio; Varsity Corp. (formerly Massey-Ferguson), Toronto, Ontario and Buffalo, NY; and Morris Bean & Co., Yellow Springs, Ohio. He began his career with Price Waterhouse in Chicago. Guilford Mills filed for reorganization under Chapter 11 of the federal bankruptcy laws on March 13, 2002, and emerged from its bankruptcy proceeding on October 4, 2002.

Dennis M. Oates was elected Senior Vice President – Specialty Alloys Operations effective July 1, 2004. Prior to that, Mr. Oates held the following position within Carpenter: Senior Vice President – Engineered Products Operations from September 30, 2003 through June 30, 2004. From July 2002 until September 2003, Mr. Oates operated Oates & Associates, a consulting organization specializing in strategic evaluations and reorganizations of U.S.-based manufacturing companies. From 1997 until July 2002, Mr. Oates served as President and Chief Executive Officer of TW Metals, a privately held \$500 million metals distribution and processing company with 1,350 employees and 44 facilities worldwide. Mr. Oates was also President and Chief Operating Officer from December 1995 through March 1997 for Connell Limited Partnership, a \$1.4 billion privately held company that operated six metals businesses. From 1974 through 1995 Mr. Oates held various positions of increasing responsibility with Lukens Steel Company, a \$700 million producer of steel plates and a subsidiary of \$1.1 billion Lukens Inc., a NYSE company with various steel and specialty metals products. Mr. Oates' last position with Lukens Steel was as President and Chief Operating Officer.

Michael L. Shor was elected Senior Vice President – Engineered Products Operations, effective July 1, 2004. Prior to that, Mr. Shor held the following positions within our Specialty Alloys Operations: Senior Vice President – Specialty Alloys Operations from January 31, 2000 through June 20, 2004; Vice President – Manufacturing Operations from March 3, 1997

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through January 30, 2000; General Manager – Global Marketing and Product Services from July 13, 1995 through March 2, 1997; and General Manager – Marketing from October 1, 1994 through July 12, 1995.

David A. Christiansen was elected Vice President, General Counsel and Secretary effective November 1, 2002. Prior to that, Mr. Christiansen held the following positions within Carpenter: associate general counsel and assistant secretary from April, 1996 through November 1, 2002; senior staff attorney and assistant secretary from April, 1993 through April, 1996.

John E. Thames was elected Vice President – Human Resources, effective May 24, 2004. Mr. Thames previously served from 1989 until September 2003 as the Vice President – Human Resources and Communications for Donaldson Co., Inc., a \$1.3 billion worldwide NYSE manufacturer of filtration products with 8,500 employees.

<u>Name</u>	<u>Age</u>	<u>Positions</u>	<u>Assumed Present Position</u>
Robert J. Torcolini	54	Chairman, President and Chief Executive Officer Director	July 2003
Terrence E. Geremski	58	Senior Vice President – Finance & Chief Financial Officer	January 2001
Dennis M. Oates	52	Senior Vice President – Specialty Alloys Operations	July 2005
Michael L. Shor	46	Senior Vice President – Engineered Products Operations	July 2005
David A. Christiansen	50	Vice President, General Counsel & Secretary	November 2002
John E. Thames	55	Vice President – Human Resources	May 2004

PART II**Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters**

Our common stock is listed on the New York Stock Exchange ("NYSE") and traded under the symbol "CRS". The following table sets forth, for the periods indicated, the high and low closing prices for our common stock as reported by the NYSE.

<u>Quarter Ended:</u>	<u>Fiscal 2005</u>		<u>Fiscal 2004</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
September 30	\$ 47.74	\$ 31.30	\$23.38	\$ 14.85
December 31	\$61.81	\$38.91	\$31.43	\$22.59
March 31	\$ 70.00	\$51.35	\$34.90	\$28.62
June 30	\$ 63.08	\$ 51.03	\$34.05	\$ 25.87
Annual	\$ 70.00	\$ 31.30	\$34.90	\$ 14.85

The range of our common stock price on the NYSE from July 1, 2005 to August 31, 2005 was \$51.28 to \$64.94. The closing price of the common stock was \$55.70 on August 31, 2005.

We have paid quarterly cash dividends on our common stock for 99 consecutive years. On April 28, 2005, the Board of Directors voted to increase the quarterly dividend on shares of common stock from \$0.10 per share to \$0.125 per share. We paid a quarterly dividend of \$0.0825 per common share during the first quarter, a dividend of \$0.10 per common share during the second and third quarters, and a dividend of \$0.125 per common share during the fourth quarter of fiscal 2005. We paid quarterly dividends of \$0.0825 per common share for each quarter of fiscal 2004.

As of August 26, 2005, there were 4,022 common stockholders of record. Information relating to certain common stock purchase rights issued by us is disclosed in Note 15 to our consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data".

Certain information relating to securities authorized for issuance under our equity compensation plans is disclosed in Note 16 to our consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data".

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Item 6. Selected Financial Data

Five-Year Financial Summary
Dollar amounts in millions, except per share data
(years ended June 30)

	2005 ^(a)	2004 ^(b)	2003 ^(c)	2002 ^(d)	2001 ^(e)
Summary of Operations					
Net Sales	\$ 1,314.2	\$ 1,016.7	\$ 871.1	\$ 977.1	\$ 1,324.1
Operating income	\$ 204.2	\$ 68.1	\$ 8.1	\$ 17.3	\$ 71.4
Income (loss) before cumulative effect of accounting changes	\$ 135.5	\$ 36.0	\$ (10.9)	\$ (6.0)	\$ 35.2
Cumulative effect of accounting changes, (net of \$9.4 million tax in fiscal 2001)	—	—	—	(112.3)	(14.1)
Net income (loss)	\$ 135.5	\$ 36.0	\$ (10.9)	\$ (118.3)	\$ 21.1
Financial Position at Year-End					
Cash	\$ 163.8	\$ 76.6	\$ 53.5	\$ 18.7	\$ 7.8
Marketable Securities	\$ 106.6	\$ 28.8	\$ —	\$ —	\$ —
Total assets	\$ 1,653.4	\$ 1,456.2	\$ 1,399.9	\$ 1,479.5	\$ 1,691.5
Long-term obligations, net of current portion (including convertible preferred stock)	\$ 333.7	\$ 332.7	\$ 396.7	\$ 400.2	\$ 352.3
Per Share Data					
Net earnings (loss):					
Basic					
Earnings (loss) before cumulative effect of accounting changes	\$ 5.54	\$ 1.51	\$ (0.56)	\$ (0.35)	\$ 1.52
Cumulative effect of accounting changes	—	—	—	(5.06)	(0.64)
Net earnings (loss)	\$ 5.54	\$ 1.51	\$ (0.56)	\$ (5.41)	\$ 0.88
Diluted					
Earnings (loss) before cumulative effect of accounting changes	\$ 5.37	\$ 1.49	\$ (0.56)	\$ (0.35)	\$ 1.50
Cumulative effect of accounting changes	—	—	—	(5.06)	(0.62)
Net earnings (loss)	\$ 5.37	\$ 1.49	\$ (0.56)	\$ (5.41)	\$ 0.88
Cash dividend-common	\$ 0.4075	\$ 0.330	\$ 0.5775	\$ 1.32	\$ 1.32

^(a) Fiscal 2005 included an \$8.7 million pre-tax gain on the sale of Carpenter Special Products in June 2005, which was sold for a total sales price of \$19.5 million. See Note 21 to the consolidated financial statements included in Item 8. "Financial Statements and Supplemental Data".

^(b) Fiscal 2004 included a \$2.3 million pre-tax loss on early retirement of debt related to a \$20 million open market purchase of certain medium term notes previously issued by the company and the termination of

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interest rate swaps associated with the partial repayment of foreign currency loans. See Note 8 to the consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data”.

- (c) Fiscal 2003 included restructuring costs of \$26.1 million related principally to workforce reduction, pension plan curtailment loss, and writedown of certain assets. See Note 3 to the consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data”. Fiscal 2003 also included \$0.9 million gain on sale of business related to the sale of two business units. See Note 21 to the consolidated financial statements included in Item 8. “Financial Statements and Supplemental Data.” In addition, fiscal 2003 included a \$4.5 million loss on the early retirement of debt related to the redemption of approximately \$90 million of the Company’s 9 percent debentures due 2022. See Note 8 to the consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data”.
- (d) Fiscal 2002 reflected the adoption of SFAS 142 (Goodwill and Other Intangible Assets) effective July 1, 2001.
- (e) Fiscal 2001 reflected the adoption of SAB 101 (Revenue Recognition in Financial Statements) effective July 1, 2000. In addition, fiscal 2001 included expense of \$37.6 million related principally to the realignment of Specialty Alloys Operations, planned divestitures of certain Engineered Products Group businesses and a loss on the disposal of the Bridgeport, Connecticut site.

See Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for discussion of factors that affect the comparability of the “Selected Financial Data”.

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

Overview

This Overview is intended to provide a context for the following Management's Discussion and Analysis of Financial Condition and Results of Operation. Management's Discussion and Analysis of Financial Condition and Results of Operation should be read in conjunction with our consolidated financial statements, including the notes thereto, included in this annual report on Form 10-K. We have attempted to identify the most important matters on which our management focuses in evaluating our financial condition and operating performance and the short-term and long-term opportunities, challenges and risks (including material trends and uncertainties) which we face. We also discuss the actions we are taking to address these opportunities, challenges and risks. The Overview is not intended as a summary of, or a substitute for review of, Management's Discussion and Analysis of Financial Condition and Results of Operation

Business

Carpenter is engaged in the manufacturing, fabrication, and distribution of specialty metals and engineered products. We primarily process basic raw materials such as chromium, nickel, titanium, iron scrap and other metal alloying elements through various melting, hot forming and cold working facilities to produce finished products in the form of billet, bar, rod, wire, narrow strip, special shapes, and hollow forms in many sizes and finishes. We also produce certain metal powders and fabricated metal products. In addition, ceramic products are produced from various raw materials using molding, heating and other processes.

Our Specialty Metals segment includes the manufacturing and distribution of stainless steels, titanium, high temperature alloys, electronic alloys, tool steels and other alloys in billet, bar, wire, rod, strip and powder forms. Specialty Metals sales are distributed directly from our production plants and distribution network as well as through independent distributors.

Our Engineered Products segment includes the manufacture and sale of structural ceramic products, ceramic cores for the investment casting industry and custom shaped bar.

Unlike many other specialty steel producers, we operate our own worldwide network of service/distribution centers. These service centers, located in the United States, Canada, Mexico and Europe, allow us to work more closely with customers and to offer various just-in-time stocking programs. As a result, we often serve as a technical partner in customizing specialty metals or developing new ones.

In an effort to increase revenue and profits, we have increased our presence in fast-growing international markets. In recent years, we have expanded our sales and marketing efforts in Europe, Asia, and North America. Our European headquarters are based in Brussels, with our Asian sales directed from Singapore. Outside the United States, company-owned distribution facilities are located in Mexico, Canada, the United Kingdom and Belgium. In addition to the United States, where the majority of our manufacturing exists, we have manufacturing facilities in the United Kingdom, Mexico, Sweden and Australia.

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We believe that our ability to be a product innovator in special material development and manufacturing is an important factor in the success of the Company. Our strong commitment to setting new industry standards is evidenced by our Specialty Alloys Research and Development Center, where teams work in such areas as physical metallurgy, analytical chemistry, materials characterization and process and systems development. We also have highly skilled engineering teams specializing in specific products at each of our Engineered Products Operations.

Business Trends

Net sales and earnings for the past three fiscal years are summarized below:

(in millions, except per share data)	2005	2004	2003
Net sales	\$ 1,314.2	\$ 1,016.7	\$ 871.1
Net income (loss)	\$ 135.5	\$ 36.0	\$ (10.9)
Diluted earnings (loss) per share	\$ 5.37	\$ 1.49	\$ (0.56)

Our results of operations have improved significantly over the past two fiscal years largely as a result of implementation of our business strategies and favorable market conditions, especially in the aerospace, industrial, automotive and medical supply markets. The key components of our business strategies are as follows:

- A shift in product mix to higher value materials;
- Improved margins from an intentional reduction in the sale of marginally profitable products;
- A focus on selling unique products in niche markets to customers who value product performance and services;
- Expansion of sales in markets outside of the U.S.;
- Efforts to achieve operational excellence through our focus on lean and variation reduction.

Specifically, we use the phrase “lean and variation reduction” to refer to eliminating or reducing non-value added activities, process variation reduction, process control, work concentration, product flow based on specific customer quantity demand and constraint removal. Our lean and variation reduction philosophy applies to all aspects of our business, including product development, order taking and scheduling, manufacturing, logistics and administrative processes.

Increases in the cost of raw materials have impacted our operations over the past few years. We, and others in our industry, generally have been able to pass these cost increases through to our customers using surcharges. These surcharges have had an impact on our sales numbers and our gross profit percentages as described later in this discussion.

The amount of net pension expense or income has varied significantly over the past three years and may continue to do so in the future. The net pension expense is actuarially determined at the beginning of each fiscal year based upon the value of the assets in the pension trusts as well as actuarial assumptions, such as the discount rate used to value future

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liabilities and anticipated performance of investments. Volatility in long term interest rates and investment performance has resulted in changes in net pension expense. The impacts on the past three years are described in the discussions below. Based on actuarial calculations done at June 30, 2005, net pension expense for fiscal 2006 will be approximately \$11.0 million. This increase over the fiscal 2005 \$2.4 million net pension expense is due primarily to a reduction in the discount rate assumption from 6.25% to 5.00%.

Business Risks

We are subject to a number of risks and uncertainties, many of which are beyond our control. Among these risks and uncertainties are the following:

- The cyclical nature of the specialty materials business and certain end-use markets, including aerospace, power generation, automotive, industrial and consumer, or other influences on our business such as new competitors, the consolidation of customers and suppliers or the transfer of manufacturing capacity from the United States to foreign countries;
- Our ability to achieve cost savings, productivity improvements or process changes;
- The ability to recoup increases in raw materials, the cost of energy or other factors;
- Domestic and foreign excess manufacturing capacity for certain metals;
- Fluctuations in currency exchange rates;
- The degree of success of government trade actions;
- The potential that our customers may substitute alternate materials or adopt different manufacturing practices that replace or limit the suitability of our products;
- The valuation of the assets and liabilities in our pension trusts.

Special Items Recorded in Fiscal Years 2005, 2004 and 2003

During the fourth quarter of 2005, we recorded a gain of \$8.7 million before taxes on the sale of our subsidiary, Carpenter Special Products Corporation (CSPC). The divestiture was part of the company's strategy to focus on its specialty material businesses. CSPC had sales of less than \$30 million in fiscal 2005 and accounted for less than 2 percent of consolidated operating income.

In fiscal 2004, we incurred a loss on the early retirement of debt of \$2.3 million before taxes. This loss was a result of a \$20 million open market purchase of certain medium term notes previously issued by the company and the termination of interest rate swaps associated with the partial repayment of foreign currency loans.

During fiscal 2003, we incurred charges of \$26.1 million before taxes related to restructuring and other costs. These charges represented the cost of actions taken as part of our strategy to reduce costs and improve operational effectiveness. Also, during 2003 we incurred a loss on early retirement of debt of \$4.5 million resulting from the early redemption of debt.

See Note 8 to our consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data".

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Comparative Product Information for Fiscal 2005, 2004 and 2003

The chart below shows our net sales by major product class for the past three fiscal years:

(\$ in millions)	2005		2004		2003	
Stainless steels	\$ 531.9	40%	\$ 447.8	44%	\$ 392.8	45%
Special alloys	515.6	39	369.6	37	291.7	33
Titanium products	112.5	9	73.4	7	66.6	8
Ceramics and other materials	98.7	8	82.9	8	83.2	10
Tool and other steels	55.5	4	43.0	4	36.8	4
Total net sales	\$1,314.2	100%	\$1,016.7	100%	\$ 871.1	100%

Results of Operations – Fiscal 2005 compared to Fiscal 2004

Our net income for fiscal 2005 was \$135.5 million or \$5.37 per diluted share versus a net income of \$36.0 million or \$1.49 per diluted share for fiscal 2004.

Sales and operating profits were driven by strong demand for our higher value materials, especially from the aerospace market, and continued focus on lean and variation reduction. Sales grew in all of our major product classes and in most of our major end-use markets. Operating income for 2005 included an \$8.7 million gain on the sale of a business. Operating income also included pre-tax net pension expense, made up of pension income or expense and post-retirement medical expenses, of \$2.4 million versus \$16.1 million in 2004 (see page 29 for Carpenter’s definition of net pension expense).

Free cash flow (see page 28 for Carpenter’s definition) was \$133.8 million in fiscal 2005. This amount was after our decision to make a \$25 million voluntary contribution to a VEBA trust that funds post-retirement medical expenses. At June 30, 2005, total debt net of cash and marketable securities was \$63.5 million or 8.1 percent of total capitalization, defined as total stockholders’ equity plus net debt.

Net Sales

Net sales for fiscal 2005 were \$1.3 billion or an increase of 29 percent from \$1.0 billion in fiscal 2004. The \$297.5 million increase in net sales was due to improved demand across our end-use markets, a better product mix, and the effect of recent price actions including surcharges relating to the pass through of escalating raw material costs. Excluding surcharges, fiscal 2005 sales increased by 22 percent compared to fiscal 2004.

International sales in fiscal 2005 increased 34 percent to \$365.0 million from the prior year as a result of strong demand for materials sold to the European aerospace and medical markets, and growth in Asia. Details of sales by geographical region for the past three fiscal years are presented in Note 20 to the consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data”.

Stainless steel sales of \$531.9 million were 19 percent higher than a year ago. The increase reflected a better product mix, higher base selling prices and surcharges to cover the

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rising costs of raw materials. The increase in sales of stainless products was partially offset by reduced volume of lower value products, resulting from our decision to exit lower volume, marginally profitable business opportunities.

Sales of our special alloys increased 40 percent above the prior year to \$515.6 million. Stronger demand from the aerospace and industrial markets and higher base selling prices and surcharges were the major contributors to this increase.

Titanium alloy sales of \$112.5 million were 53 percent more than a year ago due to increased sales to the aerospace and medical markets as a result of stronger demand and increased selling prices due to the effect of significantly higher titanium costs.

Sales of our ceramic and other materials product class increased by 19 percent above fiscal 2004 to \$98.7 million primarily due to higher sales of ceramic cores used in casting turbine blades for the aerospace industry and fuel injectors for diesel engines. Sales of structural ceramic components for the industrial market also increased during the year.

Sales to the industrial sector of \$369.5 million, which includes materials used in equipment and other capital goods applications, increased 26 percent in fiscal 2005 from fiscal 2004. The increase reflects base price increases, surcharges and the strength of capital investments by the worldwide manufacturing sector.

In terms of end-use markets, sales to the aerospace market of \$368.2 million in fiscal 2005 increased 57 percent from fiscal 2004. The increase in aerospace sales was driven primarily by demand for high temperature alloys used in jet engine components and for titanium used in airframe structural components. Worldwide commercial aircraft build rates in fiscal 2005 were strong relative to the previous year.

Consumer market sales increased by 16 percent over the prior year to \$210.3 million. This increase resulted from the sale of higher value products to the sporting goods and electronics markets.

Sales to the automotive market in fiscal 2005 were \$182.9 million, or 19 percent above the prior year. The increase is due to better mix driven by the sale of higher value materials, base price increases and surcharges. The increased popularity of high performance engines and more stringent emissions standards resulted in higher demand for special alloys and specialty materials.

Sales to the medical market of \$96.0 million were 34 percent above a year ago, with strong growth in both domestic and foreign markets for our special alloys and titanium materials. Sales benefited from market share gains and pricing actions as well.

Gross Profit

Gross profit in fiscal 2005 grew to \$316.1 million or 24.1 percent of sales from \$185.2 million or 18.2 percent of sales a year ago. Our gross profit in fiscal 2005 included pension and retiree medical expenses of \$0.9 million or less than 0.1 percent of sales compared to \$11.3 million or 1.1 percent of sales in 2004.

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Improvement in gross profit was due to sales growth, product mix improvement due to increased demand for higher value materials, the elimination of marginally profitable product lines, higher base prices, and increased productivity and cost reduction attributed to our continued focus on lean and variation reduction. Gross profit as a percentage of sales was negatively impacted by the dilution caused by the direct pass through of the increased raw material prices through surcharges.

Selling and Administrative Expenses

Selling and administrative expenses in fiscal 2005 were \$120.6 million or 9.2 percent of net sales compared to \$117.1 million or 11.5 percent of net sales in fiscal 2004. The increase in dollars primarily reflected a \$4.2 million increase of a reserve recorded in fiscal 2005 related to ongoing cleanup costs at a location that was closed in 1987. Selling and administrative expenses included pension and retiree medical expenses of \$1.5 million in the current year versus \$4.8 million in the prior year. A year over year reduction in amortization expense of \$4.2 million was offset by an increase in employee variable compensation costs of approximately the same amount. The fringe benefit expense component of this classification increased by \$1.0 million due primarily to increases in health care costs. In addition, selling and administrative expenses were adversely affected by a \$1.0 million increase in the provision for bad debts reflecting the weakening financial condition of certain customers.

Interest Expense

Fiscal 2005 interest expense of \$23.0 million represented a slight decrease from 2004. The impact of reduced average debt levels was offset by higher effective interest rates.

Other Income, Net

Other income, net was \$8.8 million in fiscal 2005 versus \$7.6 million in fiscal 2004. Fiscal 2005 included the receipt of \$4.1 million of tariffs from the U.S. Customs Department under the "Dumping and Subsidy Offset Act of 2001", while 2004 included \$5.2 million of these funds. The interest income portion of this classification was \$5.6 million in fiscal 2005 compared to \$1.9 million in the prior year. This increase primarily reflected higher average balances of cash during the year, which were invested in interest bearing instruments. Foreign exchange losses on accounts at foreign subsidiaries resulted in a decrease in other income, net, of \$1.5 million in fiscal 2005 while we recorded a gain of \$0.4 million in fiscal 2004.

Income Taxes

Our effective tax rate (income tax expense as a percent of income before taxes) for fiscal 2005 was 28.7 percent as compared to 27.7 percent last year. The fiscal year 2005 tax rate was more favorable than our statutory rate of 35 percent due to several reasons. We recognized a benefit of \$4.5 million representing the conclusion of an IRS review of prior year's tax returns. Also, we recorded a reduction in income tax expense of \$3.0 million reflecting the reversal of a portion of state tax net operating loss carry forward valuation allowances that had been recorded in prior years. Under Statement of Financial Accounting Standards No. 109 (SFAS109), valuation allowances should be reviewed each year and an assessment must be made as to the likelihood of recovery of those deferred taxes. Based on current year and forecasted taxable state income, we determined that it was appropriate to reverse a portion of

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this valuation allowance in fiscal 2005. During fiscal 2005, we adjusted the rates used to value state deferred taxes based on our review of effective tax rates in those states, which resulted in a decrease in tax expense of \$2.8 million.

The rate in fiscal 2004 was more favorable than our statutory rate of 35 percent due to resolution of an outstanding state tax matter that resulted in the reversal of \$2.4 million of income taxes payable. See Note 18 to the consolidated financial statements in Item 8. "Financial Statements and Supplementary Data" for a reconciliation of the statutory federal tax rate to the effective tax rates.

Net Pension Expense:

For fiscal 2005, net pension and retiree medical expenses were \$2.4 million or \$.01 per diluted share (see page 29 for our definition of net pension expense). For the same period a year ago, we had net pension expense of \$16.1 million or \$0.42 per diluted share. The following table shows our classifications of net pension (income) expense on the consolidated income statement.

	Pension Plans		Other Postretirement Plans		Total	
	2005	2004	2005	2004	2005	2004
(in millions)						
Classified as:						
Cost of sales	\$ (3.0)	\$ 5.3	\$ 3.9	\$ 6.0	\$ 0.9	\$ 11.3
Selling and administrative expense	0.6	3.4	0.9	1.4	1.5	4.8
Total net pension (income) expense	<u>\$ (2.4)</u>	<u>\$ 8.7</u>	<u>\$ 4.8</u>	<u>\$ 7.4</u>	<u>\$ 2.4</u>	<u>\$ 16.1</u>

The service cost component of our net pension expense, which represents the estimated cost of future pension liabilities earned associated with active employees, is included in the operating income of the business segments. The residual net pension expense, which is comprised of the expected return on plan assets, interest costs on the projected benefit obligations of the plans, and amortization of actuarial gains and losses and prior service costs, is included under the heading "Pension earnings, interest & deferrals" in the segment financial data (see Note 20 to the consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data").

The net pension amount is actuarially determined as of each June 30 and typically held constant throughout the fiscal year. Major factors that can cause changes in the expense from year to year are changes in plan assumptions, actual versus anticipated returns on assets and changes to plan provisions.

Related to our defined benefit plans, the switch from pension expense in fiscal year 2004 to pension income in fiscal year 2005 reflected higher returns on assets in our largest pension plan and an increase in the discount rate from 6.0% to 6.25%.

Certain events such as legislative actions may result in changes to our retiree medical expenses during a fiscal year. On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into legislation. This Act introduced a prescription drug benefit under Medicare Part D, as well as a federal subsidy to

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sponsors of retiree health care benefit plans, like Carpenter, that provide benefits that are equal to or better than those under Medicare Part D.

In May 2004 the Financial Accounting Standards Board issued a staff position on accounting for the effects of the new Act. In fiscal 2005, we reduced our otherwise calculated retiree medical expenses by \$3.5 million to reflect its impact on our post retirement medical expenses. In fiscal 2004, the reduction in expense for the impact of the Act was \$1.6 million since it was applicable for only the last two quarters of that fiscal year.

In fiscal 2006, we expect that our net pension expense will increase to approximately \$11.0 million compared to a full year net pension expense of \$2.4 million in fiscal 2005. The increase in expense from fiscal 2005 is due largely to a reduction in the discount rate used to value the long-term pension liabilities from 6.25% to 5.00%. Our largest pension plan remains well funded, as measured under ERISA rules, and as in prior years, we are not required to make a cash contribution to the plan.

Business Segment Results (See Note 20 to the consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data”):

Specialty Metals Segment

Net sales in fiscal 2005 for this segment, which aggregates the Specialty Alloys Operations (SAO), Dynamet, and Carpenter Powder Products (CPP), of \$1,188.3 million were \$279.2 million, or 30.7 percent higher than the \$909.1 million for fiscal 2004. SAO sales increased 27.9 percent from a year ago due to stronger demand in the U.S. and European aerospace markets, pricing actions and surcharges. Dynamet’s sales increased 61 percent from a year ago due primarily to strong demand in domestic and foreign aerospace and medical markets, higher base selling prices, and surcharges reflecting the significant rise in titanium prices. CPP’s sales in fiscal 2005 were 40.1 percent higher than the prior year due to higher selling prices and stronger demand from the industrial and automotive markets.

Operating income for the Specialty Metals segment was \$183.9 million in fiscal 2005 compared to \$71.5 million in fiscal 2004. Increased sales combined with better gross margins achieved through price increases, improved productivity, better product mix, and cost reduction and containment efforts generated this significant improvement in income.

Engineered Products Segment

Fiscal 2005 sales for this segment were \$129.1 million, a 17.4 percent increase from \$110.0 million for the prior year. Increased volume, especially from the aerospace and automotive markets, and base selling price increases were the main factors in this overall sales improvement.

Operating income for the Engineered Products segment for fiscal 2005 was \$22.2 million and \$14.4 million for fiscal 2004. The increase in income was primarily due to increased volumes and cost savings from lean and variation reduction initiatives.

Results of Operations – Fiscal 2004 compared to Fiscal 2003

Our net income for fiscal 2004 was \$36.0 million or \$1.49 per diluted share versus a net loss of \$10.9 million or \$0.56 per diluted share for fiscal 2003.

Sales and profits recovered significantly in fiscal 2004, especially in the second half of the year. Strong sales growth across all our key markets, increased productivity and cost reduction attributed to our continued focus on lean and variation reduction were the primary contributors to the improvement. Fiscal 2004 included \$16.1 million of pension and retiree medical expenses, while fiscal 2003 benefited from net pension income of \$3.4 million.

Free cash flow (see page 28 for Carpenter's definition) was \$88.4 million in fiscal 2004. This amount was after our decision to make a \$25 million voluntary contribution to a VEBA trust that funds post-retirement medical expenses. At June 30, 2004, total debt net of cash was \$249.7 million or 31.7 percent of capital.

Net Sales

Net sales for fiscal 2004 were \$1.0 billion or an increase of 16.7 percent from \$871.1 million in fiscal 2003. The \$145.6 million increase in net sales was due to improved demand across our end-use markets, the effect of recent price actions including the pass through of escalating raw material and energy costs, an improved product mix and selective market share gains. Fiscal 2003 sales included \$12.9 million from companies that were subsequently divested.

International sales in fiscal 2004 increased 25 percent to \$273.4 million from fiscal 2003 as a result of the favorable effects of a weaker U.S. dollar, market share gains and stronger demand from most end-use markets. Details of sales by geographical region for the past three fiscal years are presented in Note 20 to the consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data".

Our stainless steel sales in fiscal 2004 of \$447.8 million were 14 percent higher than in fiscal 2003. Stronger demand from the automotive and industrial markets benefited sales and selective market share gains. The increase also reflected higher selling prices and surcharges to cover the rising costs of raw materials and energy. The increase in sales of stainless products was partially offset by reduced volume of lower value rod products, which declined as a result of our decision to exit marginally profitable businesses.

Sales of our special alloys in fiscal 2004 increased 27 percent above those in fiscal 2003 to \$396.6 million. Stronger demand from the aerospace, power generation, medical and automotive markets and higher selling prices were the major contributors.

Titanium alloy sales in fiscal 2004 of \$73.4 million were 10 percent higher than fiscal 2003 due to increased sales to the medical market as a result of stronger demand and market share gains.

By end-use markets, aerospace sales of \$234.1 million and power generation sales of \$82.6 million each increased 19 percent from fiscal 2003. The increase in aerospace sales was driven primarily by materials used in the manufacturing of commercial and military aircraft

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engines and airframes. Our increased sales to the power generation market were driven by scheduled maintenance projects and the sale of new industrial gas turbine capacity.

Sales to the automotive market of \$153.4 million were 28 percent above fiscal 2003. The increase was partly due to strong demand for higher value specialty alloys and ceramic materials used in engine components. These materials experienced particularly strong demand due to requirements for trucks to run higher exhaust gas temperatures in order to meet more stringent emission requirements. Sales to the automotive market also benefited from a weak dollar, which caused a shift in the production of certain automotive components from Europe to the U.S.

Fiscal 2004 sales to the medical market of \$71.8 million were 33 percent above fiscal 2003 reflecting strong demand and market share gains.

Sales to the industrial sector, which includes materials used in equipment and other capital goods applications, increased 16 percent in fiscal 2004 from the prior year to \$294.0 million. This reflected selective market share gains and increased capital investments by the U.S. manufacturing sector as a result of the strengthening economy. In addition, infrastructure projects in developing countries resulted in increased demand for the industrial sector.

Gross Profit

Gross profit in fiscal 2004 improved to \$185.2 million or 18.2 percent of sales from \$153.7 million or 17.6 percent of sales in fiscal 2003. Our gross profit in fiscal 2004 included pension and retiree medical expenses of \$11.3 million or 1.1 percent of sales. In fiscal 2003, our gross profit reflected pension income of \$4.4 million or 0.5 percent of sales.

Our improvement in gross profit is due to strong sales growth, product mix improvement, increased productivity and cost reduction attributed to our continued focus on lean and variation reduction. This operating performance was strong enough to offset the lag effect between the immediate recognition of increased raw material and energy costs due to our LIFO inventory accounting method, and the recovery of these costs through price increases. The gross profit as a percentage of sales was impacted from the dilution caused by the direct pass through of the increased raw material prices.

Selling and Administrative Expenses

Selling and administrative expenses in fiscal 2004 were \$117.1 million or 11.5 percent of net sales compared to \$118.8 million or 13.6 percent of net sales in fiscal 2003. Selling and administrative expenses included pension and retiree medical expenses of \$4.8 million in the current year versus \$1.0 million in the prior year. Additionally, a reduction in base salary expense and benefits, lower depreciation (\$4.9 million) and reduced professional fees (\$3.3 million) were partially offset by higher employee variable compensation costs.

Interest Expense

Fiscal 2004 interest expense of \$23.7 million was lower than fiscal 2003 by \$7.3 million due to reduced debt levels and lower interest rates.

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Other Income, Net

Other income, net was \$7.6 million in fiscal 2004 versus \$4.5 million in fiscal 2003. Fiscal 2004 included the receipt of \$5.2 million of tariffs from the U.S. Customs Department under the “Dumping and Subsidy Offset Act of 2001” and \$1.9 million of interest income. Fiscal 2003 included the receipt of \$2.8 million of tariffs under the Act and \$1.8 million of interest income.

Income Taxes

Our effective tax rate (income tax expense or benefit as a percent of income or loss before taxes) for fiscal 2004 was 27.7 percent as compared to a benefit of 52.4 percent in fiscal year 2003. The fiscal 2004 rate was more favorable than our statutory rate of 35 percent due to resolution of an outstanding state tax matter that resulted in the reversal of \$2.4 million of income taxes payable. The fiscal 2003 rate included a \$2.3 million favorable adjustment relating to research and development credits. See Note 18 to the consolidated financial statements in Item 8. “Financial Statements and Supplementary Data” for a reconciliation of the statutory federal tax rate to the effective tax rates.

Net Pension Expense:

For fiscal 2004, pension and retiree medical expenses were \$16.1 million or \$.42 per diluted share. For fiscal 2003, we had net pension income of \$3.4 million or \$.09 per diluted share. The following table shows our classifications of net pension (income) expense on the consolidated income statement.

	Pension Plans		Other Postretirement Plans		Total	
	2004	2003	2004	2003	2004	2003
(in millions)						
Classified as:						
Cost of sales	\$5.3	\$ (14.8)	\$6.0	\$ 10.4	\$ 11.3	\$ (4.4)
Selling and administrative expense	3.4	(1.6)	1.4	2.6	4.8	1.0
Total net pension (income) expense	\$8.7	\$ (16.4)	\$ 7.4	\$ 13.0	\$ 16.1	\$ (3.4)

The service cost component of our net pension expense, which represents the estimated cost of future pension liabilities earned associated with active employees, is included in the operating income of the business segments. The residual net pension expense, which is comprised of the expected return on plan assets, interest costs on the projected benefit obligations of the plans, and amortization of actuarial gains and losses and prior service costs, is included under the heading “Pension earnings, interest & deferrals” in the segment financial data (see Note 20 to the consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data”).

The net pension amount is actuarially determined as of each June 30 and typically held constant throughout the fiscal year. Certain events such as legislative actions may result in changes to the pension amounts during the fiscal year.

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into legislation. This Act introduced a

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prescription drug benefit under Medicare Part D, as well as a federal subsidy to sponsors of retiree health care benefit plans, like Carpenter, that provide benefits that are equal to or better than those under Medicare Part D.

In May 2004 the Financial Accounting Standards Board issued a staff position on accounting for the effects of the new Act. Accordingly, we reduced our pension and retiree medical expenses in the fourth quarter by \$0.8 million or \$.03 per diluted share.

In addition to the fourth quarter adjustment, we also recognized a retroactive reduction to our third quarter pension and retiree medical expenses in the amount of \$0.8 million or \$.03 per diluted share as a result of the new Act, which is reflected in fiscal 2004 net income.

Business Segment Results (See Note 20 to the consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data"):

Specialty Metals Segment

Fiscal 2004 net sales for this segment, which aggregates the Specialty Alloys Operations (SAO), Dynamet, and Carpenter Powder Products (CPP), of \$909.1 million, were \$148.9 million (19.6 percent) higher than the \$760.2 million for fiscal 2003. SAO sales increased 21 percent due to stronger demand, selective market share gains and pricing actions. Throughout most of fiscal 2004, SAO focused on operational excellence through complexity reduction and on eliminating the sale of less profitable products. As a result, SAO had a 3 percent increase in volume over fiscal 2003. In fiscal 2004, Dynamet's sales increased 14 percent. The increase was due primarily to higher volumes sold to the medical market and pricing actions. CPP's sales were 15 percent higher year over year due to increased demand from the industrial market and pricing actions.

Fiscal 2004 income for the Specialty Metals segment was \$71.5 million compared to \$3.8 million a year ago. Increased sales combined with lower costs through realized operating efficiencies, including better yields and improved productivity, were the primary contributors to the improvement in income. Fiscal 2003 also included \$20.3 million in restructuring costs. See Note 3 to the consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data".

Engineered Products Segment

Net sales for this segment in fiscal 2004 were \$110.0 million as compared to \$113.3 million for fiscal 2003. Fiscal 2003 included \$12.9 million from businesses that were subsequently divested. This group of companies benefited from stronger demand from the automotive, medical, aerospace and power generation markets.

Income for the Engineered Products segment for fiscal 2004 was \$14.4 million versus \$10.8 million for fiscal 2003. The increase in income was primarily due to increased volumes and cost savings from lean and variation reduction initiatives. Fiscal 2003 also included \$1.0 million in restructuring costs. See Note 3 to the consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data".

Management's Discussion of Liquidity and Capital Resources

We have maintained the ability to generate cash to meet our needs through cash flow from operations, management of working capital and the flexibility to use outside sources of financing to supplement internally generated funds.

Free cash flow as defined on page 28, was \$133.8 million in fiscal 2005 versus \$88.4 million a year ago. Free cash flow was after \$25 million voluntary contributions made in both fiscal 2005 and fiscal 2004 to a VEBA trust that funds post-retirement medical expenses.

Our cash flow from operations was \$142.5 million for fiscal 2005 and \$94.1 million a year ago. Accounts receivable were \$31.8 million higher than a year ago due to the increased level of sales, with days sales outstanding improving slightly to 48 days from 49 days a year ago. Inventories were \$49.8 million, or 24 percent higher than a year ago to support the higher level of sales. Capital expenditures for plant, equipment and software were \$13.8 million during fiscal 2005 versus \$8.0 million for fiscal 2004. Included in fiscal 2005 cash flows from investing activities is \$15.4 million of proceeds on the sale of the CSPC subsidiary.

In May 2003, we issued \$100 million of 10-year senior unsecured notes with a coupon of 6.625 percent. Proceeds from the sale of the notes were used to redeem approximately \$90 million of our 9 percent debentures due 2022. The refinancing eliminated a mandatory sinking fund requirement of \$5 million annually between 2004 and 2021. The debentures were callable at a price of 103.82 plus accrued interest through the redemption date. The remaining proceeds were used for general corporate purposes. In connection with the early redemption, a special charge of \$4.5 million was recorded, including the price paid above par, unamortized discount and debt issuance costs. In addition, we paid \$0.9 million in fees associated with the debt issuance.

In the fourth quarter of fiscal 2005, \$20 million of previously issued Series B Medium Term Notes matured. In the second quarter of fiscal 2004, we purchased \$20 million of previously issued, 6.95 percent Series A Medium Term Notes due June 2005 on the open market. In connection with the early redemption, expense of \$1.5 million was recorded in fiscal 2004, including unamortized issue costs associated with these Notes.

On August 31, 2005, we refinanced our \$150 million revolving credit facility that was due to expire in November 2006. The new \$150 million revolving credit facility will expire in August 2010. Terms and conditions under the new revolving credit facility are essentially the same as the refinanced revolving credit facility. This includes two financial covenants, a minimum EBITDA-to-interest expense coverage and a maximum debt-to-capital ratio.

At June 30, 2005, we had less than \$0.1 million in outstanding foreign currency loans and \$11.1 million of issued letters of credit under the revolving credit facility. The balance of the revolving credit facility (\$138.9 million) was available to us. In addition to this facility, we had \$50 million available to us under an accounts receivable purchase facility maintained with an independent financial institution with an expiration date of December 2006. As of June 30, 2005, there was no utilization of the facility.

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For the years ended June 30, 2005, 2004 and 2003, interest cost totaled \$23.1 million, \$23.8 million, and \$31.1 million, of which \$0.1 million, \$0.1 million, and \$0.1 million, respectively, were capitalized as part of the cost of plant, equipment and software.

As part of our financing strategy, we consider the levels of fixed rate debt versus floating rate debt in order to optimize our cost of debt. These instruments obligate us to pay a swap counterparty either a floating rate of interest in return for us receiving a fixed rate of interest or obligate us to pay a fixed rate of interest in return for us receiving a floating rate of interest. At June 30, 2004, we had entered into interest rate swaps with a notional principal amount of \$100 million. We had no such swaps outstanding as of June 30, 2005. Favorable market conditions during fiscal 2005 allowed the company to unwind its remaining swaps at a gain. These gains are amortized over the remaining life of the underlying debt issue as a reduction to interest expense.

Net debt, defined as total debt net of cash and marketable securities, was reduced to \$63.5 million at June 30, 2005 or 8.1 percent of total capital, defined as total stockholders equity plus net debt. This net debt level was \$186.2 million lower than a year ago. Cash and marketable securities at June 30, 2005 were \$270.4 million versus \$105.4 million a year ago.

We believe that our current financial resources, both from internal and external sources, will be adequate to meet our foreseeable needs. At June 30, 2005, we had approximately \$188.9 million available under our credit facilities.

Non-GAAP Financial Measures

The following tables provide additional information regarding certain non-GAAP financial measures. Our definitions and calculations of these items may not necessarily be the same as those used by other companies.

FREE CASH FLOW

	Year Ended June 30,		
	2005	2004	2003
(in millions)			
Net cash provided from operations	\$ 142.5	\$ 94.1	\$ 92.2
Net change in accounts receivable purchase facility	—	10.0	—
Purchases of plant, equipment and software	(13.8)	(8.0)	(8.5)
Proceeds from sale of businesses	15.4	—	8.5
Proceeds from disposals of plant and equipment	1.1	1.6	2.5
Dividends paid	(11.4)	(9.3)	(14.5)
Free cash flow	\$ 133.8	\$ 88.4	\$ 80.2

Management believes that the presentation of free cash flow provides useful information to investors regarding our financial condition because it is a measure of cash generated which management evaluates for alternative uses. It is management's current intention to use excess cash for the repayment of debt when economically feasible, or for other general corporate purposes.

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Net cash provided from operations includes the addition of depreciation and amortization to net income. The level of purchases of property, equipment and software was considerably lower than the level of depreciation and amortization in fiscal years 2003 through 2005, due primarily to the relatively high level of capital expenditures in fiscal years 1997 through 2001. The current level is not expected to be indicative of future purchase levels.

NET DEBT

	June 30, 2005	June 30, 2004
(in millions)		
Short-term debt	\$ —	\$ 2.2
Current portion of long-term debt	0.2	20.2
Long-term debt, net of current portion	333.7	332.7
Total debt	333.9	355.1
Cash	(163.8)	(76.6)
Marketable securities	(106.6)	(28.8)
Net debt	\$ 63.5	\$ 249.7

Management believes that the presentation of net debt provides useful information to investors regarding our financial condition because accumulated cash can be used for debt repayment, if appropriate.

NET PENSION EXPENSE

	Year Ended June 30,		
	2005	2004	2003
(in millions, except per share data)			
Pension plan (income) expense	(\$ 2.4)	\$ 8.8	(\$ 16.4)
Other postretirement benefits expense	4.8	7.3	13.0
Pre-tax net pension expense (income)	2.4	16.1	(3.4)
Income tax benefit (expense)	(2.2)	(6.3)	1.4
Net pension expense (income)	\$ 0.2	\$ 9.8	(\$ 2.0)
Net pension expense (income) per share	\$ 0.01	\$ 0.42	\$ (0.09)
Weighted average diluted common shares	25.1	23.4	22.3

Management believes that grouping these retirement benefits together, and discussing changes in this volatile net expense (income) is helpful in analyzing the operational performance of the company.

Critical Accounting Policies and Estimates:

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and 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. On an on-going basis, we evaluate our estimates, including those related to bad debts, customer claims, inventories, goodwill, intangible assets, income taxes, restructuring, pensions and other postretirement benefits, contingencies and litigation, environmental liabilities, and derivative instruments and hedging activities.

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We believe the following are the critical accounting policies impacting the preparation of our consolidated financial statements:

We maintain an allowance for doubtful accounts for estimated losses resulting from the failure of our customers to make required payments. We perform ongoing credit evaluation on our customers. Should the financial condition of our customers deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Inventories are stated at the lower of cost or market. The cost of inventories is determined primarily using the last-in, first-out (LIFO) method. We write down our inventory for estimated obsolescence or unmarketable inventory equal to the difference between our cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory writedowns may be required.

Our prepaid pension asset on the balance sheet is primarily a result of the overfunded status of Carpenter's General Retirement Plan under ERISA rules. The amount of the pension income or expense, which is determined annually, is based upon the value of the assets in the pension trust at the beginning of the fiscal year as well as actuarial assumptions, such as the discount rate and the expected long-term rate of return on plan assets. The assumed long-term rate of return on pension plan assets is reviewed at each year end based on the plan's investment policies, an analysis of the historical returns of the capital markets, and current interest rates. The plan's current allocation policy is to have approximately 60 percent U.S. and international equities and 40 percent fixed income. The discount rate for the U.S. plan is determined by reference to Moody's AA corporate bond index with maturities that approximate the anticipated cash outflows from the plan. The fluctuations in stock and bond markets could cause actual investment results to be significantly different from those assumed, and therefore, significantly impact the valuation of the assets in our pension trust. Changes in actuarial assumptions could significantly impact the accounting for the pension assets and liabilities. If the assumed long-term rate of return on plan assets was changed by 1 percent, the net pension expense would change by approximately \$7.5 million. If the discount rate was changed by 0.25 percent, the net pension expense would change by approximately \$1.8 million.

Long-lived assets are reviewed for impairment and written down to fair value whenever events or changes in circumstances indicate that the carrying value may not be recoverable through estimated future undiscounted cash flows. The amount of the impairment loss is the excess of the carrying amount of the impaired assets over the fair value of the assets based upon estimated future discounted cash flows. We evaluate long-lived assets for impairment by individual business unit. Changes in estimated cash flows could have a significant impact on whether or not an asset is impaired and the amount of the impairment.

Goodwill is not amortized, but instead is tested for impairment, at least annually. Potential impairment is identified by comparing the fair value of a reporting unit to its carrying value, including goodwill. The fair value is estimated based upon discounted cash flow analysis and the use of market multiples. If the carrying value of the reporting unit exceeds its fair value, any impairment loss is measured by comparing the carrying value of the reporting unit's goodwill to its implied fair value.

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Environmental expenditures that pertain to current operations or to future revenues are expensed or capitalized consistent with Carpenter's capitalization policy for property, plant and equipment. Expenditures that result from the remediation of an existing condition caused by past operations and that do not contribute to current or future revenues are expensed. Liabilities are recognized for remedial activities when the remediation is probable and the cost can be reasonably estimated. Recoveries of expenditures for environmental remediation are recognized as assets only when recovery is deemed probable. Estimated liabilities are not discounted to present value, but estimated assets are measured on a discounted basis.

Our current risk management strategies include the use of derivative instruments to reduce certain risks. The critical strategies include: (1) the use of commodity options to fix the price of a portion of anticipated future purchases of certain raw materials and energy to offset the effects of changes in the costs of those commodities; and (2) the use of foreign currency forwards and options to hedge a portion of anticipated future sales denominated in foreign currencies, principally the Euro, Pound Sterling and Australian dollar, in order to offset the effect of changes in exchange rates; and (3) the use of interest rate swaps to maintain a certain level of floating rate debt relative to fixed rate debt. The commodity options and foreign currency forwards and options have been designated as cash flow hedges and unrealized net gains and losses are recorded in the accumulated other comprehensive income (loss) component of stockholders' equity. The interest rate swaps have been designated as fair value hedges and the changes in fair value of these instruments are immediately recorded in earnings. The mark-to-market values of both the fair value hedging instruments and the underlying debt obligations are recorded as equal and offsetting gains and losses in the interest expense component of the consolidated statement of income. We evaluate all derivative instruments each quarter to determine that they are highly effective. Any ineffectiveness is recorded in our consolidated statement of operations. If the anticipated future transactions were no longer expected to occur, unrealized gains and losses on the related hedges would be reclassified to the consolidated statement of operations.

Contractual Cash Obligations

At June 30, 2005, we had the following contractual cash obligations and other commercial commitments and contingencies:

(in millions)	Total	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Thereafter
Long-term debt	\$ 333.9	\$ 0.2	\$ 0.2	\$ 33.2	\$23.2	\$ 20.1	\$ 257.0
Accrued post-retirement benefits	158.3	14.4	14.6	14.8	14.8	15.4	84.3
Operating leases	27.5	8.3	6.9	5.9	3.7	2.0	0.7
Purchase commitments	266.2	233.8	30.5	1.9	—	—	—
Total contractual cash obligations	\$785.9	\$256.7	\$52.2	\$55.8	\$41.7	\$37.5	\$ 342.0

We have entered into purchase commitments primarily for various key raw materials at market related prices, all made in the normal course of business. The purchase commitments

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covered by these agreements aggregate approximately \$266.2 million, substantially all of which relates to fiscal 2006.

In addition, we had \$11.1 million of outstanding letters of credit as of June 30, 2005.

Market Sensitive Instruments and Risk Management

We use derivative financial instruments to reduce certain types of financial risk. Raw material cost fluctuations for our Specialty Metals Segment are normally offset by selling price adjustments, primarily through the use of surcharge mechanisms and base price adjustments. Firm price sales contracts involve a risk of profit margin decline in the event of raw material increases. We reduce this risk on certain raw materials by entering into commodity forward contracts on a portion of our requirements, which are effective hedges of the risk.

We use forwards and options to fix the price of a portion of anticipated future purchases of certain energy to offset the effects of changes in the costs of these commodities.

Fluctuations in foreign currency exchange rates could subject us to risk of losses on anticipated future cash flows from our foreign operations. Foreign currency forward contracts are used to hedge certain foreign exchange risk.

We use interest rate swaps to maintain an appropriate level of floating rate debt relative to fixed rate debt.

All hedging strategies are reviewed and approved by senior financial management before being implemented. Senior financial management has established policies regarding the use of derivative instruments that prohibit the use of speculative or leveraged derivatives. Market valuations are performed at least quarterly to monitor the effectiveness of our risk management programs.

The status of our financial instruments as of June 30, 2005 is provided in Note 10 to the consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data". Assuming on June 30, 2005 (a) an instantaneous 10 percent decrease in the price of raw materials and energy for which we have commodity forward contracts, our results of operations would not have been materially affected, (b) a 10 percent strengthening of the U.S. dollar versus foreign currencies for which foreign exchange forward contracts existed, our results of operations would not have been materially affected, (c) a 10 percent increase in our annual interest rate on short-term debt, our results of operations would not have been materially affected, and (d) a 10 percent decrease in the market value of investments in corporate-owned life insurance, our results of operations would not have been materially affected.

Contingencies

Environmental

We are subject to various federal, state, local and foreign environmental laws and regulations relating to pollution, protection of public health and the environment, natural resource damages and occupational safety and health. Although compliance with these laws and regulations may affect our costs of operations, compliance costs to date have not been

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material. We have environmental remediation liabilities at some of our owned operating facilities and have been designated as a potentially responsible party (“PRP”) with respect to certain third-party Superfund waste disposal sites and other third party owned sites. Additionally, we have been notified that we may be a PRP with respect to other Superfund sites as to which no proceedings have been instituted against us. Neither the exact amount of remediation costs nor the final method of their allocation among all designated PRPs at these Superfund sites has been determined. The liability for future environmental remediation costs is evaluated by management on a quarterly basis. We accrue amounts for environmental remediation costs that represent management’s best estimate of the probable and reasonably estimable costs related to environmental remediation. During fiscal 2005, an additional \$0.5 million was accrued related to three of our Superfund sites. During fiscal 2004, an additional \$0.6 million was accrued related to three of our Superfund sites. During fiscal 2003, an additional \$1.75 million was accrued for one of our current operating facilities and for a manufacturing site of a former subsidiary of Talley Industries, Inc. Also related to the former Talley subsidiary site, \$2.25 million asset was established as the fair value of land received as part of the settlement in a bankruptcy proceeding of a claim under an indemnification agreement. This amount was included in other assets on the Consolidated Balance Sheet. The liabilities recorded for environmental remediation costs at Superfund sites, at other third party-owned sites and at Carpenter-owned current or former operating facilities remaining at June 30, 2005, 2004 and 2003, were \$6.1 million, \$6.7 million and \$6.8 million, respectively. The estimated range at June 30, 2005 of the reasonably possible future costs of remediation at Superfund sites, at other third party-owned sites and at Carpenter-owned current or former operating facilities is between \$6.1 million and \$10.6 million.

Estimates of the amount and timing of future costs of environmental remediation requirements are inherently imprecise because of the continuing evolution of environmental laws and regulatory requirements, the availability and application of technology, the identification of currently unknown remediation sites and the allocation of costs among the PRPs. Based upon information currently available, such future costs are not expected to have a material effect on our financial position, results of operations or cash flows. However, such costs could be material to our financial position, results of operations or cash flows in a particular future quarter or year.

Other

We are also defending various claims and legal actions, and are subject to contingencies that are common to our operations, including those pertaining to product claims, commercial disputes, employment actions, employee benefits, compliance with domestic and federal laws, personal injury claims and tax issues. We provide for costs relating to these matters when a loss is probable and the amount is reasonably estimable. The effect of the outcome of these matters on our future results of operations and liquidity cannot be predicted because any such effect depends on future results of operations and the amount and timing (both as to recording future charges to operations and cash expenditures) of the resolution of such matters. While it is not feasible to determine the outcome of these matters, management believes that the total ultimate liability will not have a material effect on our financial position, results of operations or cash flows. However, such costs could be material to our financial position, results of operations or cash flows in a particular future quarter or year.

Future Outlook

We established our financial objectives more than three years ago. One key goal has been to consistently achieve a return that exceeds our cost of capital. We continue to work relentlessly on lean initiatives and variation reduction so that we can consistently generate strong returns and further enhance shareholder value.

As we enter fiscal 2006, market conditions remain favorable, especially for our special alloys, titanium and ceramics as a result of robust conditions in the aerospace market. Because of these conditions, we expect further improvement in our operating results in fiscal 2006.

Forward-looking Statements

This Form 10-K contains various “Forward-looking Statements” pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. These statements, which represent our expectations or beliefs concerning various future events, include statements concerning future revenues and continued growth in various market segments. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ from those projected, anticipated or implied. The most significant of these uncertainties are described in this Form 10-K. They include but are not limited to: 1) the cyclical nature of the specialty materials business and certain end-use markets, including aerospace, power generation, automotive, industrial and consumer, or other influences on our business such as new competitors, the consolidation of customers and suppliers or the transfer of manufacturing capacity from the United States to foreign countries; 2) our ability to achieve cost savings, productivity improvements or process changes; 3) our ability to recoup increases in the costs of energy and raw materials or other factors; 4) domestic and foreign excess manufacturing capacity for certain metals; 5) fluctuations in currency exchange rates; 6) the degree of success of government trade actions; 7) the valuation of the assets and liabilities in our pension trusts and the accounting for pension plans; 8) possible labor disputes or work stoppages; and 9) the potential that our customers may substitute alternate materials or adopt different manufacturing practices that replace or limit the suitability of our products. Any of these factors could have an adverse and/or fluctuating effect on our results of operations. The forward-looking statements in this document are intended to be subject to the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We undertake no obligation to update or revise any forward-looking statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The information required by this item is incorporated herein by reference to Item 7 of this Annual Report on Form 10-K under the caption “Market Sensitive Instruments and Risk Management”.

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Item 8. Financial Statements and Supplementary Data
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Management’s Responsibilities for Financial Reporting

Carpenter’s management prepared the financial statements included in this Annual Report on Form 10-K and is responsible for their integrity and objectivity. The statements were prepared in conformity with generally accepted accounting principles in the United States of America and, as such, include amounts based on management’s best judgments and estimates. Financial information elsewhere in this Annual Report is consistent with that in the financial statements.

Carpenter maintains a system of internal controls, supported by a code of conduct, designed to provide reasonable assurance that assets are safeguarded and transactions are properly executed and recorded for the preparation of financial information. We believe Carpenter’s system of internal controls provides this appropriate balance. The system of internal controls and compliance is continually monitored by Carpenter’s internal audit staff.

The Audit/Finance Committee of the Board of Directors, composed of independent directors who are neither current nor former employees of Carpenter, meets regularly with management, Carpenter’s internal auditors and our independent registered public accounting firm to consider audit results and to discuss significant internal control, auditing and financial reporting matters. Both the independent registered public accounting firm and internal auditors have unrestricted access to the Audit/Finance Committee.

Management’s Report on Internal Control Over Financial Reporting

To the Board of Directors and Stockholders of Carpenter Technology Corporation:

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Carpenter’s internal control over financial reporting as of June 30, 2005. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework*. Based on our assessment, we concluded that as of June 30, 2005, Carpenter’s internal control over financial reporting is effective based on those criteria.

Management’s assessment of Carpenter’s internal control over financial reporting as of June 30, 2005 has been audited by PricewaterhouseCoopers LLP, Carpenter’s independent registered public accounting firm, as stated in their report appearing herein.

/s/ Robert J. Torcolini

Robert J. Torcolini
Chairman, President and Chief Executive Officer

/s/ Terrence E. Geremski

Terrence E. Geremski
Senior Vice President – Finance and Chief Financial Officer

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Stockholders of Carpenter Technology Corporation:

We have completed an integrated audit of Carpenter Technology Corporation's 2005 consolidated financial statements and its internal control over financial reporting as of June 30, 2005 and audits of its 2004 and 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Carpenter Technology Corporation and its subsidiaries (the Company) at June 30, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2005 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (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 of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 8, that the Company maintained effective internal control over financial reporting as of June 30, 2005 based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commissions (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2005, based on criteria established in *Internal Control – Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's

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assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
August 30, 2005

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Consolidated Statement of Income
Carpenter Technology Corporation
For the years ended June 30, 2005, 2004 and 2003

(in millions, except per share data)	2005	2004	2003
NET SALES	\$1,314.2	\$1,016.7	\$871.1
Cost of sales	998.1	831.5	717.4
Gross profit	316.1	185.2	153.7
Selling and administrative expenses	120.6	117.1	120.4
Restructuring and other costs	—	—	26.1
Gain on sale of business	(8.7)	—	(0.9)
Operating income	204.2	68.1	8.1
Interest expense	23.0	23.7	31.0
Loss on early retirement of debt	—	2.3	4.5
Other income, net	(8.8)	(7.6)	(4.5)
Income (loss) before income taxes	190.0	49.7	(22.9)
Income tax expense (benefit)	54.5	13.7	(12.0)
NET INCOME (LOSS)	\$ 135.5	\$ 36.0	\$ (10.9)
EARNINGS (LOSS) PER COMMON SHARE:			
Basic	\$ 5.54	\$ 1.51	\$ (0.56)
Diluted	\$ 5.37	\$ 1.49	\$ (0.56)

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Cash Flows
Carpenter Technology Corporation
For the years ended June 30, 2005, 2004 and 2003

(in millions)	2005	2004	2003
OPERATING ACTIVITIES			
Net income (loss)	\$ 135.5	\$ 36.0	\$ (10.9)
Adjustments to reconcile net income (loss) to net cash provided from operations:			
Depreciation	46.8	49.2	53.3
Amortization	3.4	7.9	10.7
Deferred income taxes	7.7	6.5	(14.7)
Net pension expense (income)	2.4	16.1	(3.4)
Net loss on asset disposals	1.2	0.1	0.2
Restructuring charge (non-cash)	—	—	24.6
Gain on sale of business	(8.7)	—	—
Changes in working capital and other:			
Receivables	(31.8)	(40.5)	18.7
Net change in accounts receivable purchase facility	—	(10.0)	—
Inventories	(49.8)	(4.3)	8.2
Other current assets	(9.2)	(0.1)	9.8
Accounts payable	26.2	44.5	(11.7)
Accrued current liabilities	42.7	28.2	(2.2)
Income tax refund	3.4	0.6	18.3
Contribution to VEBA	(25.0)	(25.0)	—
Other, net	(2.3)	(15.1)	(8.7)
Net cash provided from operations	<u>142.5</u>	<u>94.1</u>	<u>92.2</u>
INVESTING ACTIVITIES			
Purchases of plant, equipment and software	(13.8)	(8.0)	(8.5)
Proceeds from disposals of plant and equipment	1.1	1.6	2.5
Proceeds from sales of businesses	15.4	—	8.5
Purchases of marketable securities	(172.4)	(70.0)	—
Sales of marketable securities	94.6	41.2	—
Net cash (used for) provided from investing activities	<u>(75.1)</u>	<u>(35.2)</u>	<u>2.5</u>
FINANCING ACTIVITIES			
Net change in short-term debt	(2.3)	(15.7)	(1.7)
Net proceeds from issuance of long-term debt	—	—	98.0
Payments on long-term debt	(20.2)	(20.2)	(145.8)
Checks not cleared	—	(3.7)	3.7
Dividends paid	(11.4)	(9.3)	(14.5)
Proceeds from issuance of common stock	54.2	12.8	—
Net cash provided from (used for) financing activities	<u>20.3</u>	<u>(36.1)</u>	<u>(60.3)</u>
Effect of exchange rate changes on cash and cash equivalents	(0.5)	0.3	0.4
INCREASE IN CASH AND CASH EQUIVALENTS	<u>87.2</u>	<u>23.1</u>	<u>34.8</u>
Cash and cash equivalents at beginning of year	76.6	53.5	18.7
Cash and cash equivalents at end of year	<u>\$ 163.8</u>	<u>\$ 76.6</u>	<u>\$ 53.5</u>

See accompanying notes to consolidated financial statements.

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Consolidated Balance Sheet
Carpenter Technology Corporation
June 30, 2005 and 2004

(in millions, except share data)	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 163.8	\$ 76.6
Marketable securities	106.6	28.8
Accounts receivable, net of allowance for doubtful accounts of \$4.8 and \$3.6 at June 30, 2005 and 2004, respectively	193.4	165.2
Inventories	228.6	185.0
Deferred income taxes	7.4	—
Other current assets	31.8	36.2
Total current assets	731.6	491.8
Property, plant and equipment, net	569.2	608.7
Prepaid pension cost	250.8	247.0
Goodwill	46.4	46.4
Trademarks and trade names, net	21.1	24.3
Other assets	34.3	38.0
Total assets	\$1,653.4	\$1,456.2
LIABILITIES		
Current liabilities:		
Short-term debt	\$ —	\$ 2.2
Current portion of long-term debt	0.2	20.2
Accounts payable	133.4	109.0
Accrued liabilities	115.5	87.8
Deferred income taxes	—	10.9
Total current liabilities	249.1	230.1
Long-term debt, net of current portion	333.7	332.7
Accrued postretirement benefits	108.5	143.5
Deferred income taxes	192.5	175.6
Other liabilities	45.4	36.3
Total liabilities	929.2	918.2
STOCKHOLDERS' EQUITY		
Convertible preferred stock – authorized 2,000,000 shares; issued 316.8 and 333.7 shares at June 30, 2005 and 2004, respectively	19.7	20.8
Common stock – authorized 100,000,000 shares; issued 25,949,237 shares and 24,141,150 shares at June 30, 2005 and 2004, respectively	129.7	120.7
Capital in excess of par value – common stock	278.1	215.1
Reinvested earnings	354.5	230.4
Common stock in treasury (1,026,848 shares and 1,106,772 shares at June 30, 2005 and 2004, respectively), at cost	(35.8)	(38.0)
Deferred compensation	(9.2)	(9.5)
Accumulated other comprehensive loss	(12.8)	(1.5)
Total stockholders' equity	724.2	538.0
Total liabilities and stockholders' equity	\$1,653.4	\$1,456.2

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Stockholders' Equity

Carpenter Technology Corporation

For the years ended June 30, 2005, 2004 and 2003

(in millions, except per share data)	Common Stock				Reinvested Earnings	Common Stock in Treasury	Deferred Compen- sation	Accumulated Other Comp. Loss	Total Stock- Holders' Equity
	Convertible Preferred Stock Par Value of \$5	Par Value Of \$5	Capital in Excess of Par Value						
Balances at June 30, 2002	\$ 24.4	\$117.3	\$ 200.1	\$ 229.0	\$ (38.3)	\$(11.7)	\$ (12.5)	\$ 508.3	
Net (loss)				(10.9)				(10.9)	
Cash Dividends:									
Common @ \$0.5775 per share				(12.8)				(12.8)	
Preferred @ \$5,362.50 per share				(1.6)				(1.6)	
Stock options exercised								—	
Minimum pension liability, net of tax							(1.5)	(1.5)	
Change in ESOP guarantee	(12.0)					4.4		(7.6)	
Other	(2.2)		(0.3)			3.5	(0.3)	0.7	
Balances at June 30, 2003	\$ 10.2	\$117.3	\$ 199.8	\$ 203.7	\$ (38.3)	\$ (3.8)	\$ (14.3)	\$ 474.6	
Net income				36.0				36.0	
Cash Dividends:									
Common @ \$0.33 per share				(7.4)				(7.4)	
Preferred @ \$5,362.50 per share				(1.9)				(1.9)	
Stock options exercised		2.5	10.3					12.8	
Minimum pension liability, net of tax							1.2	1.2	
Change in ESOP guarantee	12.0					(4.4)		7.6	
Other	(1.4)	0.9	5.0		0.3	(1.3)	11.6	15.1	
Balances at June 30, 2004	\$ 20.8	\$120.7	\$215.1	\$ 230.4	\$ (38.0)	\$ (9.5)	\$ (1.5)	\$ 538.0	
Net income				135.5				135.5	
Cash Dividends:									
Common @ \$0.4075 per share				(9.8)				(9.8)	
Preferred @ \$5,362.50 per share				(1.6)				(1.6)	
Stock options exercised		8.9	45.3					54.2	
Minimum pension liability, net of tax							(4.0)	(4.0)	
Other	(1.1)	0.1	17.7		2.2	0.3	(7.3)	11.9	
Balances at June 30, 2005	\$ 19.7	\$129.7	\$278.1	\$ 354.5	\$ (35.8)	\$ (9.2)	\$ (12.8)	\$ 724.2	

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Stockholders' Equity (continued)

Carpenter Technology Corporation
For the years ended June 30, 2005, 2004 and 2003

	Preferred Shares Issued	Common Shares		Net Outstanding
		Issued	Treasury	
Balances at June 30, 2002	388.4	23,450,019	(1,104,295)	22,345,724
Stock options exercised		1,200		1,200
Other	(34.8)	500	(10,554)	(10,054)
Balances at June 30, 2003	353.6	23,451,719	(1,114,849)	22,336,870
Stock options exercised		499,019		499,019
Restricted stock awards		181,400		181,400
Other	(19.9)	9,012	8,077	17,089
Balances at June 30, 2004	333.7	24,141,150	(1,106,772)	23,034,378
Stock options exercised		1,774,261		1,774,261
Restricted stock awards			100,600	100,600
Other	(16.9)	33,826	(20,676)	13,150
Balances at June 30, 2005	316.8	25,949,237	(1,026,848)	24,922,389

Consolidated Statement of Comprehensive Income (Loss)

Carpenter Technology Corporation
For the years ended June 30, 2005, 2004 and 2003

(in millions)	2005	2004	2003
Net income (loss)	\$ 135.5	\$ 36.0	\$(10.9)
Unrealized loss on securities classified as available-for-sale, net of tax of \$0, \$0.1 million and \$0, respectively	—	(0.1)	—
Net (losses) gains on derivative instruments, net of tax of \$(6.3) million, \$8.5 million and \$(1.6) million, respectively	(9.0)	12.7	(2.4)
Minimum pension liability, net of taxes of \$(2.3) million, \$0.8 million and \$1.0 million, respectively	(4.0)	1.2	(1.5)
Foreign currency translation	1.7	(1.0)	2.1
Comprehensive income (loss)	\$ 124.2	\$ 48.8	\$(12.7)

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Basis of Consolidation – The consolidated financial statements include the accounts of Carpenter and all majority-owned subsidiaries. All significant intercompany accounts and transactions are eliminated. Investments in companies in which Carpenter exercises significant influence, but which it does not control (generally a 20 to 50 percent ownership interest), are accounted for on the equity method of accounting and Carpenter’s share of their income or loss is included in other income, net in the Consolidated Statement of Income.

Revenue Recognition – Revenue, net of related discounts and allowances, is recognized when product is shipped and title and risk of loss has transferred to the customer.

Freight and Handling Fees and Costs – Freight and handling costs billed separately to customers are included as part of sales, and freight and handling costs expensed are included as part of cost of sales on the Consolidated Statement of Income.

Research and Development – Research and development expenditures, which amounted to \$10.0, \$10.8 and \$11.7 million in fiscal 2005, 2004 and 2003, respectively, are expensed as incurred and reported in cost of sales in the Consolidated Statement of Income. Substantially all development costs are related to developing new products or designing significant improvements to existing products.

Cash Equivalents – Cash equivalents consist of highly liquid instruments with maturities at the time of acquisition of three months or less. Cash equivalents are stated at cost, which approximates market.

Marketable Securities – Carpenter considers all highly liquid investments with an original maturity of more than three months when purchased and all auction-rate securities to be marketable securities. Carpenter has determined that all of its marketable securities are to be classified as available-for-sale. These securities are carried at market value, with the unrealized gains and losses reported in stockholders’ equity under the caption accumulated other comprehensive loss. Interest and dividends on securities classified as available-for-sale are included in other income, net.

Inventories – Inventories are valued at the lower of cost or market. Cost for inventories is principally determined by the Last-In, First-Out (LIFO) method. Carpenter also uses the First-In, First-Out (FIFO) and average cost methods.

Fixed Assets and Depreciation – Fixed assets are stated at historical cost less accumulated depreciation. Depreciation for financial reporting purposes is computed by the straight-line method over the estimated useful lives of the assets. Depreciation for income tax purposes is computed using accelerated methods. Upon disposal, assets

Notes to Consolidated Financial Statements (continued)

and related depreciation are removed from the accounts and the differences between the net amounts and proceeds from disposal are included in cost of goods sold in the consolidated statement of operations.

Computer Software and Amortization – Computer software is included in other assets on the consolidated balance sheet, and is amortized for financial reporting purposes on a straight-line basis over the respective estimated useful lives, ranging principally from 3 to 7 years.

Goodwill – Goodwill, representing the excess of the cost over the net tangible and identifiable intangible assets of acquired businesses, is stated at cost. Goodwill is not amortized but instead is tested for impairment, at least annually. Potential impairment is identified by comparing the fair value of a reporting unit to its carrying value, including goodwill. The fair value is estimated based upon discounted cash flow analysis and the use of market multiples. If the carrying value of the reporting unit exceeds its fair value, any impairment loss is measured by comparing the carrying value of the reporting unit's goodwill to its implied fair value.

Trademarks and Trade Names – The costs of trademarks and trade names are amortized on a straight-line basis over the 30 year estimated useful life of these finite-lived assets.

Impairment of Long-Lived Assets – Long-lived assets, including property, plant and equipment and intangible assets subject to amortization, are reviewed for impairment and written down to fair value whenever events or changes in circumstances indicate that the carrying value may not be recoverable through future undiscounted cash flows. The amount of the impairment loss is the excess of the carrying amount of the impaired assets over the fair value of the assets based upon discounted future cash flows.

Environmental Expenditures – Environmental expenditures that pertain to current operations or to future revenues are expensed or capitalized consistent with Carpenter's capitalization policy for property, plant and equipment. Expenditures that result from the remediation of an existing condition caused by past operations and that do not contribute to current or future revenues are expensed. Liabilities are recognized for remedial activities when the remediation is probable and the cost can be reasonably estimated. Recoveries of expenditures for environmental remediation are recognized as assets only when recovery is deemed probable. Estimated liabilities are not discounted to present value, but estimated assets are measured on a discounted basis.

Notes to Consolidated Financial Statements (continued)

Derivative Financial Instruments – All derivative instruments are recorded on the balance sheet at their fair value and changes in fair value are recorded each period in current earnings or comprehensive income. Carpenter enters into derivative financial instruments to hedge certain anticipated transactions, firm commitments, or assets and liabilities denominated in foreign currencies. Additionally, Carpenter utilizes interest rate swaps to convert floating rate debt to fixed rate, or to convert fixed rate debt to floating rate.

Foreign Currency Translation – Assets and liabilities of most foreign operations are translated at exchange rates in effect at year-end, and their income statements are translated at the average monthly exchange rates prevailing during the year. Translation gains and losses are recorded each period in other comprehensive loss until the foreign entity is sold or liquidated.

Deferred Income Taxes – Deferred income taxes are recognized by applying enacted statutory tax rates, applicable to future years, to temporary differences between the tax bases and financial statement carrying values of Carpenter’s assets and liabilities. Valuation allowances are recorded to reduce deferred tax assets to amounts that are more likely than not to be realized.

Earnings per Share – Basic earnings per share is calculated by dividing net earnings available to common shareholders by the weighted average number of shares outstanding for the period. Diluted earnings per share is calculated by dividing net earnings by the weighted average number of shares outstanding for the period, adjusted for the effect of an assumed exercise of all dilutive stock options at the end of the period.

Litigation – Periodically, Carpenter and its subsidiaries are parties to lawsuits arising out of the normal course of business. Carpenter records liabilities when a loss is probable and can be reasonably estimated. These estimates are based on an analysis made by internal and external legal counsel considering information known at the time.

Share-Based Compensation – As of June 30, 2005, Carpenter has two share-based employee compensation plans, which are described in detail in Note 16. Carpenter accounts for those plans under the recognition and measurement principles of APB Opinion No. 25, “Accounting for Stock Issued to Employees”, and related Interpretations. No share-based employee compensation cost is reflected in net income (loss), as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income (loss) and earnings (loss) per share if Carpenter had applied the fair value recognition provisions of Financial Accounting Standards Board (FASB) Statement No. 123, “Accounting for Stock-Based Compensation”, to share-based employee compensation.

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Notes to Consolidated Financial Statements (continued)

(in millions, except per share data)	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net income (loss) as reported	\$ 135.5	\$ 36.0	\$ (10.9)
Deduct: Total share-based employee compensation expense determined under fair value based method for all awards, net of related tax effect	(0.4)	(0.7)	(1.1)
Pro forma net income (loss)	<u>\$ 135.1</u>	<u>\$ 35.3</u>	<u>\$ (12.0)</u>
Earnings (loss) per share:			
Basic – as reported	<u>\$ 5.54</u>	<u>\$ 1.51</u>	<u>\$ (0.56)</u>
Basic – pro forma	<u>\$ 5.53</u>	<u>\$ 1.48</u>	<u>\$ (0.61)</u>
Diluted – as reported	<u>\$ 5.37</u>	<u>\$ 1.49</u>	<u>\$ (0.56)</u>
Diluted – pro forma	<u>\$ 5.36</u>	<u>\$ 1.46</u>	<u>\$ (0.61)</u>

These pro forma adjustments were calculated using the Black-Scholes option-pricing model to value all stock options granted since July 1, 1996. A summary of the assumptions and data used in these calculations follows. No fair value assumptions are provided for fiscal 2005 as no options were granted during that period.

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Weighted average exercise price of options exercisable	\$29.29	\$ 31.29	\$ 31.41
Weighted average fair price per share of options	\$ 4.16	\$ 3.95	\$ 3.08
Fair value assumptions:			
Risk-free interest rate	N/A	3.1%	2.7%
Expected volatility	N/A	26.2%	34.0%
Expected life of options	N/A	5 years	5 years
Expected dividend yield	N/A	1.1%	2.9%

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and 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.

Reclassifications – Beginning in fiscal 2005, certain items on the consolidated statement of income previously included within other income, net, have been reclassified to cost of sales and selling and administrative expenses in order to present operating income. The reclassification had no impact on reported net income, earnings

Notes to Consolidated Financial Statements (continued)

per share or stockholders' equity. Amounts reported for fiscal years 2003 and 2004 have been reclassified to conform to the fiscal 2005 presentation.

New Accounting Pronouncements

American Jobs Creation Act

In October 2004, the American Jobs Creation Act (the Act) was passed. The Act created a temporary incentive for U.S. corporations to repatriate foreign subsidiary earnings by providing an elective 85 percent dividends received deduction for qualifying cash dividends from controlled foreign corporations. The deduction is subject to a number of limitations and requirements, including a specific domestic reinvestment plan for the repatriated funds. On May 10, 2005, the U.S. Treasury published Notice 2005-38 providing guidance to U.S. shareholders electing to claim the 85 percent dividends received deduction under Section 965(a) of the Internal Revenue Code for qualifying cash dividends received from controlled foreign corporations. Based on the Company's understanding of the Act and the availability of funds at its foreign entities, the Company may repatriate up to \$15 million in dividends subject to the elective 85 percent dividends received deduction. This would generate a corresponding tax provision expense up to \$0.9 million. Management expects to decide whether to repatriate earnings and will seek the required Chief Executive Officer and Board of Directors approval of the required domestic reinvestment plan within the timeframe the incentive is available.

The Act also phases out the extraterritorial income (ETI) exclusion benefit for export sales and phases in a new tax deduction for computing taxable profits from the sale of product manufactured in the United States over a transition period beginning with 2005. The Company expects that the tax benefits realized from this new tax legislation will be substantially equivalent to the benefits realized under the ETI exclusion. On December 31, 2004, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position No. 109-1, "Application of FAS 109 to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004", the benefit provided by the new tax law constitutes a special deduction, the benefit of which should be reflected in the year generated, and accordingly the Company was not required to revalue its deferred tax balance. The other provisions included in the Act are not expected to have a significant impact on the Company's tax rate or payments.

Share-Based Payment

The FASB issued revised Statement of Financial Accounting Standards No. 123, "Share-Based Payment" in December 2004. The revised Statement requires companies to expense the value of employee stock options and similar awards and applies to all non-vested awards granted prior to the effective date, all awards granted after the required effective date and to awards modified, repurchased or cancelled after that date. This Statement will be effective for Carpenter beginning in fiscal year 2006. We anticipate applying the Statement prospectively and do not expect the adoption to have a material effect on our financial statements.

Notes to Consolidated Financial Statements (continued)***Inventory Costs***

In January 2005, the FASB issued FASB Statement No. 151, "Inventory Costs – an Amendment of ARB No. 43, Chapter 4." This Statement clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and spoilage, which should be recognized as current period charges. In addition, allocations of fixed production overhead to costs of conversion are to be calculated based on normal capacity of the production facilities. This Statement is applicable to Carpenter beginning in fiscal year 2006. We do not expect the adoption to have a material effect on our financial statements.

2. Earnings (Loss) Per Common Share

The calculations of earnings (loss) per share for the years ended June 30, 2005, 2004 and 2003 are shown below. No calculation is presented for the diluted losses per share for fiscal 2003 since the assumed conversion of preferred shares and the assumed exercise of 742,422 stock options would be anti-dilutive.

<small>(in millions, except per share data)</small>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Basic EPS:			
Net income (loss)	\$ 135.5	\$ 36.0	\$ (10.9)
Dividends accrued on convertible preferred stock, net of tax benefits	(1.6)	(1.8)	(1.6)
Earnings (loss) available to common stockholders	<u>133.9</u>	<u>34.2</u>	<u>(12.5)</u>
Weighted average common shares outstanding	<u>24.2</u>	<u>22.5</u>	<u>22.3</u>
Basic earnings (loss) per share	<u>\$ 5.54</u>	<u>\$ 1.51</u>	<u>\$ (0.56)</u>
Diluted EPS:			
Net income	\$ 135.5	\$ 36.0	
Assumed shortfall between common and preferred dividends	(1.0)	(1.0)	
Earnings available for common stockholders	<u>\$ 134.5</u>	<u>\$ 35.0</u>	
Weighted average number of common shares outstanding	24.2	22.5	
Assumed conversion of preferred shares	0.7	0.7	
Effect of shares issuable under stock option plans	0.2	0.2	
Adjusted weighted average common shares	<u>25.1</u>	<u>23.4</u>	
Diluted net earnings (loss) per share	<u>\$ 5.37</u>	<u>\$ 1.49</u>	<u>\$ (0.56)</u>

Notes to Consolidated Financial Statements (continued)

3. Restructuring and Other Costs

During fiscal 2003, Carpenter incurred restructuring costs of \$26.1 million before taxes, relating to a strategy to reduce costs and improve operational effectiveness. The components of the \$26.1 million are indicated below:

(in millions)	Cash	Non-Cash	Total
Reductions in workforce	\$ 2.5	\$ 14.9	\$ 17.4
Pension plan curtailment loss	—	6.7	6.7
Writedown of certain assets reclassified as held-for-sale	—	2.0	2.0
Total restructuring costs	\$ 2.5	\$ 23.6	\$26.1

- **Reductions in workforce:** This item represented the elimination of approximately 500 salaried and hourly positions, which was substantially complete as of December 31, 2002. The charge of \$17.4 million consisted primarily of various personnel-related costs to cover severance payments, enhanced pension benefits, medical coverage and related items. Approximately \$14.9 million of the charge will be paid from the Company's qualified pension plan and did not impact the Company's operating cash flow and is, therefore, considered non-cash. This portion of the restructuring costs reduced prepaid pension cost on the Consolidated Balance Sheet.
- **Pension plan curtailment loss:** This item related to the effects of the above workforce reduction on the qualified pension plan. The curtailment loss was comprised of increases to the projected benefit obligations and recognition of related prior service costs. As a result of this charge, prepaid pension cost on the Consolidated Balance Sheet was correspondingly reduced by \$6.7 million.
- **Writedown of certain assets reclassified as held-for-sale:** Assets held-for-sale are included within other current assets on the Consolidated Balance Sheet and Corporate Assets in the segment data. Prior to the writedown, the net book value of these assets was \$5.2 million. Primarily all of these assets were sold during fiscal year 2003. As of September 30, 2002, depreciation on these assets ceased.

The major components of the fiscal 2003 restructuring costs and the remaining outstanding balances at June 30, 2003 are as follows:

	Reductions in Workforce	Pension Plan Curtailment Loss	Writedown of Certain Assets Reclassified as Held-For-Sale	Total
Restructuring costs	\$ 17.4	\$ 6.7	\$ 2.0	\$ 26.1
Payments	(2.5)	—	—	(2.5)
Transfer against assets	(14.9)	(6.7)	(2.0)	(23.6)
June 30, 2003	\$ —	\$ —	\$ —	\$ —

Notes to Consolidated Financial Statements (continued)**4. Investments in Marketable Securities**

The fair value of Carpenter's investments in marketable securities is based on quoted market prices as of June 30, 2005 and 2004. The following is a summary of marketable securities, all of which were classified as available-for-sale, as of June 30, 2005 and 2004:

June 30, 2005

	<u>Corporate Bonds</u>	<u>Government Bonds</u>	<u>Other Fixed Income Securities</u>	<u>Total</u>
(in millions)				
Cost	\$ 19.9	\$ 56.5	\$ 30.4	\$ 106.8
Unrealized losses	(0.1)	(0.1)	—	(0.2)
Estimated fair value	<u>\$ 19.8</u>	<u>\$ 56.4</u>	<u>\$ 30.4</u>	<u>\$ 106.6</u>
Due in one year or less	\$ 13.2	\$ 56.4	\$ 30.4	\$ 100.0
Due in one through three years	6.6	—	—	6.6
	<u>\$ 19.8</u>	<u>\$ 56.4</u>	<u>\$ 30.4</u>	<u>\$ 106.6</u>

June 30, 2004

	<u>Corporate Bonds</u>	<u>Government Bonds</u>	<u>Total</u>
(in millions)			
Cost	\$ 4.8	\$ 24.2	\$ 29.0
Unrealized losses	—	(0.2)	(0.2)
Estimated fair value	<u>\$ 4.8</u>	<u>\$ 24.0</u>	<u>\$ 28.8</u>
Due in one year or less	\$ 2.7	\$ 6.7	\$ 9.4
Due in one through three years	2.1	17.3	19.4
	<u>\$ 4.8</u>	<u>\$ 24.0</u>	<u>\$ 28.8</u>

For the fiscal years ended June 30, 2005 and 2004, proceeds from sales of marketable securities were \$94.6 and \$41.2 million, respectively. Realized gains or losses on these sales during 2005 were less than \$0.1 million. Fiscal 2004 realized losses on these sales were \$0.1 million.

Notes to Consolidated Financial Statements (continued)**5. Inventories**

	June 30	
	2005	2004
(in millions)		
Raw materials and supplies	\$ 32.8	\$ 28.5
Work in process	130.4	102.7
Finished and purchased products	65.4	53.8
	<u>\$228.6</u>	<u>\$185.0</u>

If the first-in, first-out method of inventory had been used instead of the LIFO method, inventories would have been \$270.6 and \$211.7 million higher as of June 30, 2005 and 2004, respectively. Current cost of LIFO-valued inventories was \$446.0 million at June 30, 2005 and \$344.8 million at June 30, 2004. The reductions in LIFO-valued inventories decreased cost of sales by \$0.3 million during fiscal 2004.

6. Property, Plant and Equipment

	June 30	
	2005	2004
(in millions)		
Land	\$ 7.2	\$ 7.5
Buildings and building equipment	230.5	233.9
Machinery and equipment	1,083.1	1,092.2
Construction in progress	10.3	5.2
	<u>1,331.1</u>	<u>1,338.8</u>
Total at cost	1,331.1	1,338.8
Less accumulated depreciation and amortization	761.9	730.1
	<u>\$ 569.2</u>	<u>\$ 608.7</u>

The estimated useful lives of depreciable assets are as follows:

Asset Category	Useful Life (in Years)
Land improvements	20
Buildings and building equipment	20 – 45
Machinery and equipment	5 – 30
Autos and trucks	3 – 6
Office furniture and equipment	3 – 10

7. Goodwill and Trademarks and Trade Names, Net**Goodwill**

Carpenter conducted its annual impairment review during the fourth quarter of 2005, 2004 and 2003 and determined that there was no goodwill impairment.

Notes to Consolidated Financial Statements (continued)

There were no changes to the carrying amount of goodwill during the fiscal years ended June 30, 2005, 2004 or 2003. At June 30, 2005, 2004 and 2003, the Specialty Metals Segment accounted for \$34.6 million of the goodwill and the Engineered Products Segment accounted for \$11.8 million.

Trademarks and Trade Names, Net

	June 30	
	2005	2004
(in millions)		
Trademarks and trade names, at cost	\$ 32.0	\$32.0
Less tax basis adjustment	(2.1)	—
Less accumulated amortization	(8.8)	(7.7)
Trademarks and trade names, net	\$21.1	\$24.3

In December 2004, Carpenter resolved an outstanding tax matter related to the Talley acquisition. The settlement resulted in the reversal of a \$2.1 million deferred tax liability with a corresponding writedown of the related trademarks and trade names.

Carpenter recorded \$1.1 million of amortization expense in fiscal years 2005, 2004 and 2003. The estimated annual amortization expense for each of the succeeding five fiscal years is \$1.0 million.

8. Debt**Bonds and Notes**

In May 2003, Carpenter issued \$100 million of 10-year senior unsecured notes with a coupon of 6.625 percent. Proceeds from the sale of the notes were used to redeem approximately \$90 million of Carpenter's 9 percent debentures due 2022. The refinancing eliminated a mandatory sinking fund requirement of \$5 million annually between 2004 and 2021. The debentures were callable at a price of 103.82 plus accrued interest through the redemption date. The remaining proceeds were used for general corporate purposes. In connection with the early redemption, a loss of \$4.5 million was recorded, including the price paid above par, unamortized discount and debt issuance costs. In addition, Carpenter paid \$0.9 million in fees associated with the debt issuance.

In December 2003, Carpenter purchased \$20 million of previously issued, 6.95 percent Series A Medium Term Notes due June 2005 on the open market. In connection with the early redemption, a loss of \$1.5 million was recorded, including unamortized issue costs associated with the Notes.

Notes to Consolidated Financial Statements (continued)**Credit Facilities**

On August 31, 2005, we refinanced our \$150 million revolving credit facility that was due to expire in November 2006. The new \$150 million revolving credit facility will expire in August 2010. Terms and conditions under the new revolving credit facility are essentially the same as the refinanced revolving credit facility. This includes two financial covenants, a minimum EBITDA-to-interest expense coverage and a maximum debt-to-capital ratio.

At fiscal year end, the Company had less than \$0.1 million in outstanding foreign currency loans and \$11.1 million of issued letters of credit under the revolving credit facility. The balance of the revolving credit facility (\$138.9 million) was available to the Company. In addition to this facility, the Company had \$50 million available to it under an Accounts Receivable Purchase Facility (see Note 9).

For the years ended June 30, 2005, 2004 and 2003, interest expense totaled \$23.1 million, \$23.8 million and \$31.1 million, of which \$0.1 million, \$0.1 million and \$0.1 million, respectively, were capitalized as part of the cost of plant, equipment and software.

The weighted average interest rates for short-term borrowings during fiscal 2005, 2004 and 2003 were 2.5 percent, 2.1 percent and 5.7 percent, respectively.

Long-term debt outstanding at June 30, 2005 and 2004, consists of the following:

	June 30	
	2005	2004
(in millions)		
Senior unsecured notes, 6.625% due May 2013	\$ 99.3	\$ 99.2
Medium-term notes, Series B at 6.28% to 7.10% due from April 2008 to 2018 (face value of \$132.0 million and \$152.0 million at June 30, 2005 and 2004, respectively)	133.0	153.5
Medium-term notes, Series C at 7.625% due August 2011 (face value of \$100.0 million at June 30, 2005 and 2004)	100.6	99.1
Other	1.0	1.1
Total	333.9	352.9
Less amounts due within one year	0.2	20.2
Long-term debt, net of current portion	\$ 333.7	\$ 332.7

The carrying value of the debt has been adjusted to reflect the unrealized gain on interest rate swaps in accordance with fair value hedge accounting (see note 10).

Aggregate maturities of long-term debt for the four years subsequent to June 30, 2006, are \$0.2 million in fiscal 2007, \$33.2 million in fiscal 2008, \$23.2 million in fiscal 2009, and \$20.1 million in fiscal 2010.

Notes to Consolidated Financial Statements (continued)**9. Accounts Receivable Purchase Facility**

In December 2001, Carpenter entered into a \$75 million three-year accounts receivable purchase facility ("Purchase Facility") with an independent financial institution. In March 2003, Carpenter reduced this facility to \$50 million. Pursuant to the terms of the Purchase Facility, Carpenter sells a participating interest in certain accounts receivable to an independent financial institution. These transactions are treated as sales under SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities".

In June 2004, the Company repurchased a \$10.0 million participating interest from the independent financial institution. As of June 30, 2005 and 2004, there was no utilization of the facility. Total fiscal 2005, 2004 and 2003 expenses relating to the Purchase Facility were \$0.2 million, \$0.4 million and \$0.3 million, respectively.

10. Financial Instruments

The carrying amounts and estimated fair values of Carpenter's financial instruments were as follows:

	June 30			
	2005		2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value
(in millions)				
Cash and cash equivalents	\$ 163.8	\$ 163.8	\$ 76.6	\$ 76.6
Marketable securities	\$ 106.6	\$ 106.6	\$ 28.8	\$ 28.8
Company-owned life insurance	\$ 11.8	\$ 11.8	\$ 12.9	\$ 12.9
Short-term debt	\$ —	\$ —	\$ 2.2	\$ 2.2
Long-term debt	\$ 333.9	\$ 359.7	\$ 352.9	\$ 363.6
Commodity forwards and options	\$ 7.8	\$ 7.8	\$ 25.2	\$ 25.2
Foreign currency forwards and options	\$ 1.6	\$ 1.6	\$ (1.9)	\$ (1.9)
Interest rate swaps and Treasury locks	\$ —	\$ —	\$ 1.0	\$ 1.0

The carrying amounts for cash, cash equivalents and short-term debt approximate their fair values due to the short-term maturities of these instruments.

The carrying amount for marketable securities is based on quoted market prices. The carrying amount for company-owned life insurance reflects cash surrender values based upon the market values of underlying securities.

The fair values of long-term debt as of June 30, 2005 and 2004 were determined by using current interest rates.

Notes to Consolidated Financial Statements (continued)

The Company formally documents all relationships between its hedging instruments and hedged items, as well as its risk management objective and strategy for establishing various hedge relationships. The Company formally assesses, both at the inception of the hedge and on an on-going basis, whether each derivative instrument is highly effective in offsetting changes in the fair values or cash flows of hedged items.

Carpenter's current risk management strategies include the use of derivative instruments to reduce certain risks. These strategies are:

- The use of commodity forwards and options to fix the price of a portion of future purchases of certain raw materials and energy to offset the effects of changes in the costs of those commodities.
- The use of foreign currency forwards and options to hedge a portion of future sales denominated in foreign currencies, principally the Euro, Pound Sterling and Australian Dollar, in order to offset the effect of changes in exchange rates.
- The use of foreign currency forwards and options to hedge certain foreign currency denominated intercompany receivables, primarily in Euro, Pound Sterling and Australian Dollar, to offset the effect on earnings of changes in exchange rates until these receivables are collected.
- The use of interest rate swaps to maintain appropriate levels of floating rate debt relative to fixed rate debt.

The Company has designated commodity forwards and options, foreign currency forwards and options and floating to fixed interest rate swaps as cash flow hedges of anticipated commodity transactions, anticipated foreign exchange transactions and scheduled interest payments, respectively. Fair values for outstanding derivative instruments that are designated as cash flow hedges are accumulated in other comprehensive income in stockholders' equity. The fair values are released to earnings when the related hedged items impact earnings. Amounts reclassified to the Consolidated Statement of Income are included in cost of sales (commodity hedges), interest expense (interest rate swaps) and sales (foreign currency hedges). If an anticipated transaction is no longer expected to occur, unrealized gains and losses on the related hedge are reclassified to the Consolidated Statement of Income. The changes in other accumulated comprehensive income associated with derivative hedging activities during the year ended June 30, 2005, 2004 and 2003 were as follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Balance at July 1	\$ 12.7	\$ —	\$ 2.5
Current period changes in fair value, net of tax	5.4	23.4	4.3
Reclassifications to earnings, net of tax	(14.3)	(10.7)	(6.8)
Balance at June 30	<u>\$ 3.8</u>	<u>\$ 12.7</u>	<u>\$ —</u>

The Company has designated fixed to floating interest rate swaps as fair value hedges. Accordingly, the changes in the fair value of these instruments are immediately recorded in earnings. The mark-to-market values of both the fair value hedging instruments and the underlying debt obligations are recorded as equal and offsetting

Notes to Consolidated Financial Statements (continued)

gains and losses in the interest expense component of the Consolidated Statement of Income. As of June 30, 2005, all interest rate swap agreements had been terminated. The fair value of the Company's interest rate swap agreements classified as fair value hedges was \$1.0 million at June 30, 2004. All existing fair value hedges were highly effective. As a result, there was no impact to earnings due to hedge ineffectiveness.

The hedges of intercompany receivables denominated in foreign currencies do not qualify for hedge accounting; therefore the hedges are marked to market on a quarterly basis and any gains or losses are recorded within other income on the Consolidated Statement of Income. All unrealized gains or losses on intercompany receivables denominated in foreign currencies are recorded in other income, net each quarter.

Any ineffectiveness is recorded in the Consolidated Statement of Income. The ineffectiveness for existing derivative instruments for the years ended June 30, 2005, 2004 and 2003 was immaterial.

As of June 30, 2005, \$3.8 million after taxes of net gains from derivative instruments was included in accumulated other comprehensive loss of which \$3.6 million after taxes is expected to be reclassified to the Consolidated Statement of Income within one year.

Carpenter is exposed to credit risk related to its financial instruments in the event of non-performance by the counterparties. Carpenter does not generally require collateral or other security to support these financial instruments. However, the counterparties to these transactions are major financial institutions deemed creditworthy by Carpenter. Carpenter does not anticipate non-performance by the counterparties.

11. Accrued Liabilities

	June 30	
	2005	2004
(in millions)		
Compensation	\$ 39.6	\$26.1
Employee benefits	25.5	24.6
Income taxes	18.4	10.3
Interest	5.6	4.4
Taxes, other than income	4.3	3.8
Professional services	1.6	0.7
Deferred revenue	1.5	—
Derivative financial instruments	—	1.7
Environmental costs	1.3	1.3
Dividend payable	0.8	0.9
Other	16.9	14.0
	<u>\$115.5</u>	<u>\$87.8</u>

Notes to Consolidated Financial Statements (continued)

12. Pension and Other Postretirement Benefits

Carpenter provides several noncontributory defined benefit pension plans to certain employees. The plans provide defined benefits based on years of service and final average salary.

Carpenter also provides other postretirement benefit plans to certain of its employees. The postretirement benefit plans consist of health care and life insurance plans. From June 1999 to December 2003, retired employees benefit payments were paid by a Voluntary Employee Benefit Association Trust (VEBA). Beginning in January 2004, benefit payments were paid from Corporate assets. During the fourth quarters of fiscal 2005 and 2004, Carpenter made voluntary cash contributions of \$25.0 million into the VEBA. Prior to 2002, Carpenter contributed discretionary amounts, which have not exceeded the amount deductible for tax purposes, into the VEBA. Plan assets are primarily invested in trust-owned life insurance.

In fiscal 2005, Carpenter amended the General Retirement Plan to change the maximum benefit and top-heavy rules in accordance with the Economic Growth & Tax Relief Reconciliation Act of 2001.

Carpenter uses a measurement date of June 30 for the majority of its plans.

The following provides a reconciliation of benefit obligations, plan assets, and funded status of the plans.

Notes to Consolidated Financial Statements (continued)

(in millions)	Pension Plans		Other Postretirement Plans	
	2005	2004	2005	2004
Change in projected benefit obligation				
Projected benefit obligation at beginning of year	\$ 690.8	\$ 718.6	\$ 186.9	\$ 204.3
Service cost	15.3	16.5	2.3	2.9
Interest cost	42.0	41.7	11.3	11.1
Benefits paid	(48.6)	(51.6)	(12.8)	(18.3)
Actuarial loss (gain)	125.8	(34.4)	34.9	(13.1)
Plan amendments	2.6	—	—	—
Other	4.4	—	—	—
Projected benefit obligation at end of year	\$ 832.3	\$ 690.8	\$ 222.6	\$ 186.9
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 771.2	\$ 721.5	\$ 41.7	\$ 24.5
Actual return on plan assets	68.8	98.6	2.3	2.7
Benefits paid from plan assets	(48.6)	(51.6)	(12.8)	(18.3)
Contributions	2.8	2.7	37.8	32.8
Other	3.4	—	—	—
Fair value of plan assets at end of year	\$ 797.6	\$ 771.2	\$ 69.0	\$ 41.7
Funded status of the plans				
Unrecognized net loss	\$ (34.7)	\$ 80.4	\$ (153.6)	\$ (145.2)
Unrecognized prior service cost (benefit)	256.4	138.5	88.5	55.1
Unrecognized transition obligation	9.2	7.3	(59.0)	(66.9)
Prepaid (accrued) benefit cost	0.1	0.1	—	—
Prepaid (accrued) benefit cost	\$ 231.0	\$ 226.3	\$ (124.1)	\$ (157.0)
Amounts recognized in Consolidated Balance Sheet consist of:				
Accrued benefit liability	\$ (26.7)	\$ (21.3)	\$ (124.1)	\$ (157.0)
Intangible asset	250.8	247.0	—	—
Accumulated other comprehensive income	6.9	0.6	—	—
Net amount recognized	\$ 231.0	\$ 226.3	\$ (124.1)	\$ (157.0)
Additional information				
Increase (decrease) in minimum liability included in other comprehensive income	\$ 6.3	\$ (1.9)	\$ —	\$ —
Accumulated benefit obligation for all pension plans	\$ 767.7	\$ 649.2	N/A	N/A

Notes to Consolidated Financial Statements (continued)

Carpenter has several underfunded pension plans that are included in the data presented above. As of June 30, 2005 and 2004, the projected benefit obligation of the underfunded plans was \$33.5 million and \$23.9 million, the total fair value of assets was \$4.0 million and \$1.5 million, and the accumulated benefit obligation was \$31.4 million and \$22.4 million, respectively.

The components of the net periodic benefit cost related to Carpenter's pension and other postretirement benefits are as follows:

(in millions)	Pension Plans			Other Postretirement Plans		
	2005	2004	2003	2005	2004	2003
Service cost	\$ 15.3	\$ 16.5	\$ 14.5	\$ 2.3	\$ 2.9	\$ 2.4
Interest cost	42.0	41.7	42.2	11.3	11.1	15.1
Expected return on plan assets	(64.3)	(59.6)	(73.8)	(3.6)	(1.4)	(3.0)
Amortization of net loss	3.9	9.3	0.1	2.7	2.6	0.4
Amortization of prior service cost (benefit)	0.7	0.8	0.6	(7.9)	(7.8)	(1.9)
Net (income) expense	\$ (2.4)	\$ 8.7	\$ (16.4)	\$ 4.8	\$ 7.4	\$ 13.0

The service cost component of Carpenter's net pension expense, which represents the estimated cost of future pension liabilities earned associated with active employees, is included in the operating income of the business segments. The residual net pension expense, which is comprised of the expected return on plan assets, interest costs on the projected benefit obligations of the plans, and amortization of actuarial gains and losses and prior service costs, is included under the heading "Pension earnings, interest & deferrals", in the segment data presented in Note 20.

Principal actuarial assumptions at June 30:

	Pension Plans			Other Postretirement Plans		
	2005	2004	2003	2005	2004	2003
Weighted-average assumptions used to determine benefit obligations at fiscal year end						
Discount rate	5.00%	6.25%	6.00%	5.00%	6.25%	6.00%
Rate of compensation increase	3.64%	3.50%	3.50%	NA	NA	NA
Weighted-average assumptions used to determine net periodic benefit cost for the fiscal year						
Discount rate	6.25%	6.00%	7.25%	6.25%	6.00%	7.25%
Expected long-term rate of return on plan assets	8.50%	8.50%	10.00%	8.50%	8.50%	10.00%
Long-term rate of compensation increase	3.50%	3.50%	4.00%	NA	NA	NA

Notes to Consolidated Financial Statements (continued)

The following table shows the expected health care rate increase and the future rate and time at which it is expected to remain constant.

	June 30,	
	2005	2004
Assumed health care cost trend rate	10%	10%
Rate to which the cost trend rate is assumed to decline and remain (the ultimate trend rate)	5%	5%
Year that the rate reaches the ultimate trend rate	2011	2010

Assumed health care cost trend rates have a significant effect on the amounts reported for other postretirement benefits. A one-percentage-point change in assumed health care cost trend rates would have the following effects.

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total of service and interest cost	\$ 0.7	\$ (0.7)
Effect on postretirement benefit obligation	\$ 13.8	\$ (13.4)

Plan Assets

Carpenter's U.S. pension plans' weighted-average asset allocations at June 30, 2005 and 2004, by asset category are as follows:

	June 30,	
	2005	2004
Equity securities	61.4%	62.7%
Fixed income securities	38.6	37.2
Cash and cash equivalents	—	0.1
Total	100.0%	100.0%

Carpenter's policy for developing a pension plan investment strategy includes the periodic development of an asset and liability study by an independent investment consultant. Management considers this study in establishing an asset allocation that is presented to and approved by the Pension Committee. Management determines an asset allocation that will provide the highest level of return for an acceptable level of risk. Accordingly, Carpenter invests in different asset classes including large-, mid- and small-cap growth and value funds, index and international equity funds, fixed income short-term and medium-term duration fixed-income funds and high yield funds.

Notes to Consolidated Financial Statements (continued)

The Company may vary the actual asset mix based on the ratio of the plan assets and liabilities. The investment policy prohibits the use of derivative financial instruments that create or add leverage to an existing security position. Management reviews the asset allocation on a quarterly basis and makes revisions as deemed necessary.

Management establishes the expected long-term rate of return assumption by reviewing historical trends and analyzing the current and projected market conditions in relation to the plan's asset allocation and risk management objectives. In determining the expected long-term rate of return, Carpenter considered historical returns for individual asset classes and the impact of active portfolio management.

In addition, the assets related to Carpenter's other postretirement benefit plans were invested 100 percent in equity securities as of June 30, 2005 and 2004.

Cash Flows – Employer Contributions

Carpenter's pension plan remains well funded, and the Company was not required to make a contribution to the plan during fiscal years 2005, 2004 or 2003. During the fourth quarters of fiscal 2005 and 2004, the Company made \$25.0 million, voluntary contributions to a VEBA trust to fund future retiree medical expenses.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid. Pension benefits are currently paid from plan assets and Other Benefits are currently paid from corporate assets:

	<u>Pension Benefits</u>	<u>Other Benefits</u>
(\$ millions)		
2006	\$ 49.8	\$ 14.4
2007	\$ 50.0	\$ 14.6
2008	\$ 50.3	\$ 14.8
2009	\$ 52.1	\$ 14.8
2010	\$ 53.9	\$ 15.4
2011 – 2015	\$289.0	\$ 84.3

Other Benefit Plans

Carpenter also maintains defined contribution pension and savings plans for substantially all domestic employees. Company contributions were \$4.8 million in fiscal 2005, \$4.4 million in fiscal 2004 and \$5.5 million in fiscal 2003. There were 1,437,110 common shares reserved for issuance under the savings plans at June 30, 2005.

Notes to Consolidated Financial Statements (continued)

13. Contingencies and Commitments

Environmental

Carpenter is subject to various federal, state, local and foreign environmental laws and regulations relating to pollution, protection of public health and the environment, natural resource damages and occupational safety and health. Although compliance with these laws and regulations may affect the costs of Carpenter's operations, compliance costs to date have not been material. Carpenter has environmental remediation liabilities at some of its owned operating facilities and has been designated as a potentially responsible party ("PRP") with respect to certain third-party Superfund waste disposal sites and other third party owned sites. Additionally, Carpenter has been notified that it may be a PRP with respect to other Superfund sites as to which no proceedings have been instituted against Carpenter. Neither the exact amount of remediation costs nor the final method of their allocation among all designated PRPs at these Superfund sites has been determined. The liability for future environmental remediation costs is evaluated by management on a quarterly basis. Carpenter accrues amounts for environmental remediation costs that represent management's best estimate of the probable and reasonably estimable costs related to environmental remediation. During fiscal 2005, an additional \$0.5 million was accrued related to three of Carpenter's Superfund Sites. During fiscal 2004, an additional \$0.6 million was accrued related to three of Carpenter's Superfund sites. During fiscal 2003, an additional \$1.75 million was accrued for one of our current operating facilities and for a manufacturing site of a former subsidiary of Talley Industries, Inc. Also related to the former Talley subsidiary site, a \$2.25 million asset was established as the fair value of land received as part of the settlement in a bankruptcy proceeding of a claim under an indemnification agreement. This amount was included in other assets on the Consolidated Balance Sheet. The liabilities recorded for environmental remediation costs at Superfund sites, at other third party-owned sites and at Carpenter-owned current or former operating facilities remaining at June 30, 2005, 2004 and 2003, were \$6.1 million, \$6.7 million and \$6.8 million, respectively. The estimated range at June 30, 2005 of the reasonably possible future costs of remediation at Superfund sites, at other third party-owned sites and at Carpenter-owned current or former operating facilities is between \$6.1 million and \$10.6 million.

Estimates of the amount and timing of future costs of environmental remediation requirements are inherently imprecise because of the continuing evolution of environmental laws and regulatory requirements, the availability and application of technology, the identification of currently unknown remediation sites and the allocation of costs among the PRPs. Based upon information currently available, such future costs are not expected to have a material effect on Carpenter's financial position, results of operations or cash flows. However, such costs could be material to Carpenter's financial position, results of operations or cash flows in a particular future quarter or year.

Notes to Consolidated Financial Statements (continued)

Guarantees/Indemnification Obligations

In connection with the divestitures of several previously owned companies, Carpenter undertook certain indemnification obligations as part of the definitive agreements for sale of those businesses. The indemnification obligations relate to Carpenter's covenants, representations and warranties under the sale agreements, potential liability for operations of the businesses prior to the sale and other similar matters. The indemnification obligations are subject to conditions and limitations that are normal in agreements of this type. Further, certain of the indemnification obligations may be limited or barred by a monetary cap or a time limitation. However, other indemnifications are not subject to a monetary cap, therefore, we are unable to estimate the maximum potential future liability under the indemnity provisions of these agreements. The obligation to provide indemnification will normally arise only after the indemnified party makes a claim subject to review by Carpenter and in compliance with applicable procedures with respect to the method and timeliness of notice. Recourse may be available in limited situations against third parties from which Carpenter purchased the businesses. As of June 30, 2005 there was approximately \$2.0 million recorded related to these indemnifications. In addition, Carpenter is investigating an indemnification claim of \$3.6 million. At this time, it is not possible to estimate the ultimate liability, if any, under this claim.

Other

Carpenter also is defending various claims and legal actions, and is subject to contingencies that are common to its operations, including those pertaining to product claims, commercial disputes, employment actions, employee benefits, personal injury claims and tax issues. The Company provides for costs relating to these matters when a loss is probable and the amount is reasonably estimable. The effect of the outcome of these matters on Carpenter's future results of operations and liquidity cannot be predicted because any such effect depends on future results of operations and the amount and timing (both as to recording future charges to operations and cash expenditures) of the resolution of such matters. While it is not feasible to determine the outcome of these matters, management believes that the total ultimate liability will not have a material effect on Carpenter's financial position, results of operations or cash flows. However, such costs could be material to Carpenter's financial position, results of operations or cash flows in a particular future quarter or year.

Carpenter has entered into purchase agreements primarily for various key raw materials at market related prices, all made in the normal course of business. The purchase commitments covered by these agreements aggregate approximately \$266.2 million. Of this amount, \$233.8 million relates to fiscal 2006, \$30.5 million to fiscal 2007 and \$1.9 million to fiscal 2008.

Notes to Consolidated Financial Statements (continued)

14. Operating Leases

Carpenter leases certain facilities and equipment under operating leases. Total rent expense was \$7.7 million (net of sub-lease rental receipts), \$8.2 million and \$11.4 million for the fiscal years ended June 30, 2005, 2004 and 2003, respectively.

Future minimum payments (net of sub-lease rental receipts) for noncancelable operating leases in effect at June 30, 2005 are: \$8.3 million in fiscal 2006, \$6.9 million in fiscal 2007, \$5.9 million in fiscal 2008, \$3.7 million in fiscal 2009, \$2.0 million in fiscal 2010, and \$0.7 million thereafter.

15. Common Stock Purchase Rights

Under a common stock Rights Agreement amended as of June 12, 2000, Carpenter has issued one common stock purchase right ("Right") for every outstanding share of common stock. Except as otherwise provided in the Rights Agreement, the Rights will become exercisable and separate Rights certificates will be distributed to the stockholders: (1) 10 days following the acquisition of 20 percent or more of Carpenter's common stock, (2) 10 business days (or such later date as the Board of Directors may determine) following the commencement of a tender or exchange offer for 20 percent or more of Carpenter's common stock, or (3) 10 days after Carpenter's Board of Directors determines that a holder of 15 percent or more of Carpenter's shares has an interest adverse to those of Carpenter or its stockholders (an "adverse person"). Upon distribution, each Right would then entitle a holder to buy from Carpenter one newly issued share of its common stock for an exercise price of \$145.

After distribution, upon: (1) any person acquiring 20 percent of the outstanding stock (other than pursuant to a fair offer as determined by the Board of Directors), (2) a 20 percent holder engaging in certain self-dealing transactions, (3) the determination of an adverse person, or (4) certain mergers or similar transactions between Carpenter and holder of 20 percent or more of Carpenter's common stock, each Right (other than those held by the acquiring party) entitles the holder to purchase shares of common stock of either the acquiring company or Carpenter (depending on the circumstances) having a market value equal to twice the exercise price of the Right. The Rights may be redeemed by Carpenter for \$.025 per Right at any time before they become exercisable. The Rights Agreement expires on June 26, 2006.

Notes to Consolidated Financial Statements (continued)

16. Share-Based Compensation

Carpenter has two share-based compensation plans for officers and key employees: a 1993 plan and a 1977 plan, and a stock-based compensation plan for directors.

1993 Plan:

The 1993 plan provides that the Board of Directors may grant incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock and performance share awards, and determine the terms and conditions of each grant. In fiscal 1998, the plan was amended to provide the Chief Executive Officer with limited authority to grant stock options and restricted stock. In October 2000, the stockholders authorized an additional 1,800,000 shares to the plan for share awards. As of June 30, 2005 and 2004, 282,803 and 387,903 shares, respectively, were reserved for options and share awards which may be granted under this plan.

Stock option grants under this plan must be at no less than market value on the date of grant, are exercisable generally after one year of employment following the date of grant, and will in all cases expire no more than ten years after the date of grant. In 2003, the options granted by the Board became exercisable in equal annual increments over a three-year period.

Performance-based restricted share awards are earned only if Carpenter achieves certain performance goals during a specified performance period. These shares vest from one to two years from the date of the attainment of performance goals. When performance-based restricted shares are earned, deferred compensation is determined and charged to expense beginning in the performance period through the vesting period. During fiscal years 2005 and 2004, 51,600 and 146,000 shares, respectively were earned and, \$3.0 million and \$2.3 million, respectively, was charged to expense related to performance-based restricted shares. There were no shares earned or expensed for performance-based restricted share awards in fiscal 2003.

Time-based restricted share awards vest from the date of grant to periods ranging principally from two to five years from the date of grant. When restricted shares are issued, deferred compensation is determined, and charged to expense over the vesting period. During fiscal years 2005, 2004 and 2003, 49,000, 40,400 and 500 shares, respectively were granted. Amounts charged to expense for the vesting of time-based restricted shares were \$0.3 million, \$0.6 million and \$1.5 million, respectively.

1977 Plan:

The 1977 plan provides for the granting of stock options and stock appreciation rights. Options are granted at the market value on the date of grant, are exercisable after one year of employment following the date of grant and expire no more than ten years after grant. During fiscal 2005, the Board of Directors approved the cancellation of all authorized but unissued shares under this plan. Shares reserved for past grants will be

Notes to Consolidated Financial Statements (continued)

cancelled if the underlying grants expire without being exercised. At June 30, 2004, 70,160 shares were reserved for future option grants.

Directors Plan:

Carpenter has a share-based compensation plan that provides for the granting of stock options, stock appreciation rights, and other market-based units to non-employee Directors. Options are granted at the market value on the date of the grant and are exercisable after one year of Board service following the date of grant. Options expire ten years after the date of grant. At June 30, 2005 and 2004, 108,537 and 115,713 shares, respectively, were reserved for options which may be granted under this plan.

At least 50 percent of each Director's retainer is awarded in stock units at each annual meeting. Directors have the option to elect the balance of the retainer in stock units. Stock units are then paid in shares of common stock following a Director's end of Board service through death, disability or approved retirement. Units awarded at each annual meeting are forfeited when a Director leaves the Board under other circumstances before the next annual meeting. Payment of options include a lump sum or 10 or 15 annual installments.

Option Activity (all plans):

	Number of Shares	Weighted Average Exercise Price
Balance at June 30, 2002	2,795,697	\$ 31.33
Granted	448,500	15.71
Exercised	(1,200)	19.69
Cancelled	(164,210)	29.44
Balance at June 30, 2003	3,078,787	\$ 29.13
Granted	80,000	24.40
Exercised	(499,019)	25.62
Cancelled	(82,215)	33.25
Balance at June 30, 2004	2,577,553	\$ 29.53
Granted	—	—
Exercised	(1,774,261)	30.57
Cancelled	(9,602)	36.31
Balance at June 30, 2005	793,690	\$ 27.13

Notes to Consolidated Financial Statements (continued)**Outstanding and Exercisable Options:**

<u>Exercise Price Range</u>	<u>Number Outstanding at 06/30/05</u>	<u>Weighted Average Remaining Life</u>	<u>Weighted Average Exercise Price</u>	<u>Number Exercisable at 06/30/05</u>	<u>Weighted Average Exercise Price</u>
\$10 - \$30	535,515	7.34	\$ 19.75	399,016	\$ 20.78
\$30 - \$51	258,175	3.33	42.44	258,175	42.44
	<u>793,690</u>		<u>\$ 27.13</u>	<u>657,191</u>	<u>\$ 29.29</u>

Of the options outstanding at June 30, 2005, 612,190 relate to the 1993 plan, 44,500 relate to the 1977 plan and 137,000 relate to the Directors Plan.

17. Employee Stock Ownership Plan

Carpenter has a leveraged employee stock ownership plan ("ESOP"). Carpenter issued 461.5 shares of convertible preferred stock in fiscal 1992 at \$65,000 per share to the ESOP in exchange for a \$30.0 million, 15-year, 9.345 percent note, which is included in the stockholders' equity section of the consolidated balance sheet as deferred compensation. The preferred stock is recorded net of related issuance costs.

The ESOP satisfies principal and interest obligations on the note as Carpenter makes contributions to the ESOP and dividends are paid on the preferred stock. As payments are made on the note, shares of preferred stock are allocated to participating employees' accounts within the ESOP. Carpenter contributed \$2.2 million in fiscal 2005, \$2.1 million in fiscal 2004, and \$1.9 million in fiscal 2003 to the ESOP. Compensation expense related to the plan was \$1.2 million in fiscal 2005, \$1.3 million in fiscal 2004 and \$1.3 million in fiscal 2003.

As of June 30, 2005, the ESOP held 316.8 shares of the convertible preferred stock, consisting of 256.8 allocated shares and 59.9 unallocated shares. Each preferred share is convertible into at least 2,000 shares of common stock. There are 633,513 common shares reserved for issuance under the ESOP at June 30, 2005. The shares of preferred stock pay a cumulative annual dividend of \$5,362.50 per share, are entitled to vote together with the common stock as a single class and have 2,600 votes per share. To the extent permitted by the ESOP and its trustee, the stock is redeemable at Carpenter's option at \$65,000 per share.

As a provision of the ESOP, participants are guaranteed a common share price of \$32.50 per share upon conversion. At June 30, 2005 and 2004, no amounts were included in noncurrent liabilities for the preferred stock guarantee as the actual share price at June 30, 2005 and 2004 was greater than the guarantee price per share.

Notes to Consolidated Financial Statements (continued)**18. Income Taxes**

Provision (benefit) for income taxes consisted of the following:

(in millions)	2005	2004	2003
Current:			
Federal	\$36.9	\$ 2.7	\$ (0.2)
State	3.9	0.4	0.3
Foreign	6.0	4.1	2.6
Deferred:			
Federal	11.1	4.7	(12.8)
State	(5.5)	0.8	(1.9)
Foreign	2.1	1.0	—
	<u>\$54.5</u>	<u>\$13.7</u>	<u>\$ (12.0)</u>

The operating loss generated in fiscal 2003 was used to offset the fiscal 2004 and part of the fiscal 2005 liability.

The following is a reconciliation of the United States statutory federal income tax rate to the actual effective income tax rate:

(% of pre-tax income (loss))	2005	2004	2003
Statutory federal income tax rate	35.0%	35.0%	(35.0%)
Extraterritorial income exclusion	(0.7)	(0.5)	—
IRS and state tax examinations settlements	(2.2)	(4.9)	—
Research and development credits	—	(0.9)	(10.0)
State income taxes, net of federal tax benefit	0.2	1.8	(6.1)
Reversal of state income tax valuation allowance	(1.0)	—	—
Foreign tax differential	(1.0)	(0.8)	0.5
Nontaxable income	(1.1)	(0.4)	(1.2)
Other, net	(0.5)	(1.6)	(0.6)
Effective income tax rate	<u>28.7%</u>	<u>27.7%</u>	<u>(52.4%)</u>

Notes to Consolidated Financial Statements (continued)

Deferred taxes are recorded based upon temporary differences between financial statement and tax bases of assets and liabilities. The following deferred tax liabilities and assets were recorded as of June 30, 2005 and 2004:

(in millions)	2005	2004
Deferred tax liabilities:		
Depreciation	\$ 163.8	\$ 170.9
Prepaid pension cost	99.6	98.7
Intangible assets	7.9	8.0
Inventories	6.0	6.5
Other	2.2	1.8
	<u>279.5</u>	<u>285.9</u>
Deferred tax assets:		
Postretirement provisions	\$ 52.9	\$ 61.3
Net operating loss carryforwards	23.9	28.1
Other reserve provisions	29.8	15.0
Tax credit carryforwards	8.5	18.5
Valuation allowances	(20.7)	(23.5)
	<u>94.4</u>	<u>99.4</u>
Net deferred tax liability	\$ 185.1	\$ 186.5

As of June 30, 2005 and 2004, the Company had available tax net operating losses that can be carried forward to future years. The \$23.9 million net operating loss carryforwards in 2005 consisted of \$1.8 million federal carryforwards and \$22.1 million state carryforwards. The \$28.1 million net operating loss carryforwards in 2004 consisted of \$2.6 million federal carryforwards and \$25.5 million state carryforwards. The federal carryforwards will begin to expire in 2018 while the state carryforwards will begin to expire in 2006.

The tax credit carryforwards in 2005 consisted of \$8.0 million of Alternative Minimum Tax credit, which can be carried forward indefinitely, and \$0.5 million of Foreign Tax Credit which will begin to expire in 2011. The tax credit carryforwards in 2004 consisted of \$15.8 million of Alternative Minimum Tax credits, which can be carried forward indefinitely, and \$2.7 million of Research and Development credits, which would have begun to expire in 2020.

A valuation allowance is required when it is more likely than not that all or a portion of a deferred tax asset will not be realized. The Company has recorded a valuation allowance against certain of its state net operating tax loss carryforwards. In 2005, the valuation allowance was \$20.7 million and in 2004 the valuation allowance was \$23.5 million. Under Statement of Financial Accounting Standards No. 109 (SFAS109), valuation allowances should be reviewed each year and an assessment must be made as to the likelihood of recovery of those deferred taxes. Based on current year and

Notes to Consolidated Financial Statements (continued)

forecasted taxable state income, we determined that it was appropriate to reverse a portion of this valuation allowance in fiscal 2005. During fiscal 2005, we adjusted the rates used to value state deferred taxes based on our review of effective tax rates in those states, which resulted in a decrease in tax expense of \$2.8 million.

At June 30, 2005, no provision was made for U.S. federal and state income taxes on approximately \$60.0 million of foreign earnings, which are expected to be reinvested indefinitely. Upon distribution of those earnings in the form of dividends or otherwise, the Company would be subject to U.S. income taxes including any adjustments for foreign tax credit, state income taxes, and withholding taxes payable to the various foreign countries.

The American Jobs Creation Act of 2004 (the "Act") was enacted in October 2004. The Act created a temporary incentive for U.S. corporations to repatriate foreign subsidiary earnings by providing an elective 85 percent dividends received deduction for qualifying cash dividends from controlled foreign corporations. The deduction is subject to a number of limitations and requirements, including specific domestic reinvestment plan for the repatriated funds. On May 10, 2005, the U.S. Treasury published Notice 2005-38 providing guidance to U.S. shareholders electing to claim the dividends received deduction under Section 965(a) of the Internal Revenue Code for qualifying cash dividends received from controlled foreign corporations. Based on the Company's current understanding of the Act and the availability of funds at its foreign entities, the Company may repatriate up to \$15 million in dividends subject to the elective 85 percent dividends received deduction. This would generate a corresponding tax provision expense up to \$0.9 million. Management will decide whether to repatriate earnings and will seek the required Chief Executive Officer and Board of Directors approval of the required domestic reinvestment plan within the timeframe that the incentive is available.

Another provision of the Act was a special deduction for qualifying manufacturing activities. This benefit will be recognized in the years ending after June 30, 2005.

Carpenter is routinely under audit by federal, state or local authorities in the areas of income taxes and the remittance of sales and use taxes. These audits include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with federal, state and local tax laws. The Company has settled all IRS examinations through June 30, 2002.

Notes to Consolidated Financial Statements (continued)**19. Other Income, Net**

Other (income) expense, net consists of the following:

<u>(in millions)</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Continued dumping and subsidy offset	\$ (4.1)	\$(5.2)	\$(2.8)
Interest income	(5.6)	(1.9)	(1.8)
Foreign exchange loss (gain)	1.5	(0.4)	0.5
Increase in equity in minority interests	(0.9)	(1.0)	(0.5)
Other	0.3	0.9	(0.1)
	<u>\$ (8.8)</u>	<u>\$(7.6)</u>	<u>\$(4.5)</u>

20. Business Segments, Geographic and Product Data

Carpenter is organized in the following business units: Specialty Alloys Operations, Dynamet, Carpenter Powder Products, and Engineered Products. For segment reporting, the Specialty Alloys Operations, Dynamet, and Carpenter Powder Products operating segments have been aggregated into one reportable segment, Specialty Metals, because of the similarities in products, processes, customers, distribution methods and economic characteristics.

Specialty Metals includes the manufacture and distribution of stainless steels, titanium, high temperature alloys, electronic alloys, tool steels and other alloys in billet, bar, wire, rod, strip and powder forms. Specialty Metals sales are distributed directly from Carpenter's production plants and its distribution network and through independent distributors.

Engineered Products includes structural ceramic products, ceramic cores for the casting industry and custom shaped bar.

The accounting policies of both reportable segments are the same as those described in the Summary of Significant Accounting Policies.

The service cost component of Carpenter's net pension expense, which represents the estimated cost of future pension liabilities earned associated with active employees, is included in the operating income of the business segments. The residual net pension expense, which is comprised of the expected return on plan assets, interest costs on the projected benefit obligations of the plans, and amortization of actuarial gains and losses and prior service costs, is included under the heading "Pension earnings, interest & deferrals".

Corporate assets are primarily domestic cash and cash equivalents, marketable securities and prepaid pension cost.

Notes to Consolidated Financial Statements (continued)

On a consolidated basis, Carpenter's sales were not materially dependent on a single customer or a small group of customers. Of the total fiscal year 2005 sales of our Engineered Products segment, approximately 17 percent of segment sales were to one customer. Of the total fiscal year 2004 sales of our Engineered Products segment, approximately 18 percent of segment sales were to one customer. Of the total fiscal year 2003 sales of our Engineered Products segment, approximately 14 percent of segment sales were to one customer and 12 percent of sales were to a second customer.

Geographic Data

(in millions)	2005	2004	2003
Net Sales: ^(a)			
United States	\$ 949.2	\$ 743.3	\$ 653.2
Europe	193.9	137.6	111.1
Asia Pacific	67.8	46.1	33.8
Mexico	61.9	50.9	43.7
Canada	21.9	21.9	17.4
Other	19.5	16.9	11.9
Consolidated net sales	<u>\$ 1,314.2</u>	<u>\$ 1,016.7</u>	<u>\$ 871.1</u>
Long-lived assets:			
United States	\$ 888.6	\$ 930.5	\$ 996.0
Europe	16.9	18.3	17.9
Mexico	3.6	3.5	4.6
Canada	0.2	0.3	0.3
Asia Pacific	11.2	10.6	10.1
Other	1.3	1.2	1.4
Consolidated long-lived assets	<u>\$ 921.8</u>	<u>\$ 964.4</u>	<u>\$ 1,030.3</u>

^(a) Net sales were attributed to countries based on the location of the customer.

Product Data

(in millions)	2005	2004	2003
Stainless steels	\$ 531.9	\$ 447.8	\$ 392.8
Special alloys	515.6	369.6	291.7
Titanium products	112.5	73.4	66.6
Ceramics and other materials	98.7	82.9	83.2
Tool and other steels	55.5	43.0	36.8
Total net sales	<u>\$ 1,314.2</u>	<u>\$ 1,016.7</u>	<u>\$ 871.1</u>

Notes to Consolidated Financial Statements (continued)**Segment Data**

(in millions)	2005	2004	2003
Net Sales:			
Specialty Metals	\$ 1,188.3	\$ 909.1	\$ 760.2
Engineered Products	129.1	110.0	113.3
Intersegment	(3.2)	(2.4)	(2.4)
Consolidated net sales	<u>\$ 1,314.2</u>	<u>\$ 1,016.7</u>	<u>\$ 871.1</u>
Operating Income:			
Specialty Metals	\$ 183.9	\$ 71.5	\$ 3.8
Engineered Products	22.2	14.4	9.0
Gain on sale of business	8.7	—	0.9
Corporate costs	(25.2)	(20.9)	(25.6)
Pension earnings, interest & deferrals	14.7	3.1	20.0
Intersegment	(0.1)	—	—
Consolidated operating income	<u>\$ 204.2</u>	<u>\$ 68.1</u>	<u>\$ 8.1</u>
Total Assets:			
Specialty Metals	\$ 1,033.8	\$ 1,015.7	\$ 990.7
Engineered Products	70.7	79.9	74.5
Corporate assets	548.9	360.6	334.7
Consolidated total assets	<u>\$ 1,653.4</u>	<u>\$ 1,456.2</u>	<u>\$ 1,399.9</u>
Depreciation:			
Specialty Metals	\$ 41.9	\$ 43.6	\$ 46.4
Engineered Products	4.5	4.8	4.8
Corporate	0.4	0.8	2.1
Consolidated depreciation	<u>\$ 46.8</u>	<u>\$ 49.2</u>	<u>\$ 53.3</u>
Amortization:			
Specialty Metals	\$ 2.8	\$ 7.0	\$ 9.4
Engineered Products	0.2	0.3	0.5
Corporate	0.4	0.6	0.8
Consolidated amortization	<u>\$ 3.4</u>	<u>\$ 7.9</u>	<u>\$ 10.7</u>
Capital Expenditures, including software:			
Specialty Metals	\$ 7.6	\$ 5.7	\$ 7.1
Engineered Products	2.8	1.9	1.3
Corporate	3.4	0.4	0.1
Consolidated capital expenditures, including software	<u>\$ 13.8</u>	<u>\$ 8.0</u>	<u>\$ 8.5</u>

21. Divestitures

During 2005, Carpenter sold Carpenter Specialty Products Corporation (CSPC), a business unit within the Engineered Products Group (EPG) segment. The operating results of CSPC were included within the EPG segment prior to the disposal. The total sale price of \$19.5 million exceeded the carrying value by approximately \$8.7 million. Consideration received in the sale included net cash proceeds of \$15.4 million, a \$3.0

Notes to Consolidated Financial Statements (continued)

million long-term note receivable and a \$1.1 million current receivable representing final working capital adjustments. The \$3.0 million note was included within "Other assets" while the \$1.1 million working capital adjustment was included within "Other current assets" on the balance sheet. The \$8.7 million gain on sale was included within "Gain on sale of business" on the consolidated statement of income and in the segment data.

During 2003, Carpenter sold the last two of the four Engineered Product Group (EPG) business units that it had previously announced would be divested. Proceeds of \$8.5 million exceeded the carrying value by approximately \$0.9 million. The operating results of these businesses were included in the EPG segment prior to the disposal. The \$0.9 million gain on sale was included within "Gain on sale of business" on the consolidated statement of income and in the segment data.

Due to the immateriality of these operations compared to Carpenter's overall operations, neither of these operations has been accounted for as discontinued operations in accordance with FASB 144.

22. Supplemental Data

The following are additional required disclosures and other material items:

<u>(in millions)</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cost Data:			
Repairs and maintenance costs	\$ 48.2	\$ 44.1	\$ 45.5
Cash Flow Data:			
Cash paid during the year for:			
Interest payments, net of amounts capitalized	\$ 20.8	\$ 23.5	\$ 33.0
Income tax payments (refunds), net	\$ 18.6	\$ —	(\$5.9)
Accumulated Other Comprehensive Loss:			
Foreign currency translation adjustment	\$(12.1)	\$(13.8)	\$ (12.8)
Minimum pension liability adjustment	(4.3)	(0.4)	(1.5)
Net unrealized losses on derivatives	3.6	12.7	—
	<u>\$ (12.8)</u>	<u>\$ (1.5)</u>	<u>\$ (14.3)</u>

SUPPLEMENTARY DATA

Quarterly Financial Data (Unaudited)

Quarterly sales and earnings results are normally influenced by seasonal factors. The first fiscal quarter (three months ending September 30) is typically the lowest principally because of annual plant vacation and maintenance shutdowns in this period by Carpenter and by many of its customers. However, the timing of major changes in the general economy or the markets for certain products can alter this pattern.

(dollars and shares in millions, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Results of Operations				
Fiscal 2005				
Net sales	\$297.6	\$312.1	\$342.1	\$362.4
Gross profits	\$63.4	\$74.5	\$85.2	\$92.9
Operating income	\$35.7	\$44.9	\$56.6	\$66.9
Net income	\$19.8	\$32.5	\$35.3	\$47.8
Fiscal 2004				
Net sales	\$213.3	\$226.3	\$280.4	\$296.8
Gross profits	\$34.0	\$39.5	\$49.3	\$62.5
Operating income	\$5.3	\$11.8	\$19.5	\$31.3
Net income	\$0.5	\$7.5	\$10.3	\$17.7
Earnings per common share				
Fiscal 2005				
Basic earnings	\$0.83	\$1.33	\$1.43	\$1.92
Diluted earnings	\$0.80	\$1.28	\$1.38	\$1.86
Fiscal 2004				
Basic earnings	\$0.00	\$0.32	\$0.43	\$0.75
Diluted earnings	\$0.00	\$0.31	\$0.42	\$0.73

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	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
Weighted average common shares outstanding (in millions)				
Fiscal 2005				
Basic	23.5	24.1	24.4	24.7
Diluted	24.5	25.1	25.4	25.6
Fiscal 2004				
Basic	22.3	22.4	22.6	22.8
Diluted	22.3	23.3	23.6	23.7

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable

Item 9A. Controls and Procedures

(a) Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

The company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

(b) Management's Report on Internal Control Over Financial Reporting

Management's Report on the Company's internal control over financial reporting is included in this Annual Report on Form 10-K and is incorporated herein by reference. The Company's independent registered public accounting firm has issued a report on management's assessment of the Company's internal control over financial reporting, as stated in their report which is included in this Annual Report on Form 10-K.

(c) Changes in Internal Controls Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2005 that have materially affected, or are likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable

PART III

Item 10. Directors and Executive Officers of the Registrant

The information required as to directors is incorporated herein by reference to the fiscal 2005 definitive Proxy Statement under the caption “Election of Directors.”

Information concerning Carpenter’s executive officers appears in Part I of this Annual Report on Form 10-K.

Item 11. Executive Compensation

The information required by this item is incorporated herein by reference to the fiscal 2005 definitive Proxy Statement under the caption “Executive Compensation.”

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this item is incorporated herein by reference to the fiscal 2005 definitive Proxy Statement under the captions “Security Ownership of Certain Beneficial Owners” and “Security Ownership of Management.”

Item 13. Certain Relationships and Related Transactions

Not applicable

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated herein by reference to the fiscal 2005 definitive Proxy Statement under the caption “Approval of Appointment of Independent Registered Public Accounting Firm”.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents Filed as Part of this Report:

- (1) The following consolidated financial statement schedule should be read in conjunction with the consolidated financial statements (see Item 8. "Financial Statements and Supplementary Data:"):

Report of Independent Registered Public Accounting Firm on Financial Statement Schedule

Schedule II – Valuation and Qualifying Accounts

All other schedules are omitted because they are not applicable or the required information is contained in the consolidated financial statements or notes thereto.

**Report of Independent Registered Public Accounting Firm on
Financial Statement Schedule**

To the Board of Directors of Carpenter Technology Corporation:

Our audits of the consolidated financial statements, of management's assessment of the effectiveness of internal control over financial reporting and of the effectiveness of internal control over financial reporting referred to in our report dated August 30, 2005, appearing herein also included an audit of the financial statement schedule listed in Item 15(a)(1) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ Pricewaterhouse Coopers LLP

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

August 30, 2005

(2) The following documents are filed as exhibits:

3. Articles of Incorporation and By-Laws
4. Instruments Defining the Rights of Security Holders, Including Indentures
10. Material Contracts
12. Computation of Ratios of Earnings to Fixed Charges (unaudited)
21. Subsidiaries of the Registrant
23. Consent of Experts and Counsel
24. Powers of Attorney
31. Rule 13a-14(a)/15d-14(a) Certifications
32. Section 1350 Certifications
99. Additional Exhibits

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.

CARPENTER TECHNOLOGY CORPORATION

By /s/ Terrence E. Geremski
Terrence E. Geremski
Senior Vice President – Finance &
Chief Financial Officer

Date: September 9, 2005

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.

<u>/s/ Robert J. Torcolini</u> Robert J. Torcolini	Chairman, President and Chief Executive Officer and Director (Principal Executive Officer)	September 9, 2005
<u>/s/ Terrence E. Geremski</u> Terrence E. Geremski	Senior Vice President – Finance & Chief Financial Officer (Principal Financial Officer)	September 9, 2005
<u>/s/ Richard L. Simons</u> Richard L. Simons	Vice President and Corporate Controller (Principal Accounting Officer)	September 9, 2005
<u>*</u>	Director	September 9, 2005
<u>Carl G. Anderson, Jr.</u>		
<u>*</u>	Director	September 9, 2005
<u>J. Michael Fitzpatrick</u>		
<u>*</u>	Director	September 9, 2005
<u>Marillyn A. Hewson</u>		
<u>*</u>	Director	September 9, 2005
<u>Martin Inglis</u>		

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* _____ Gregory A. Pratt	Director	September 9, 2005
* _____ Peter N. Stephans	Director	September 9, 2005
* _____ Kathryn C. Turner	Director	September 9, 2005
* _____ Stephen M. Ward, Jr.	Director	September 9, 2005

Original Powers of Attorney authorizing David A. Christiansen or Terrence E. Geremski to sign this Report on behalf of: Carl G. Anderson, Jr., J. Michael Fitzpatrick, Marillyn A. Hewson, Martin Inglis, Gregory A. Pratt, Peter N. Stephans, Robert J. Torcolini, Kathryn C. Turner and Stephen M. Ward, Jr. are being filed with the Securities and Exchange Commission.

*By /s/ David A. Christiansen
David A. Christiansen
Attorney-in-fact

CARPENTER TECHNOLOGY CORPORATION AND SUBSIDIARIES

SCHEDULE II. VALUATION AND QUALIFYING ACCOUNTS

(in millions)

Column A Description	Column B Balance at Beginning of Period	Column C Additions		Column D Deductions	Column E Balance at End of Period
		Charged to Costs & Expenses	Charged to Other Accounts		
Year ended June 30, 2005					
Allowance for doubtful accounts receivable	\$ 3.6	\$ 1.5	\$ —	\$ (0.3)	\$ 4.8
Deferred tax valuation allowance	\$ 23.5	\$ —	\$ —	\$ (2.8)	\$ 20.7
Year ended June 30, 2004					
Allowance for doubtful accounts receivable	\$ 3.2	\$ 1.3	\$ —	\$ (0.9)	\$ 3.6
Deferred tax valuation allowance	\$ 18.6	\$ 4.9	\$ —	\$ —	\$ 23.5
Year ended June 30, 2003					
Allowance for doubtful accounts receivable	\$ 2.6	\$ 1.6	\$ —	\$ (1.0)	\$ 3.2
Deferred tax valuation allowance	\$ 13.5	\$ 5.1	\$ —	\$ —	\$ 18.6

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Title</u>	<u>Page</u>
3.	Articles of Incorporation and By-Laws	
(A)	Restated Certificate of Incorporation dated October 26, 1998 is attached as an Exhibit to this Annual Report on Form 10-K.	
(B)	By-Laws, amended as of June 24, 2004 are attached as an Exhibit to this Annual Report on Form 10-K.	
4.	Instruments Defining Rights of Security Holders, Including Indentures	
(A)	Restated Certificate of Incorporation and By-Laws set forth in Exhibit Nos. 3A and 3B, above.	
(B)	Rights Agreement relating to Rights distributed to holders of Carpenter's Stock, amended as of June 12, 2000, is incorporated herein by reference to Exhibit 4(B) of Carpenter's 2001 Annual Report on Form 10-K filed September 24, 2001.	
(C)	Carpenter's Registration Statement No. 333-44757, as filed on Form S-3 on January 22, 1998, and amended on February 13, 1998, with respect to issuance of Common Stock and unsecured debt is incorporated herein by reference.	
(D)	Prospectus, dated February 13, 1998 and Prospectus Supplement, dated March 31, 1998, File No. 333-44757, with respect to issuance of \$198,000,000 of Medium Term Notes are incorporated by reference.	
(E)	Indenture dated as of January 12, 1994, between Carpenter and U.S. Bank Trust National Association, formerly known as First Trust of New York, National Association, as successor Trustee to Morgan Guaranty Trust Company of New York, related to Carpenter's i) \$100,000,000 of unsecured medium term notes registered on Registration Statement No. 33-51613 and ii) \$198,000,000 of unsecured medium term notes registered on Registration Statement No. 333-44757 is incorporated by reference to Exhibit 4(c) to Carpenter's Form S-3 (File No. 33-51613) filed January 6, 1994.	
(F)	Forms of Fixed Rate and Floating Rate Medium-Term Note, Series B are incorporated by reference to Exhibit 4(F) of Carpenter's 2004 Annual Report on Form 10-K filed September 3, 2004.	

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- (G) Pricing Supplements No. 1 through 25 dated and filed from April 2, 1998 to June 11, 1998, supplements to Prospectus dated February 13, 1998 and Prospectus Supplement dated March 31, 1998, File No. 333-44757 with respect to issuance of \$198,000,000 of Medium Term Notes are incorporated herein by reference.
- (H) Carpenter's Registration Statement No. 333-71518 as filed on Form S-4 on October 12, 2001, and amended on November 29, 2001, with respect to an offer to exchange \$100,000,000 of Medium Term Notes is incorporated herein by reference.
- (I) First Supplemental Indenture dated May 22, 2003, between Carpenter and U.S. Bank National Trust Association (formerly known as First Trust of New York, as successor Trustee to Morgan Guaranty Trust Company of New York) related to Carpenter's issuance of \$100,000,000 principal amount of its 6.625% Senior Notes due 2013 is incorporated herein by reference to Exhibit 4(I) of Carpenter's 2003 Annual Report on Form 10-K filed September 12, 2003.
- (J) Exchange and Registration Rights Agreement dated May 22, 2003, between Carpenter and Wachovia Securities as the initial purchaser of \$100,000,000 principal amount of Carpenter's 6.625% Senior Notes due 2013 is incorporated herein by reference to Exhibit 4(J) of Carpenter's 2003 Annual Report on Form 10-K filed September 12, 2003.
- (K) Form of Global Security with respect to the issuance by Carpenter and purchase by Wachovia Securities of \$100,000,000 principal amount of Carpenter's 6.625% Senior Notes due 2013 is incorporated herein by reference to Exhibit 4(K) of Carpenter's 2003 Annual Report on Form 10-K filed September 12, 2003.

10. Material Contracts

- (A) Agreement and Plan of Merger dated January 6, 1997, by and among Dynamet Incorporated, Stockholders of Dynamet Incorporated and Carpenter is incorporated herein by reference to Exhibit 10(A) of Carpenter's 2002 Annual Report on Form 10-K filed September 23, 2002.
- (B) Supplemental Retirement Plan for Executive Officers, amended as of January 1, 2004, is incorporated herein by reference to Exhibit 10(B) of Carpenter's 2004 Annual Report on Form 10-K filed September 3, 2004.

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- (C) Management and Officers Capital Appreciation Plan, an Incentive Stock Option Plan, amended as of April 26, 2001, is incorporated herein by reference to Exhibit 10(C) of Carpenter's 2001 Annual Report on Form 10-K filed September 24, 2001.
- (D) Deferred Compensation Plan for Non-Management Directors of Carpenter Technology Corporation, amended as of January 1, 2005, is incorporated herein by reference to Exhibit 99.1 of Carpenter's Form 8-K dated August 17, 2005.
- (E) Deferred Compensation Plan for Officers and Key Employees of Carpenter Technology Corporation, amended as of January 1, 2005, is incorporated herein by reference to Exhibit 99.1 of Carpenter's Form 8-K dated August 17, 2005.
- (F) Executive Annual Compensation Plan, amended as of July 1, 2002 is incorporated herein by reference to Exhibit 10(G) of Carpenter's 2002 Annual Report on Form 10-K filed September 23, 2002.
- (G) Stock-Based Incentive Compensation Plan For Non-Employee Directors, amended as of October 22, 2001, is attached as an Exhibit to this Annual Report on Form 10-K.
- (H) Officers' Supplemental Retirement Plan of Carpenter Technology Corporation, restated as of December 9, 1993, and amended as of January 1, 2004, is incorporated herein by reference to Exhibit 10(H) of Carpenter's 2004 Annual Report on Form 10-K filed September 3, 2004.
- (I) Trust Agreement between Carpenter and the Chase Manhattan Bank, N.A., dated September 11, 1990 as restated on May 1, 1997 and amended December 31, 2002 and January 10, 2003, relating in part to the Supplemental Retirement Plan for Executive Officers, Deferred Compensation Plan for Corporate and Division Officers and the Officers' Supplemental Retirement Plan of Carpenter Technology Corporation is incorporated by reference to Exhibit 10(I) of Carpenter's 2004 Annual Report on Form 10-K filed September 3, 2004 and the amendments thereof are attached as an Exhibit to this Annual Report on Form 10-K.
- (J) Form of Indemnification Agreement, entered into between Carpenter and each of the directors and the following executive officers: David A. Christiansen, Terrence E. Geremski, Dennis M. Oates, Michael L. Shor, John E. Thames and Robert J. Torcolini is attached as an Exhibit to this Annual Report on Form 10-K.
- (K) Stock-Based Incentive Compensation Plan for Officers and Key Employees, amended as of June 27, 2002, is incorporated herein by reference to Exhibit 10(L) of Carpenter's 2002 Annual Report on Form 10-K filed September 23, 2002.

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- (L) Carpenter Technology Corporation Change of Control Severance Plan, adopted April 26, 2001, is incorporated herein by reference to Exhibit 10(M) of Carpenter's 2001 Annual Report on Form 10-K filed September 24, 2001.
- (M) Form of amended and restated Special Severance Agreement entered into between Carpenter and each of the following executive officers: David A. Christiansen, Terrence E. Geremski, Dennis M. Oates, Michael L. Shor, John E. Thames and Robert J. Torcolini is incorporated herein by reference to Exhibit 10(N) of Carpenter's 2001 Annual Report on Form 10-K filed September 24, 2001.
- (N) Second Amendment dated August 21, 2003, to Five-Year Revolving Credit Agreement dated November 20, 2001, among Carpenter and certain of its subsidiaries as Borrowers and Wachovia Bank, National Association (successor to First Union National Bank), JP Morgan and a number of other financial institutions as lenders is incorporated herein by reference to Exhibit 10(O) of Carpenter's 2003 Annual Report on Form 10-K filed September 12, 2003.
- (O) Trust Agreement between Carpenter and the Chase Manhattan Bank, N.A., dated December 7, 1990 as restated on May 1, 1997 and amended December 31, 2002 and January 10, 2003, relating in part to the Directors' Retirement Plan and the Deferred Compensation Plan for Non-Management Directors, is incorporated by reference to Exhibit 10(O) of Carpenter's 2004 Annual Report on Form 10-K filed September 3, 2004 and the amendments thereof are attached as an Exhibit to this Annual Report on Form 10-K.
- (P) Five-Year Revolving Credit Agreement dated as of August 31, 2005 among Carpenter and certain of its subsidiaries as Borrowers and with Wachovia Bank, National Association, JPMorgan Chase Bank and PNC Bank as Lenders is attached as an Exhibit to this Annual Report on Form 10-K.
- (Q) Receivables Purchase Agreement dated as of December 20, 2001 among CRS Funding Corp., Carpenter Technology Corporation, Market Street Funding Corporation and PNC Bank, National Association is incorporated herein by reference to Exhibit 10(iii) of Carpenter's Form 10-Q for the quarter ended December 31, 2001 filed February 14, 2002.
- (R) First Amendment dated November 2, 2004 to the Purchase and Sale Agreement dated as of December 20, 2001 between Carpenter Technology Corporation and CRS Funding Corp is attached as an Exhibit to this Annual Report on Form 10-K.

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(S) Second, Third and Fourth Amendments to Receivables Purchase Agreement dated July 1, 2003, June 29, 2004 and November 2, 2004, respectively, among CRS Funding Corp., Carpenter Technology Corporation, Market Street Funding Corporation and PNC Bank, National Association are attached as an Exhibit to this Annual Report on Form 10-K.

- 12. Computations of Ratios of Earnings to Fixed Charges (unaudited)**
- 21. Subsidiaries of the Registrant**
- 23. Consent of Experts and Counsel**
Consent of Registered Public Accounting Firm
- 24. Powers of Attorney**
Powers of Attorney in favor of Terrence E. Geremski or David A. Christiansen
- 31. Rule 13a-14(a)/15d-14(a) Certifications**
 - A. Certification of Robert J. Torcolini
 - B. Certification of Terrence E. Geremski
- 32. Section 1350 Certifications**
Certifications of Robert J. Torcolini and Terrence E. Geremski
- 99. Additional Exhibits**
Agreement to Furnish Debt Instruments

RESTATED CERTIFICATE OF INCORPORATION

OF

CARPENTER TECHNOLOGY CORPORATION, a corporation organized and existing under the General Corporation Law of the State of Delaware (“General Corporation Law”), hereby certifies as follows:

1. The name of the corporation is Carpenter Technology Corporation.

The date of filing its original Certificate of Incorporation with the Secretary of State was October 3, 1968 and on August 13, 1987, the Certificate of Incorporation was restated.

2. On October 26, 1998, an amendment to Article 4 of the Corporation’s Restated Certificate of Incorporation which increased the number of authorized shares of Common Stock, par value \$5 per share, to 100,000,000 was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law at the 1998 Annual Meeting of Stockholders of the Corporation, held upon notice in accordance with Section 222 of the General Corporation Law.

3. This Restated Certificate of Incorporation restates and integrates and in accordance with the approval of the stockholders on October 26, 1998, further amends the Restated Certificate of Incorporation such that the initial paragraph of Article 4 reads as follows: The Corporation shall have authority to issue 102,000,000 shares of stock, consisting of 2,000,000 shares of Series Preferred Stock, par value \$5 per share, and 100,000,000 shares of Common Stock, par value \$5 per share.

4. The text of the Restated Certificate of Incorporation as amended or supplemented heretofore is hereby restated without further amendments or changes to read as herein set forth in full:

1. The name of the Corporation is Carpenter Technology Corporation.

2. The address of the Corporation's registered office in Delaware is 1209 Orange Street, City of Wilmington, County of New Castle. The Corporation Trust Company is the Corporation's registered agent at that address.

3. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law.

4. The Corporation shall have authority to issue 102,000,000 shares of stock, consisting of 2,000,000 shares of Series Preferred Stock, par value \$5 per share, and 100,000,000 shares of Common Stock, par value \$5 per share.

The Board of Directors may authorize the issuance from time to time of the Series Preferred Stock in one or more series and with such designations, preferences, relative, participating, optional and other special rights, and qualifications, limitations or restrictions (which may differ with respect to each series) as the Board may fix by resolution. Without limiting the foregoing, the Board of Directors is expressly authorized to fix, with respect to each such series, the dividend rate and whether or not dividends shall be cumulative, the voting powers, if any, and the conversion rights, if any.

Except as otherwise provided by law, or in this Restated Certificate of Incorporation as amended from time to time, or in the resolutions of the Board of Directors relating to any series of the Series Preferred Stock, the holders of the Common Stock shall possess full voting power for the election of directors and for all other purposes, and each holder of record of shares of the Common Stock shall be entitled to one vote for each share so held.

5. The Board of Directors shall have the power to make, alter or repeal the By-Laws of the Corporation, subject to any voting requirements contained in the By-Laws.

6. The Board of Directors shall be divided into three classes, each class to be as nearly equal in number as possible and to have the number provided in the By-Laws. The term of office of the first class shall expire at the first annual meeting of stockholders after the incorporation of the Corporation, that of the second class at the second annual meeting after said incorporation, and that of the third class at the third annual meeting after said incorporation. At each annual meeting the number of directors equal to the number of the class whose term expires at the time of such meeting shall be elected to hold office until the third succeeding annual meeting.

7. (a) The liability of the Corporation's Directors to the Corporation or its stockholders shall be eliminated to the fullest extent permitted by Section 102 (b) (7) of the General Corporation Law of the State of Delaware, as amended from time to time.

(b) The Corporation shall indemnify, to the fullest extent permitted by Section 145 of the General Corporation Law of the State of Delaware, as

amended from time to time, all persons that such section grants the Corporation the power to indemnify.

8. The affirmative vote of the holders of four-fifths of the outstanding shares of the capital stock of the Corporation entitled to vote shall be required (a) for the adoption of any agreement for the merger or consolidation of the Corporation with or into any other corporation, and (b) to authorize any sale, lease or exchange of all or substantially all of the assets of the Corporation to or with, or any sale, lease or exchange to or with the Corporation (in exchange for its securities in a transaction for which stockholder approval is required by law or any agreement between the Corporation and any national securities exchange) of any assets of, any other corporation, person or other entity, if (as of the record date for the determination of stockholders entitled to notice thereof and to vote thereon) such other corporation, person or entity referred to in clause (a) or clause (b). above, is the beneficial owner, directly or indirectly, of more than 10% of any class of capital stock of the Corporation. For the purposes hereof any, corporation, person or other entity shall be deemed to be the beneficial owner of any shares of capital stock of the Corporation, (i) which it has the right to acquire pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise, or (ii) which are beneficially owned, directly or indirectly (including shares deemed owned through application of clause (i), above), by any other corporation, person or entity with which it has any agreement, arrangement or understanding with respect to the acquisition, holding, voting or disposition of stock of the Corporation, or which is its "affiliate" or "associate" as those terms are defined in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934.

9. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders. Except as otherwise required by law and subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, special meetings of stockholders of the Corporation may be called only by the Board of Directors pursuant to a resolution approved by a majority of the entire Board of Directors.

10. Notwithstanding any other provisions of the Certificate of Incorporation or the By-Laws of the Corporation (and notwithstanding the fact that a lesser percentage may be specified by law, this Restated Certificate of Incorporation or the By-Laws of the Corporation), the affirmative vote of the holders of four-fifths or more of the outstanding shares of the capital stock of the Corporation entitled to vote shall be required to amend or repeal, or adopt any provisions inconsistent with, Articles 6, 8 and 9, and this Article 10, of this Restated Certificate of Incorporation.

11. The Carpenter Steel Company is the incorporator and its mailing address is 101 West Bern Street, Reading, Pennsylvania 19603.

By-Laws

of

CARPENTER TECHNOLOGY CORPORATION

As Last Amended Effective June 24, 2004

1. MEETINGS OF STOCKHOLDERS.

1.1 Annual Meeting. The annual meeting of stockholders shall be held during the last two weeks of October in each year, and shall be held at a place and time determined by the Board of Directors (the "Board").

At an annual meeting of stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board, or (b) otherwise brought before the meeting by or at the direction of the Board or by a stockholder in accordance with the following provisions. In addition to any other applicable requirements, for business to be brought before an annual meeting by a stockholder, the stockholder must have given notice thereof in writing to the Secretary of the Corporation, which must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the anniversary date of the immediately preceding annual meeting of the stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the stockholder must be so received not later than the close of business on the 10th day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever first occurs.

A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the stockholder proposing such business, (iii) the class and number of shares of the Corporation which are beneficially owned by the stockholder, and (iv) any material interest of the stockholder in such business.

Notwithstanding anything in these By-Laws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Section 1.1.

The chairperson of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 1.1 and, if the chairperson should so determine, any such business not properly brought before the meeting shall not be transacted.

1.2 Special Meetings. Except as otherwise required by law and subject to the rights of the holders of any class or series of stock having preference over the Common Stock as to dividends or upon liquidation, special meetings of the stockholders may be called only by the Board pursuant to a resolution approved by a majority of the entire Board. At a special meeting of the stockholders, only such business shall be conducted as shall be specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board.

1.3 Place of Meetings. Meetings of the stockholders may be held in or outside Delaware at the place specified in the notice by the person or persons calling the meeting.

1.4 Notice of Meetings. Written notice of each meeting of stockholders shall be mailed to each stockholder entitled to vote at the meeting, not less than 20 nor more than 40 days before the meeting, and shall state the time and place of the meeting and the purposes for which it is called.

1.5 Quorum. The presence in person or by proxy of the holders of a majority of the shares entitled to vote shall constitute a quorum for the transaction of any business, except as otherwise provided by law. In the absence of a quorum any officer entitled to preside at or act as secretary of such meeting shall have the power to adjourn the meeting from time to time until a quorum is present, without further notice other than announcement at the meeting of the adjourned time and place (provided that if a meeting is adjourned for more than 30 days, or if a new record date is set, a new notice must be given). At any adjourned meeting at which a quorum is present, any action may be taken which might have been taken at the meeting as originally called.

1.6 Voting; Proxies. Stockholders may attend meetings and vote either in person or by proxy. Without limiting the manner in which a stockholder may authorize another person or persons to act for the stockholder as proxy, either of the following shall constitute a valid means by which a stockholder may grant such authority:

(i) A stockholder may execute a writing authorizing another person or persons to act for the stockholder as proxy. Execution may be accomplished by the stockholder or an authorized officer, director, employee or agent signing such writing or causing their signature to be affixed to such writing by any reasonable means including, but not limited to, by facsimile signature.

(ii) A stockholder may authorize another person or persons to act for the stockholder as proxy by transmitting or authorizing the transmission of a telegram or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that any such telegram or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram or other electronic transmission was authorized by the stockholder.

Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission authorizing another person or persons to act as proxy for a stockholder may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission. Corporate action to be taken by stockholder vote, other than the election of directors, shall be authorized by a majority of the votes cast at a meeting of stockholders at which a quorum is present, except as otherwise provided by law, by the Certificate of Incorporation, as amended from time to time, or by these By-Laws. Directors shall be elected in the manner provided in Section 2.1 of these By-Laws.

1.7 Inspectors of Election. In advance of every meeting of the stockholders, the Board by resolution or the Chairperson or President shall appoint one or more persons to act as inspectors of election at the meeting. One or more other persons may be designated as alternate inspectors to replace any inspector who is unable or unwilling to act at such meeting. If no

inspector or alternate inspector has been appointed or is present, ready and willing to act at any meeting, the chairperson of the meeting shall appoint one or more persons to act as inspectors at the meeting. Each inspector, before discharging the duties of office, shall faithfully take and sign an oath to execute the duties of inspector with strict impartiality and according to the best of the inspector's ability. The inspectors shall have the duties prescribed by law. Any person, including persons who serve the Corporation in other capacities, including without limitation, as officers, employees, agents or representatives of the Corporation, may act as an inspector, except that no candidate for the office of director shall act as an inspector of any election for directors.

1.8 Opening and Closing of the Polls. At every meeting of the stockholders, the chairperson of the meeting shall fix and announce at the meeting the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at the meeting.

2. BOARD OF DIRECTORS.

2.1 Number, Election and Term of Directors. The business of the Corporation shall be managed under the direction of the Board, which shall consist of not less than six nor more than seventeen directors, the exact number of directors to be determined from time to time by resolution adopted by affirmative vote of a majority of the entire Board. A majority of the Board must be persons who are neither current nor former officers or employees of the Corporation or its subsidiaries. The Board of Directors shall be divided into three classes. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board. The term of office of the first class will expire at the first annual meeting of the stockholders after the initial classification of the Board, that of the second class will expire at the second meeting after the initial classification of the Board, and that of the third class will expire

at the third annual meeting after the initial classification of the Board. At each annual meeting of the stockholders after such initial classification of the Board, directors shall be chosen for a term of three years to succeed those whose terms expire, and shall hold office until the third following annual meeting of stockholders and until the election of their respective successors, subject to the provisions of Section 2.6 hereof. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case may a decrease in the number of directors shorten the term of any incumbent director. Directors shall be elected at each annual meeting of stockholders by a plurality of the votes cast by written ballot. As used in these By-Laws, "entire Board" means the total number of directors which the Corporation would have if there were no vacancies.

2.2 Quorum and Manner of Acting. A majority of the directors in office (but not less than one-third of the entire Board) shall constitute a quorum for the transaction of business at any meeting, except as provided in Section 2.7 of these By-Laws. Action of the Board shall be authorized by the vote of a majority of the directors present at the time of the vote, if a quorum is present, unless otherwise provided by law or these By-Laws. In the absence of a quorum, a majority of the directors present may adjourn any meeting from time to time until a quorum is present, on notice given as provided in Section 2.5 hereof.

2.3 Annual and Regular Meetings. Annual meetings of the Board, for the election of officers and consideration of other matters, shall be held either (a) without notice immediately

after the annual meeting of stockholders and at the same place, or (b) as soon as practicable after the annual meeting of stockholders on notice as provided in Section 2.5 of these By-Laws. Regular meetings of the Board may be held at such times and places as the Board determines.

2.4 Special Meetings. Special meetings of the Board may be called by the Chairperson of the Board or the Chief Executive Officer of the Corporation or by three directors, one from each class of directors then in office.

2.5 Notice of Meetings; Waiver of Notice. Notice of the time and place of each regular and special meeting of the Board, and of each annual meeting not held immediately after the annual meeting of stockholders and at the same place, shall be given to each director by mailing it to the Director at the Director's residence or usual place of business at least five days before the meeting, or by delivering or telephoning or telegraphing it to the Director at least one day before the meeting. Notice of a special meeting shall also state the general purpose or purposes for which the meeting is called. Notice need not be given to any director who submits a signed waiver of notice before or after the meeting, or who attends the meeting without protesting the lack of notice to him or herself, either before the meeting or when it begins. Notice of any adjourned meeting need not be given, other than by announcement at the meeting at which the adjournment is taken.

2.6 Resignation and Retirement of Directors. Any director may resign at any time by giving written notice to the Chief Executive Officer or Secretary of the Corporation, to take effect at the time specified therein. The acceptance of such resignation, unless required by the terms thereof, shall not be necessary to make it effective. Unless otherwise provided by resolution of the Board, any director who is also an officer of the Corporation shall retire from

the Board upon the earlier of (a) attaining age 65 or (b) retirement as an officer of the Corporation. Unless otherwise provided by resolution of the Board, any Director who is not an Officer of the Corporation shall retire from the Board at the next Annual Meeting of Stockholders after the Director attains the age of 70.

2.7 Vacancies. Any vacancy in the Board, including one created by an increase in the number of directors, may be filled for the unexpired term by a majority vote of the remaining directors, though not a quorum.

2.8 Action by Directors Without a Meeting. Any action by the Board or any committee of the Board may be taken without a meeting, if a written consent to the action is signed by all of the members of the Board or committee.

2.9 Compensation. Directors shall receive such compensation as the Board determines, together with reimbursement of their reasonable expenses in connection with the performance of their duties. A director may also be paid for serving the Corporation, its affiliates or subsidiaries in other capacities.

2.10 Nominations of Director Candidates. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors at meetings of stockholders. Nominations of persons for election to the Board of the Corporation may be made at a meeting of stockholders by (a) the Board, (b) any committee whose responsibilities include director nominations or person appointed by the Board, or (c) any stockholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 2.10. Such nominations, other than those made by or at the direction of the Board, shall be made pursuant to timely notice in writing to the Secretary of the

Corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the anniversary date of the immediately preceding annual meeting of the stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the 10th day following the date on which notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever first occurs. Such stockholder's notice to the Secretary shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the person, and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Schedule 14A under the Securities Exchange Act of 1934, as amended; and (b) as to the stockholder giving the notice (i) the name and record address of the stockholder and (ii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

The chairperson of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure and, if the

chairperson should so determine, the chairperson shall so declare to the meeting and the defective nomination shall be disregarded.

3. COMMITTEES.

3.1 Standing Committees. The Board shall by resolution designate an Audit/Finance Committee, a Corporate Governance Committee, and a Human Resources Committee, each consisting of two or more members of the Board. Unless otherwise provided by Board resolution, any current or former officer or employee of the Corporation or its subsidiaries shall not serve on any Standing Committee. The members of each such Committee shall serve at the pleasure of the Board, and the Board shall designate from the membership a Committee chairperson and shall fill any membership vacancies. The Corporate Governance Committee shall determine, from time to time, after consultation with each Committee, the scope of each standing Committee's responsibilities, which shall be set forth in a written statement to be submitted to the Board for approval. Each such Committee shall perform such other functions and exercise such other powers as may be delegated to it from time to time by the Board.

3.2 Executive Committee. The Board may by resolution designate an Executive Committee of four or more members of the Board, which Committee shall have all the authority of the Board except as otherwise provided in the resolution or by law. The members of such Committee shall serve at the pleasure of the Board, and the Board shall designate from among the membership a Committee chairperson and shall fill any membership vacancies.

3.3 Other Committees. The Board may by resolution provide for such other standing or special committees, composed of two or more members of the Board, and discontinue the same

at its pleasure. Each such committee shall have such powers and perform such duties, not inconsistent with law, as may be assigned to it by the Board.

3.4 Meetings of Committees. Each committee of the Board shall fix its own rules of procedure consistent with the provisions of the Board governing such committee, and shall meet as provided by such rules or by resolution of the Board, and it shall also meet at the call of its chairperson or any two members of such committee. Unless otherwise provided by such rules or by such resolution, the provisions of Article 2 of these By-Laws relating to the place of holding and notice required of meetings of the Board shall govern committees of the Board. A majority of each committee shall constitute a quorum thereof; provided, however, that in the absence of any member of such committee, the members thereof present at any meeting, whether or not they constitute a quorum, may appoint a member of the Board otherwise qualified for membership of such committee to act in the place of such absent member. The vote of a majority of such quorum at a duly constituted meeting shall be sufficient to authorize any action within the scope of responsibilities of each committee, unless otherwise provided by the rules of such committee or by resolution of the Board. Each committee shall keep minutes of its meetings and all action taken by such committee shall be reported to the Board at its next meeting.

4. OFFICERS.

4.1 Executive and Other Officers. The officers of the Corporation shall be a Chairperson of the Board (who shall be elected from among the Directors); a President, if the Board chooses to elect one; one or more Vice Presidents, a Treasurer; a Secretary and a Controller (any of whom may be designated as executive officers). The offices of Chairperson and President may be held by the same person, and the offices of Treasurer, Controller or

Secretary may be filled by the same person who may also be a Vice President. The Board shall designate the Chairperson or the President as Chief Executive Officer of the Corporation. The Officers specifically listed above, or otherwise designated as executive officers, shall be elected annually by the Board, and each such officer shall hold office until the next annual meeting of the Board and until the election of his successor, or until his earlier resignation or removal.

The Board may elect other officers including Vice Presidents (not otherwise designated by the Board as executive officers), Assistant Vice Presidents, Assistant Secretaries and Assistant Treasurers, each of whom shall hold office for such period and have such powers and duties as the Board determines.

4.2 Vacancies. A vacancy in any office may be filled for the unexpired term in the manner prescribed in Section 4.1 of these By-Laws for election or appointment to the office.

4.3 Chairperson of the Board. The Chairperson of the Board, if one is elected, shall preside at all meetings of the Board and of the stockholders. The Chairperson shall perform all duties incident to the office of Chairperson of the Board and shall have such other powers and duties as the Board assigns to that individual. In the absence of the Chairperson, the Board shall designate a member of the Board as temporary Chairperson.

4.4 The President. The President shall perform all duties incident to the office of President and such other duties as the Board assigns to that individual.

4.5 Chief Executive Officer. The Chief Executive Officer shall, subject to the control of the Board, have the general management and control of the business and affairs of the Corporation and, in general, shall have all powers and perform all duties incident to the office of Chief Executive Officer.

4.6 Vice Presidents. Each Vice President shall have such designation as the Board may determine and such powers and duties as the Board or the Chief Executive Officer, subject to the control of the Board, assigns to that individual. One of the Vice Presidents, who is an executive officer, may be designated by the Board to act, in the absence of the Chief Executive Officer, in the Chief Executive Officer's place.

4.7 The Treasurer. The Treasurer shall, subject to the direction of the Chief Executive Officer, have charge of all funds, securities, notes, receipts and disbursements of the Corporation. The Treasurer shall be responsible for the deposit of Corporation funds in or withdrawal from such banks or other depositories as shall be selected by the Chief Executive Officer with the approval of the Board, and shall provide all necessary cash and other records to the Controller. The Treasurer shall perform such other duties as treasurers of corporations usually have or as the Chief Executive Officer or the Vice President to whom the Treasurer reports assigns to that individual.

4.8 The Secretary. The Secretary shall be the secretary of, and keep the minutes of, all meetings of the Board and of the stockholders, shall be responsible for giving notice of all meetings of the Board and of the stockholders and shall keep the seal and shall apply it to any instrument requiring it. The Secretary shall be custodian of the corporate records (except accounting records), contracts and documents, and shall have such other powers and duties as the Chief Executive Officer or the Vice President to whom the Secretary reports assigns to that individual. In the absence of the Secretary from meetings, the minutes shall be kept by the person appointed for that purpose by the presiding officer.

4.9 The Controller. The Controller shall be the officer in charge of accounts of the Corporation and shall be responsible for the maintenance of adequate accounting and internal control procedures, and adequate records of the Corporation, for the preparation of financial statements and reports on the operation of the business. The Controller shall be responsible for the administration of the office and shall have such other powers and duties as the Board, the Chief Executive Officer or the Vice President to whom the Controller reports assigns to that individual.

4.10 Subsidiary, Business Unit or Division Officers. For administrative and management purposes, the Chief Executive Officer, may appoint such subsidiary, business unit or division officers (“Business Officers”) with such titles, as deemed necessary or advisable for the transaction of the business of the Corporation. Any Business Officer may be removed from office as a Business Officer, either with or without cause, at any time, by the Chief Executive Officer or by any other executive officer of the Corporation or officer of a subsidiary, business unit or division to whom such Business Officer may at the time be responsible. A Business Officer shall not be an officer of the Corporation by virtue of his or her position as such Business Officer. Business Officers shall perform such duties as shall be assigned to them from time to time by the Chief Executive Officer but no Business Officer shall execute any deed, lease or other conveyance or transfer of real property of the Corporation, any note or other evidence of indebtedness or any mortgage or other security for indebtedness.

5. SHARES.

5.1 Certificates. The shares of the Corporation shall be represented by certificates in the form approved by the Board, unless the Board by resolution provides that some or all classes or

series of stock shall be uncertificated shares (provided that no such resolution shall apply to shares theretofore represented by a certificate unless and until such certificate is surrendered to the Corporation). Notwithstanding the adoption of such resolution by the Board, every holder of shares represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate representing such shares registered in his or her name on the Corporation's books. Each certificate shall be signed by the Chairperson, the President or a Vice President and by the Secretary or the Treasurer. Any or all the signatures on the certificate may be a facsimile.

5.2 Transfers. Shares shall be transferable only on the Corporation's books, (and, in the case of shares represented by certificates,) upon surrender of the certificate for the shares, properly endorsed. The Board may require satisfactory surety before issuing a new certificate to replace a certificate claimed to have been lost or destroyed.

5.3 Transfer Agents and Registrars. The Corporation shall have one or more transfer agents and one or more registrars of its shares, whose respective duties shall be defined by the Board. Unless the Board specifically directs otherwise with respect to a particular certificate, no certificates for shares shall be valid unless countersigned by a transfer agent and unless registered by a registrar.

6. MISCELLANEOUS.

6.1 Seal. The Board shall adopt a corporate seal, which shall be in the form of a circle and shall bear the Corporation's name and the year and state in which it was incorporated.

6.2 Fiscal Year. The Board may determine the Corporation's fiscal year. Until changed by the Board, the Corporation's fiscal year shall end on June 30.

6.3 Voting of Shares in Other Corporations. Shares in other corporations which are held by the Corporation may be represented and voted by the Chairperson, the President or a Vice President of this Corporation or by proxy or proxies appointed by one of them. The Board may, however, appoint some other person to vote the shares.

6.4 Indemnification of Officers, Directors, Employees and Agents. The Corporation shall, to the fullest extent permitted by Section 145 of the Delaware General Corporation Law as amended from time to time, indemnify all persons whom it may indemnify under that Section.

For these purposes an employee or agent shall be deemed to have acted in good faith only if his or her action were within the scope of employment as defined by an agreement with the Corporation or in accordance with the rules of the Corporation or an authorized officer thereof.

6.5 Amendments. These By-Laws may be amended, repealed or adopted by the affirmative vote of a majority of the entire Board or of the holders of two-thirds of the issued and outstanding stock of the Corporation entitled to vote.

**CARPENTER TECHNOLOGY CORPORATION
STOCK-BASED COMPENSATION PLAN FOR
NON-EMPLOYEE DIRECTORS
Effective October 20, 1997
As last amended October 22, 2001**

1. Purpose:

The purposes of the Plan are to attract and retain the services of experienced and knowledgeable non-employee Directors, to encourage Eligible Directors of Carpenter Technology Corporation (the "Company") to acquire a proprietary and vested interest in the growth and performance of the Company, and to generate an increased incentive for Directors to contribute to the Company's future success and prosperity, thus enhancing the value of the Company for the benefit of its stockholders.

This Plan is an amendment and restatement of the Carpenter Technology Corporation Non-Qualified Stock Option Plan for Non-Employee Directors as adopted effective August 1, 1990 and last amended October 23, 1995. The rights of any Director whose service as a Director ended on or before October 21, 2001 shall be governed by the terms of the Plan as in effect when that Director's service ended.

2. Definitions:

As used in the Plan, the following terms shall have the meanings set forth below:

a) "*Annual Retainer*" shall mean base compensation for services as a Director. Annual Retainer shall not include meeting fees, committee service fees, if any, expense allowances or reimbursements or any other additional compensation for services as a Director.

b) "*Beneficiary*" means the person that the Eligible Director designates to receive any unpaid portion of the Eligible Director's Account should the Eligible Director's death occur before the Eligible Director receives the entire balance to the credit of such Eligible Director's Account. If the Eligible Director does not designate a Beneficiary, the Beneficiary shall be the person's spouse if the person is married at the time of death, or the Eligible Director's estate if unmarried at the time of the person's death.

c) "*Board*" shall mean the Board of Directors of the Company.

d) "*Code*" shall mean the Internal Revenue Code of 1986, as amended from time to time.

e) "*Common Stock*" shall mean the Common Stock, \$5.00 par value, of the Company.

f) "*Company*" shall mean Carpenter Technology Corporation.

g) "*Election Date*" shall mean with respect to an Option hereunder the date of the appointment, election, or re-election of the Eligible Director that prompted the grant of such Option.

h) "*Eligible Director*" shall mean each Director of the Company who is not an employee of the Company or any of the Company's subsidiaries [as defined in section 425 (f) of the Code], or who is not otherwise excluded from participation by agreement.

i) "*Exchange Act*" shall mean the Securities Exchange Act of 1934, as amended.

j) "*Fair Market Value*" shall mean with respect to the Common Stock (i) the last sale price of the Common Stock on the date on which such value is determined, as reported on the consolidated tape of New York Stock Exchange issues or, if there shall be no trades on such date, on the date nearest preceding such date; (ii) if the Common Stock is not then listed for trading on the New York Stock Exchange, the last sale price of the Common Stock on the date of which such value is determined, as reported on another recognized securities exchange or on the NASDAQ National Market System if the Common Stock shall then be listed and traded upon such exchange or system or, if there shall be no trades on such date, on the date nearest preceding such date; or (iii) the mean between

the bid and asked quotations for such stock on such date (as reported by a recognized stock quotation services) or, in the event that there shall be no bid or asked quotations on such date, then upon the basis of the mean between the bid and asked quotations on the date nearest preceding such date.

k) “*Grant Date*” shall mean with respect to an Option hereunder the date upon which such Option is granted.

l) “*Option*” shall mean any right granted to an Eligible Director allowing such Eligible Director to purchase Shares at such price or prices and during such period or periods as set forth under the Plan. All Options shall be non-qualified options not entitled to special tax treatment under section 422A of the Code.

m) “*Option Letter*” shall mean a written instrument evidencing an Option granted hereunder and signed by an authorized representative of the Company.

n) “*Performance Unit*” shall mean the right to receive, following termination of service as an Eligible Director, one share of Common Stock. Performance Units will be awarded, if at all, based upon the attainment of a specified goal (“*Performance Goal*”) by the end of a period specified by the Board based upon one or more of the following criteria: (i) price of the Common Stock, (ii) market share of the Company, (iii) sales by the Company, (iv) earnings per share of the Common Stock, (v) return on shareholder equity of the Company, or (vi) costs of the Company. Such goal shall be pre-determined by the Board at a time when it is substantially uncertain that the Performance Goals will be met and subject to verification by the Company’s independent auditors using generally accepted accounting principles, consistently applied. For purposes of this Plan, fractional Performance Units, measured to the nearest four decimal places, may be credited.

o) “*Release Date*” shall mean the fifth business day occurring after the Company’s earnings release for the preceding fiscal period. In calculating the Release Date, the day of an earnings release shall be counted, if the earnings release is made before the opening of trading on the New York Stock Exchange and shall not be counted if such release is made after the opening of trading.

p) “*Retirement*” shall mean Retirement from the Board with a minimum of three years service as an Eligible Director.

q) “*SAR*” or “*Stock Appreciation Right*” shall mean the right granted to an Eligible Director to receive the increase in the Fair Market Value of a specified number of Shares.

r) “*Shares*” shall mean Shares of Common Stock.

s) “*Stock Unit*” shall mean the right to receive, following both service as an Eligible Director for one year following the grant of the Stock Unit and termination of service as an Eligible Director, one share of Common Stock. For purposes of this Plan, fractional Stock Units, measured to the nearest four decimal places, may be credited.

t) “*Unit*” shall mean a Performance Unit, a Stock Unit, or both, as required by context.

u) “*Window*” shall mean a 30 calendar-day period of time beginning on a Release Date.

3. Administration:

The Plan shall be administered by the Company. Subject to the terms of the Plan, the Board shall have the power to interpret the provisions and supervise the administration of the Plan.

4. Shares Subject to the Plan:

a) Total Number. Subject to adjustment as provided in this Section, the total number of Shares as to which Options may be granted, or Performance Units, Stock Units and SARs awarded shall be 329,000. Any Shares issued hereunder may consist, in whole or in part, of authorized and unissued Shares or treasury Shares.

b) Reduction of Shares Available.

(i) The grant of an Option will reduce the Shares as to which Options may be granted by the number of Shares subject to such Option.

(ii) Any shares issued by the Company through the assumption or substitution of outstanding grants from an acquired company shall not reduce the Shares available for grants under the Plan.

(iii) The grant of Performance Units or Stock Units will reduce the number of Shares available for further grants by the number of Units granted.

(iv) The exercise of a SAR payable in Shares will reduce the number of Shares that may be issued upon subsequent exercise of SARs.

c) Increase of Shares Available. The lapse, cancellation or other termination of an Option, Unit or SAR that has not been fully exercised or paid shall increase the available Shares for such Options, Units or SARs by the number of Shares that have not been issued upon exercise of such Option or SAR or payment of such Unit.

d) Other Adjustments. The total number and kind of Shares available for Options, Units or SARs under the Plan or which may be allocated to any one Eligible Director, the number and kind of Shares subject to outstanding Options, Units or SARs, and the exercise price for such Options or SARs or the value of Units shall be appropriately adjusted by the Board for any increase or decrease in the number of outstanding Shares resulting from a stock dividend, subdivision, combination of Shares, reclassification, or other change in corporate structure affecting the Shares or for any conversion of the Shares into or exchange of the Shares for other Shares as a result of any merger or consolidation (including a sale of assets) or other recapitalization as may be necessary to maintain the proportionate interest of the Option, SAR or Unit holder.

5. Initial Options:

Initial Options shall be granted to Eligible Directors as follows:

a) Initial Grant. Each Eligible Director who has not previously received a grant under this Plan shall be granted an Option to acquire 2,000 Shares as follows: (1) on the Election Date in the event that the Election Date occurs during a Window, or (2) on the next Release Date in the event that the Election Date does not occur during the Window.

b) Terms and Conditions. Any Option granted under this Section 5 shall be subject to the following terms and conditions:

(i) Option Price. The purchase price per Share purchasable under an Option granted under Section 5 shall be 100% of the Fair Market Value of a Share on the Grant Date.

(ii) Exercisability. Unless otherwise provided by this Plan, an Option granted under Section 5 shall become exercisable in whole or in part one year from the Grant Date.

6. Annual Options:

Annual Options shall be granted to Eligible Directors as follows:

a) Eligible Directors. Each Eligible Director on or after the Effective Date of the Plan shall be granted an Option to acquire 4,000 Shares immediately after the annual meeting of the Company's stockholders.

b) Terms and Conditions. Any Option granted under this Section 6 shall be subject to the following terms and conditions:

(i) Option Price. The purchase price per Share purchasable under an Option shall be 100% of the Fair Market Value of a Share on the Grant Date.

(ii) Exercisability. Unless otherwise provided by this Plan, an Option granted under this Section 6 shall become exercisable in whole or in part one year from the Grant Date.

7. General Terms:

The following provisions shall apply to any Option:

a) Option Period. Each Option shall expire ten years from its Grant Date, subject to earlier termination as hereinafter provided.

b) Each Option granted under this Plan shall become exercisable by the Eligible Director only after the completion of one year of Board service immediately following the Grant Date; provided, however, that for Annual Options under Section 6, uninterrupted Board service by the Eligible Director until the annual meeting of the Company's stockholders next following the Grant Date shall be deemed completion of one year of Board service. Exercise of any or all prior existing Options shall not be required.

c) No Option under this Plan may be transferrable by the Eligible Director except by will or the laws of descent and distribution. In the event of the death of the Eligible Director more than one year after the Grant Date and not more than three months after the termination of the Eligible Director's Board service, the Option may be transferred to the Eligible Director's personal representative, heirs or legatees ("Transferee") and may be exercised by the Transferee before the earlier of (i) the expiration of one year from the date of the death of the Eligible Director or (ii) the expiration of ten years from the Grant Date. In the event of the Retirement from Board service of an Eligible Director, an Option may be exercised prior to its expiration during the five year period beginning with the date of Retirement; provided, however, that in the event of a retiree's death during such five year period, unexercised Options may be exercised by the Transferee before the earlier of either items (i) or (ii) of this Section 7(c). In all other cases of termination of Board service of an Eligible Director except for removal for cause, the Option, if otherwise exercisable by the Eligible Director at the time of such termination, may be exercised within three months after such termination. In the event of removal for cause, all existing Options shall be of no force and effect.

d) Method of Exercise. Any Option may be exercised by the Eligible Director in whole or in part at such time or times and by such methods as the Board may specify. The applicable Option Letter may provide that the Eligible Director may make payment of the Option price in cash, Shares, held for at least six months, or such other consideration as the Board may specify, or any combination thereof, having a Fair Market Value on the exercise date equal to the total Option price.

8. Stock Units:

a) Grant of Stock Units. On the date of the annual meeting of stockholders, each Eligible Director shall be awarded each year a number of Stock Units determined by dividing 50% of the Director's Annual Retainer by the Fair Market Value on that date.

b) Election of Stock Units. By written election filed with the Board before the end of any calendar year, an Eligible Director may elect to increase the percentage in a) above to 100%, and thereby have the entire

Director's Annual Retainer payable in each calendar year beginning after the date of the election awarded in Stock Units. An election under this Section 8 b) shall remain in effect until changed, in writing, by the Director. Any such change shall be effective in the first calendar year beginning after the date of the written notice of change.

c) Forfeiture of Stock Units. Stock Units awarded at an annual meeting of stockholders will be forfeited if the Director terminates service as a Director for any reason other than Board approved Retirement, Board determined disability, or death, before the immediately following annual meeting of stockholders.

d) Stock Units in Lieu of Pension. Effective October 20, 1997, the present value on that date of any Eligible Director's accrued pension benefit under the Carpenter Technology Corporation Director Retirement Plan, excluding any Eligible Director who is required to retire on or before the 1998 Annual Meeting of Stockholders, shall be converted to Stock Units. The number of Stock Units to be awarded under this Section 8 d) shall be determined by dividing average of the Fair Market Value on the last ten business days of October 1997 into the present value of each Eligible Director's accrued pension. The present value will be determined using the UP-84 mortality table and a 7.5% interest rate. Stock Units awarded under this Section 8 d) shall not be subject to the vesting schedule of Section 8 c). Instead, such Stock Units will be payable upon the earlier of the Director's Retirement, Board determined disability, or death.

9. Performance Units:

a) Grant of Performance Units. Performance Units may be granted annually to Eligible Directors in such amounts and subject to such Performance Goals as shall be determined by the Board. Each Performance Unit shall have an initial value equal to the Fair Market Value of a Share (or similar fractional Share) on the Grant Date. The Board shall set one or more Performance Goals as described in Section 2(n) of this Plan. The extent to which those Performance Goals are met will determine the number and value of Performance Units that will be paid out to the Eligible Director.

b) Form and Timing of Payment of Performance Units. Payment of earned Performance Units shall be made as soon as practicable following the close of the applicable period in a manner designated by the Board, in its sole discretion. The Board, in its sole discretion, may pay earned Performance Units in the form of cash or in Shares (or in a combination thereof) that have an aggregate Fair Market Value equal to the value of the earned Performance Units at the close of the applicable period. Such Shares may be granted subject to any restrictions deemed appropriate by the Board.

c) Dividends on Earned but Undistributed Shares. Eligible Directors shall be entitled to receive any dividends declared with respect to Shares that have been earned in connection with grants of Performance Units, but not yet distributed to Eligible Directors.

10. Nontransferability of Units:

Neither Performance Units nor Stock Units may be sold, transferred, pledged, assigned or otherwise alienated, other than by will or by the laws of descent and distribution.

11. Dividend Equivalents:

An Eligible Director who has been awarded Stock Units will also be awarded additional Units, determined on a quarterly basis. The number of additional Units to be awarded will be determined by multiplying the quarterly dividend per Share for the immediately preceding quarter by the number of Units credited to the Director on the first day of that calendar quarter and dividing the result by the Fair Market Value on the last business day of that quarter.

12. Payment of Units:

a) Following an Eligible Director's Retirement, or termination of service on account of disability, the Director shall be paid a number of Shares equal to the number of whole Units credited to the Director, with cash paid in lieu of any fractional Units. The amount of cash to be paid will be based on the Fair Market Value on the date of the Director's termination of service as a Director. In the case of the Director's death, the payment will be made to the Director's Beneficiary.

b) Manner of Payment.

(1) An Eligible Director may elect to receive Shares in payment of Units credited to the Director's account in a lump sum or in annual installments payable over either ten or fifteen years.

(2) The election shall be made by the Director, in writing, filed with the Board no later than the end of the calendar year immediately preceding the Director's termination of service. If no election is made, the Director's Units will be paid in a lump sum as soon as is practicable following the Director's termination of service.

(3) If a Director elects installment payments, the amount of each annual installment will be the number of Units to the Director's credit at the end of the immediately preceding calendar year multiplied by a fraction the numerator of which is one and the denominator of which is the number of years remaining in the original installment period. Dividend equivalents will continue to be credited to the Director's account through the end of the calendar quarter immediately preceding the final installment.

(4) An Eligible Director who has elected installment payment of Units may, with the consent of the Board, which may be given or denied in the Board's sole discretion, change that election and receive a lump sum distribution of all remaining Units credited to the Director's account.

13. Stock Appreciation Rights or SARs:

SARs may be granted by the Board from time to time, subject to the following provisions:

a) The Board may grant a SAR either in connection with the grant of an Option ("Tandem SAR") or independent of the grant of an Option ("Freestanding SAR"). The grant of any Freestanding SAR must be related to the attainment of Performance Goals under Section 9. Each Tandem SAR shall be exercisable only with the exercise and surrender of the related Option or portion thereof and shall entitle the Eligible Director to receive the excess of the Fair Market Value of the Shares on the date the Tandem SAR is exercised over the option price under the related Option. The excess is hereafter called the "Spread" for both Tandem SARs and Freestanding SARs. If the Eligible Director elects instead to exercise the related Option, the Tandem SAR shall be canceled automatically.

b) A Tandem SAR shall be exercisable only to the extent and at the same time that the related Option is exercisable.

c) A Freestanding SAR shall be exercisable pursuant to the terms and conditions that are specified in the agreement in which the Freestanding SAR is granted.

d) Upon the exercise of a SAR, the Company shall pay to the Eligible Director an amount equivalent to the spread (less any applicable withholding taxes) in cash, or in Shares, or a combination of both, as the Board shall determine. Such determination may be made at the time of the granting of the SAR. No fractional Shares of Stock shall be issued and the Board shall determine whether cash shall be given in lieu of such fractional Share or whether such fractional Share shall be eliminated.

e) A Tandem SAR shall terminate and may no longer be exercised upon the termination or expiration of the related Option.

f) Income attributable to the exercise of a SAR shall not be included in the calculation of any other benefits payable at any time by reason of the Eligible Director's service to the Company.

g) No SAR shall be transferable by the Eligible Director.

h) The agreement under which a SAR is granted shall set forth the extent to which the Eligible Director shall have the right to exercise the SAR following termination of the Eligible Director's service as a Director. Such provisions shall be determined at the sole discretion of the Board and need not be uniform among all SARs issued pursuant to this Section 13, and may reflect distinctions based on the reasons for termination of service.

i) The Board may only grant Freestanding SARs pursuant to the achievement of Performance Goals and it may impose additional restrictions upon the vesting and exercise of such SARs on the attainment of Performance Goals. For all purposes under this Plan, "Performance Goals" means goals that must be met by the end of a period specified by the Board based upon one or more of the following criteria: (i) price of the Common Stock, (ii) market share of the Company, (iii) sales by the Company, (iv) earnings per share of the Common Stock, (v) return on shareholder equity of the Company, or (vi) costs of the Company.

14. Change in Control:

a) Notwithstanding anything in this Plan to the contrary, in the event of a Change in Control of the Company, the Options granted under Sections 5 and 6 and any SARs granted under Section 13 shall vest and become immediately exercisable and any unvested Stock Units granted under Section 8 shall vest.

b) For purposes of this Plan, "Change in Control of the Company" means:

(1) The acquisition by any individual, entity or group [within the meaning of section 13(d)(3) or 14(d)(2) of the Exchange Act] (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then-outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); *provided, however*, that, for purposes of this Section 14(b), the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any affiliated company or (iv) any acquisition by any corporation pursuant to a transaction that complies with Sections 14(b)(3)(A), 14(b)(3)(B) and 14(b)(3)(C);

(2) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; *provided, however*, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(3) consummation of a reorganization, merger, consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of the assets or stock of another entity (a "Business Combination"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (B) no Person [excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination] beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(4) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

c) Payment for Performance Units. Within 30 days following a Change in Control of the Company, as defined in Section 14(b) of this Plan, there shall be paid in cash to Eligible Directors holding Performance Units a pro rata amount based upon the assumed achievement of all relevant Performance Goals at target levels, and upon the length of time with the performance period that has elapsed before the Change in Control of the Company; provided, however, that if the Board determines that actual performance to the date of the Change in Control of the Company exceeds targeted levels, the prorated payouts shall be made using the actual performance data; and provided further, that there shall not be an accelerated payout with respect to Performance Units that qualify as “Derivative Securities” under Section 16 of the Exchange Act that were granted less than six months before the Change in Control of the Company.

15. Amendments and Termination:

a) Board Authority. The Board may amend or terminate the Plan at any time; provided that no amendment may be made (i) without the appropriate approval of the Company’s stockholders if such approval is necessary to comply with any tax or other regulatory requirement, including any stockholder approval required as a condition to exemptive relief under section 16(b) of the Exchange Act; (ii) which would adversely impair or affect, without the consent of the Eligible Director, any rights or obligations under any Option, Unit or SAR theretofore granted to such Eligible Director; or (iii) more than once every six months with respect to the timing, amount and price of Options or SARs to be awarded to Eligible Directors, other than to comport with changes to the Code, the Employee Retirement Income Security Act, or the rules thereunder.

b) Prior Stockholder and Eligible Director Approval. Anything herein to the contrary notwithstanding, in the event that amendments to the Plan are required in order that the Plan or any other stock-based compensation plan of the Company comply with the requirements of Rule 16b-3 issued under the Exchange Act, as amended from time to time, or any successor rules promulgated by the Securities and Exchange Commission related to the treatment of benefit and compensation plans under section 16 of the Exchange Act, the Board is authorized to make such amendments without the consent of Eligible Directors or the stockholders of the Company.

16. General Provisions:

a) Compliance Regulations. All certificates for Shares delivered under this Plan pursuant to any Option, Unit or SAR shall be subject to such stock-transfer orders and other restrictions as the Board may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares are then listed, and any applicable federal or state securities law, and the Board may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions. The Company shall not be required to issue or deliver any Shares under the Plan prior to the completion of any registration or qualification of such Shares under any federal or state law, or under any ruling or regulations of any governmental body or national securities exchange that the Board in its sole discretion shall deem to be necessary or appropriate.

b) Other Plans. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required by applicable law or the rules of any stock exchange on which the Common Stock is then listed; and such arrangements may be either generally applicable or applicable only in specific cases.

c) Governing Law. The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Delaware and applicable federal law.

d) Conformity With Law. If any provision of this Plan is or becomes or is deemed invalid, illegal, or unenforceable in any jurisdiction, or would disqualify the Plan or any Option under any law deemed applicable by

the Board, such provision shall be construed or deemed amended in such jurisdiction to conform to applicable laws or if it cannot be construed or deemed amended without, in the determination of the Board, materially altering the intent of the Plan, it shall be stricken and the remainder of the Plan shall remain in full force and effect.

e) Insufficient Shares. In the event there are insufficient Shares remaining to satisfy all of the grants of Options, Units or SARs made on the same day, such Options, Units or SARs shall be reduced pro-rata.

17. Effective Date and Termination:

The Plan's original effective date, as approved by the Board, was August 9, 1990, and last amended by the Board on August 10, 1995; and ratified by the stockholders at the Annual Meeting held October 23, 1995. The effective date of this amendment is October 22, 2001, while the effective date of the latest restatement was October 20, 1997, as ratified by the Company's stockholders at the Annual Meeting held on October 20, 1997. The Plan will terminate upon the date on which all outstanding Options have expired or terminated, and all outstanding Units and SARs have been paid or otherwise provided for.

AMENDMENT NO. 2
TO THE
TRUST AGREEMENT FOR
CARPENTER TECHNOLOGY CORPORATION
NON-QUALIFIED EMPLOYEE BENEFITS TRUST

Pursuant to the power reserved to it in Section 8.01 of the Trust Agreement for Carpenter Technology Corporation Non-Qualified Employee Benefits Trust (the "Employee Trust Agreement"), Carpenter Technology Corporation hereby amends the Trust Agreement, effective January 23, 2003, as follows:

1. **Section 6.04(b) is hereby amended in its entirety to read as follows:**

"(b) The Trustee shall incur no liability to any person in discharging its duties hereunder for any action taken or omitted in good faith in conformity with the terms of this Trust Agreement, or for the acts or omissions of persons hired pursuant to Section 2.06(a), provided that the Trustee selects and supervises such persons with reasonable care. Each direction, notice, request or approval provided (whether or not certified to the Trustee in writing) by the Company, or the Pension Board/Committee, shall constitute a certification by the Company to the Trustee that such direction is in conformity with the terms of the Plan and applicable law. Under no circumstances shall the Trustee incur liability to any person for any indirect, consequential or special damages (including, without limitation, lost profits) of any form, whether or not foreseeable and regardless of the form of the action in which such a claim may be brought, with respect to the Trust or its role as Trustee, except as otherwise required by ERISA or New York State law."

To record the adoption of this Amendment No. 2 to the Employee Trust Agreement, Carpenter Technology Corporation has caused its corporate name and seal to be hereunto affixed this 10th day of January, 2003.

[CORPORATE SEAL]

CARPENTER TECHNOLOGY CORPORATION

Attest: /s/ David A. Christiansen

By: /s/ Jaime Vasquez

To record the consent of the Trustee to this Amendment No. 2 to the Employees Trust Agreement, JP Morgan Chase Bank has caused its corporate name and seal to be hereunto affixed this 15 day of January, 2003.

[CORPORATE SEAL]

JP MORGAN CHASE BANK

Attest: ILLEGIBLE

By: /s/ Peter. J. Coghil

The Chase Manhattan Bank

Office of the Secretary
270 Park Avenue, 35th floor
New York, NY 10017-2070

I, Jean E. Rugani, an Assistant Corporate Secretary of The Chase Manhattan Bank, hereby certify that the following is a true and correct copy of resolutions adopted at a meeting of the Board of Directors of Chemical Bank, now known as The Chase Manhattan Bank (the "Bank"), a New York state chartered bank, on the 19th day of March 1996, which meeting was properly called and held and at which a quorum was present and voted in favor of said resolutions. I further certify that the said resolutions, at the date hereof, are still in full force and effect.

RESOLVED that loan agreements, contracts, indentures, mortgages, deeds, releases, conveyances, assignments, transfers, certificates, certifications, declarations, leases, discharges, satisfactions, settlements, petitions, schedules, accounts, affidavits, bonds, undertakings, guarantees, proxies, requisitions, demands, proofs of debt, claims, records, notes signifying indebtedness of this Bank, and any other contracts, instruments or documents in connection with the conduct of the business of this Bank, whether or not specified in the foregoing resolutions may be signed, executed, acknowledged, verified, delivered or accepted on behalf of this Bank by the Chairman of the Board, the Chief Executive Officer, the President, a Vice Chairman of the Board, a Vice Chairman, any member of the Management Committee, any Executive Vice President, the Chief Financial Officer, the Chief Credit Officer, the Secretary, any Senior Vice President, any Vice President, any Managing Director or any other officer who the Secretary or any Assistant Corporate Secretary certifies as having a functional title or official status which is equivalent to any of the foregoing, and the seal of this Bank may be affixed to any thereof and attested by the Secretary, any Assistant Corporate Secretary, any Vice President or any Assistant Secretary;

RESOLVED that powers of attorney may be executed on behalf of this Bank by the Chairman of the Board, the Chief Executive Officer, the President, a Vice Chairman of the Board, a Vice Chairman, any member of the Management Committee, any Executive Vice President, the Chief Financial Officer, the Chief Credit Officer, the Secretary, any Senior Vice President, and by any Managing Director having a rank equivalent to Senior Vice President.

I further certify that Peter J. Coghill is a Vice President of The Chase Manhattan Bank and is empowered to act in conformity with the above resolutions.

WITNESS my hand and the seal of The Chase Manhattan Bank as of this 30th day of April 2001.

/s/ Jean E. Rugani

Jean E. Rugani

AMENDMENT NO. 1
TO THE
TRUST AGREEMENT FOR
CARPENTER TECHNOLOGY CORPORATION
NON-QUALIFIED EMPLOYEE BENEFITS TRUST

Pursuant to the power reserved to it in Section 8.01 of the Trust Agreement for Carpenter Technology Corporation Non-Qualified Employee Benefits Trust (the "Employee Trust Agreement"), Carpenter Technology Corporation hereby amends the Trust Agreement, effective October 28, 2002, as follows:

1. **Section 1.01(c) is hereby amended in its entirety to read as follows:**

"(a) "Benefits" shall mean, with respect to each Participant, the benefits payable to or in respect of that Participant pursuant to the applicable Plan listed on Exhibit A. Following notice to the Trustee that a Change in Control or a Potential Change in Control has occurred, "Benefits" shall include only those listed as 1 through 5 on Exhibit A."

2. **Section 1.01 (l) is hereby amended in its entirety to read as follows:**

"(b) "Plan" shall mean any plan listed on Exhibit A hereto, as in effect from time to time, including benefit obligations authorized by the Pension Board. "Plans" shall mean all such plans. Following notice to the Trustee that a Change in Control or a Potential Change in Control has occurred, "Plan" and "Plans" shall include only those listed as 1 through 5 on Exhibit A."

3. **Section 3.01 is hereby amended in its entirety to read as follows:**

"Section 3.01 Definition of Change in Control. For purposes of this Trust, a "Change in Control" of the Company shall be deemed to have occurred if:

(a) The acquisition by any individual, entity or group [within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")] (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then-outstanding shares of common stock of Carpenter Technology Corporation (the "Outstanding Company Common Stock") or (B) the combined voting power of the then-outstanding voting securities of Carpenter Technology Corporation entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); *provided, however*, that, for purposes of this Section 3.01, the following acquisitions shall not constitute a Change in Control of the Corporation: (i) any acquisition directly from Carpenter Technology Corporation, (ii) any acquisition by Carpenter Technology Corporation, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Carpenter Technology Corporation or any affiliated company or (iv) any acquisition by any corporation pursuant to a transaction that complies with Sections 3.01(c)(1), 3.01(c)(2) and 3.01 (c)(3);

(b) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; *provided, however*, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by Carpenter Technology Corporation's stockholders, was approved by a vote of at least a majority of

the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) consummation of a reorganization, merger, consolidation or sale or other disposition of all or substantially all of the assets of Carpenter Technology Corporation or the acquisition of the assets or stock of another entity (a "Business Combination"), in each case, unless, following such Business Combination, (1) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that, as a result of such transaction, owns Carpenter Technology Corporation or all or substantially all of Carpenter Technology Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (2) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of Carpenter Technology Corporation or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (3) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(d) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company."

4. Section 4.01 (b) is hereby amended in its entirety to read as follows:

"(b) Upon the occurrence of a Potential Change in Control, the Company, if it so chooses, will deliver to the Trustee cash and/or marketable securities having a fair market value in an amount equal to (1) a reasonable allowance, as determined by the Trustee, for expenses expected to be necessary to administer the Trust until its exhaustion (including Trustee compensation and any amounts the Trustee is expected to pay pursuant to Section 6.02) and (2) the sum of the amounts, determined by an actuary selected by the Company, which will be sufficient to fund fully the Company's and its Affiliates' obligations to pay to the Participants the full amount of all Benefits to which they may become entitled pursuant to the Plans. The actuarial basis employed by such actuary shall include the following assumptions: no interest will be earned on plan assets; salaries will increase at the rate of 10% per annum; there will be no changes in any of the plans; any dollar limitations imposed on the underlying qualified plans will remain constant; and, an employee will be assumed to terminate employment at such time as to maximize his benefits under the Plans but not later than age 65. Any such contribution shall be identified to the Trustee, by the Company, as a Section 4.01(b) contribution."

5. Section 4.01 (e) is hereby amended in its entirety to read as follows:

"(e) In the event that the Trust is overfunded, any amount of such assets constituting the overfunding shall or, following notice to the Trustee that a Change in Control or Potential Change in Control has occurred, may:

(1) first, be transferred to the Carpenter Technology Corporation Non-Qualified Benefits Trust for Directors ("the Directors Trust") until the Directors Trust becomes overfunded; and

(2) second, only if the Trustee has not received notice that a Change in Control or a Potential Change in Control has occurred, be returned to the Company.”

6. Section 4.01 (f) is hereby amended in its entirety to read as follows:

“(f) For the purposes of Section 4.01(e), above, the Trust is “overfunded” when the amount of assets held in the Trust Fund exceed 110% of the present value of the future benefits expected to be paid under the Plans. The present value of future benefits shall be calculated as the projected benefit obligation method (“PBO”), as described in Statement No. 87 of the Financial Accounting Standards Board, except that projected service will be taken into account as if accrued. The present value shall be calculated using the actuarial assumptions used to determine the Company’s pension expense for the General Retirement Plan for Employees of Carpenter Technology Corporation, except that the discount rate shall be adjusted to the extent that assets held by the Trust are subject to tax. The determination of whether the Trust is overfunded shall be made by a qualified actuary selected by the Human Resources Committee.”

7. Section 5.02(b) is hereby amended in its entirety to read as follows:

“(b) If at any time the Committee or, if Section 5.01(b) applies, the Trustee determines that the amount allocated to the Account of any Participant exceeds the amount reasonably expected to be necessary to provide the Benefits payable in respect of such Participant from such Account, such excess may be reallocated to the Accounts of other Participants or held as part of the unallocated Fund, as determined by the Committee or Trustee. If at any time prior to a Change in Control the Committee determines that the Benefits in respect of all Participants have been paid in full, the Committee shall so notify the Trustee in writing.”

8. Exhibit A is hereby amended by appending the following additional plans to those listed:

- “6. PPO (Preferred Provider Organization) contract with Capital Blue Cross providing employee and dependent health care generally, including any successor contract or assignment.
7. Southland Life Insurance Company stop-loss contract related to item 6 above, including any successor contract or assignment.
8. PPO (Preferred Provider Organization)/Point-of-Service insured contract with Capital Blue Cross providing employee and dependent health care at Shalmet Corporation, including any successor contract or assignment.
9. Highmark Blue Cross contract that provides employee and dependent health care for Dynamet Incorporated with stop-loss provisions, including any successor contract or assignment.
10. Kaiser Permanente contract that provides employee CAC (Auburn) CSPC Parmatech, including any successor contract or assignment.
11. Pennsylvania Dental Service Corporation (d/b/a Delta Dental of Pennsylvania) contract that provides employee, limited pensioner and dependent dental care, including any successor contract or assignment.
12. TDI Managed Care Services, Inc. (d/b/a Eckerd Health Services) contract that provides employee, limited pensioner and dependent prescription drug coverage, including any successor contract or assignment.

13. Hartford Life and Accident Insurance Company contract that provides employee, pensioner and dependent life insurance, including any successor contract or assignment.

14. Any administrative fees associated with a pension plan that is qualified under Code section 401 (a) and sponsored by the Company.”

9. **Global update of the name for the former Chase Manhattan Bank and Trustee:**

All references in the Trust Agreement to The Chase Manhattan Bank are hereby changed to JP Morgan Chase Bank and all references to the Trustee are hereby changed to, and shall be construed as meaning and pertaining to JP Morgan Chase Bank and read accordingly.

To record the adoption of this Amendment No. 1 to the Employee Trust Agreement, Carpenter Technology Corporation has caused its corporate name and seal to be hereunto affixed this 31st day of December, 2002.

[CORPORATE SEAL]

CARPENTER TECHNOLOGY CORPORATION

Attest: /s/ David A. Christiansen

By: /s/ Jaime Vasquez

To record the consent of the Trustee to this Amendment No. 1 to the Employee Trust Agreement, the Chase Manhattan Bank has caused its corporate name and seal to be hereunto affixed this 6 day of January, 2003.

[CORPORATE SEAL]

THE CHASE MANHATTAN BANK

Attest: ILLEGIBLE

By: /s/ Peter. J. Coghil

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (“Agreement”) is made as of _____, _____ by and between Carpenter Technology Corporation a Delaware corporation, and _____ (“Indemnitee”).

RECITALS

WHEREAS, highly competent persons have become more reluctant to serve publicly-held corporations as directors or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation.

WHEREAS, the Restated Certificate of Incorporation and Bylaws of the Company require indemnification of the officers and directors of the Company, and Indemnitee may also be entitled to indemnification pursuant to the Delaware General Corporation Law (“DGCL”).

WHEREAS, the Board of Directors of the Company (the “Board”) has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities.

WHEREAS, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons.

WHEREAS, the Board has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company’s stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future.

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified.

WHEREAS, this Agreement is a supplement to and in furtherance of the Restated Certificate of Incorporation and Bylaws of the Company and any resolutions adopted pursuant thereto and any liability insurance, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

WHEREAS, Indemnitee does not regard the protection available under the Company’s Restated Certificate of Incorporation, Bylaws and insurance as adequate in the present circumstances, and may not be willing to serve as an officer or director without adequate protection, and the Company desires Indemnitee to serve in such capacity. Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that he be so indemnified;

NOW, THEREFORE, in consideration of the promises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

1. **Services to the Company.** Indemnitee will serve or continue to serve, at the will of the Company, as an officer, director or key employee of the Company for so long as Indemnitee is duly elected or appointed or until Indemnitee tenders his or her resignation; however, this Agreement shall not impose any obligation on Indemnitee or the Company to continue Indemnitee's service to the Company beyond any period otherwise required by law or by other agreements or commitments or the parties, if any.

2. **Definitions.** As used in this Agreement

(a) A "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

(i) Acquisition of Stock by Third Party. Any Person (as defined below) or group (within the meaning of Section 13(d)(3) and Section 14(d)(2) of the Exchange Act, or any successor provision) is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities;

(ii) Change in Board of Directors. During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board, and any director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(a)(i), 2(a)(iii) or 2(a)(iv)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a least a majority of the members of the Board;

(iii) Corporate Transactions. The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), in substantially the same proportions as their current ownership of stock, more than 51% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such surviving entity;

(iv) Liquidation. The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets other than such a sale or disposition to an entity in

which the Company or its shareholders continue to own after such a sale at least 51% of the total voting power represented by the voting securities of such entity in substantially the same proportions as their then current ownership of stock of the Company and have the power to elect at least a majority of the board of directors or other governing body of such surviving entity; and

(v) Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar item on any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the Company is then subject to such reporting requirement.

For purposes of this Section 2(a), the following terms shall have the following meanings:

(A) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(B) "Person" means an individual, entity, partnership, limited liability company, corporation, association, joint stock company, trust, joint venture, unincorporated organization, and a governmental entity or any department agency or political subdivision thereof; provided, however, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(C) "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act.

(b) "Company" shall mean Carpenter Technology Corporation, and shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees, trustees, fiduciaries or agents, so that if Indemnitee is or was a director, officer, employee, trustee, fiduciary or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee, trustee, fiduciary or agent of another corporation, partnership, joint venture, trust employee benefit program or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

(c) “Corporate Status” describes the status of a person who is or was a director, officer, employee, agent, trustee or fiduciary of the Company or of any other corporation, partnership or joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the request of the Company.

(d) “Disinterested Director” means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(e) “Enterprise” shall mean the Company and any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, employee, agent, trustee or fiduciary.

(f) “Expenses” shall mean all retainers, court costs, transcript costs, fees of experts, witness fees, private investigators, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, fax transmission charges, secretarial services, delivery service fees, reasonable attorneys’ fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding or in connection with seeking indemnification under this Agreement. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee

(g) “Losses” shall mean all loss, liability, judgments, damages, amounts paid in settlement, fines, penalties, interest, assessments, other charges or, with respect to an employee benefit plan, excise taxes or penalties assessed with respect thereto.

(h) Reference to “other enterprise” shall include employee benefit plans; references to “fines” shall include any excise tax assessed with respect to any employee benefit plan; references to “serving at the request of the Company” shall include any service as a director, officer, employee, trustee, fiduciary or agent of the Company which imposes duties on, or involves services by, such director, officer, employee, trustee, fiduciary or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the Company” as referred to under applicable law.

(i) The term “Proceeding” shall include any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, including any and all appeals, whether brought in the right of the Company or

otherwise and whether of a civil, criminal, administrative or investigative nature and whether formal or informal, in which Indemnitee was, is or will be involved as a party or otherwise by reason of or relating to the fact that Indemnitee is or was a director, officer, employee, agent, trustee or fiduciary of the Company, by reason of or relating to any action taken by him or of any action on his part while acting as director, officer, employee, agent, trustee or fiduciary of the Company, or by reason of the fact that he is or was serving at the request of the Company as a director, officer, employee, agent or fiduciary of another Enterprise, in each case whether or not serving in such capacity at the time any Loss or Expense is incurred for which indemnification, reimbursement, or advancement of Expenses can be provided under this Agreement, including one initiated by a Indemnitee to enforce his rights under this Agreement.

(j) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of relevant corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses and Losses arising out of or relating to this Agreement or its engagement pursuant hereto.

(k) For purposes of Sections 3 and 4, the meaning of the phrase "to the fullest extent permitted by law" shall include, but not be limited to:

- A. to the fullest extent permitted by Section 145 of the DGCL or any section that replaces or succeeds Section 145 with respect to such matters of the DGCL, and
- B. to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which a corporation may indemnify its officers, directors, employees, agents, trustees, fiduciaries and other persons acting or serving at the Company's request.

3. Indemnity in Third-Party Proceedings. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee was or is, or was or is threatened to be made, a party to or a witness or participant in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified against all Expenses and Losses to the fullest extent permitted under law.

4. Indemnity in Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee was or is, or was or is threatened to be made, a party to or a participant in any Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnitee shall be indemnified against all Expenses and Losses actually and reasonably incurred or suffered by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein to the fullest extent permitted under law. No indemnification for Expenses shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that the Delaware Court of Chancery or any court in which the Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification.

5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the extent that Indemnitee was or is a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter and any claim, issue or matter related to any claim, issue, or matter on which the Indemnitee was successful. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

6. Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a witness in any Proceeding to which Indemnitee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

7. Exclusions. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

(a) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision; or

(b) for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of state statutory law or common law; or

(c) in connection with any Proceeding (or any part of any Proceeding) initiated or brought voluntarily by Indemnitee prior to a Change of Control against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board of Directors of the Company authorized the Proceeding (or any part of any Proceeding) prior to its initiation, (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

8. Advances of Expenses. Notwithstanding any provision of this Agreement to the contrary, the Company shall advance the Expenses incurred by Indemnitee in connection with any Proceeding for which indemnification is or may be available pursuant to this Agreement within 20 days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest free. Advances shall be made without regard to Indemnitee's ability to repay the Expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. Advances shall include any and all Expenses incurred pursuing an action to enforce this right of advancement, including Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. The Indemnitee shall qualify for advances solely upon the execution and delivery to the Company of an undertaking providing that the Indemnitee undertakes to repay the advance to the extent that it is ultimately determined pursuant to Section 11(a) that Indemnitee is not entitled to be indemnified by the Company in respect thereof.

9. Selection of Counsel. In the event the Company is obligated under Section 8 hereof to pay, and pays the Expenses of any Proceeding against Indemnitee, the Company, if appropriate, shall be entitled to assume the defense of such Proceeding, with counsel approved by Indemnitee, which approval shall not be unreasonably withheld, upon the delivery to Indemnitee of written notice of its election so to do. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same Proceeding, provided that (i) Indemnitee shall have the right to employ his counsel in any such Proceeding at Indemnitee's expense; and (ii) if (A) the employment of counsel by Indemnitee has been previously authorized by the Company, (B) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense, or (C) the Company shall not, in fact, have employed counsel approved by the Indemnitee to assume the defense of such Proceeding, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

10. Procedure for Notification and Defense of Claim.

(a) Indemnitee shall, as a condition precedent to his right to be indemnified under this Agreement, give the Company notice in writing as soon as practicable of any claim made against Indemnitee for which indemnification will or could be sought under this Agreement, provided however, that a delay in giving such notice shall not deprive Indemnitee of any right to be indemnified under this Agreement unless, and then only to the extent that, such delay is materially prejudicial to the defense of such

claim. The omission to notify the Company will not relieve the Company from any liability for indemnification which it may have to Indemnitee otherwise than under this Agreement. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification.

(b) The Company will be entitled to participate in any Proceeding at its own expense.

11. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 10(a), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee; or (ii) if a Change in Control shall not have occurred, (A) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (B) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, or (C) if there are no such Disinterested Directors or, if such Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee; and, if it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 11(a) hereof, the Independent Counsel shall be selected as provided in this Section 11(b). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board of Directors, and the Company shall give written notice to Indemnitee advising him of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board of Directors, in which event the preceding sentence shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within 10 days after such

written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of “Independent Counsel” as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within 20 days after submission by Indemnitee of a written request for indemnification pursuant to Section 10(a) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition a court of competent jurisdiction for resolution of any objection which shall have been made by the Company or Indemnitee to the other’s selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 11(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 13(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

12. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or independent legal counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or independent legal counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) If the person, persons or entity empowered or selected under Section 11 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee’s statement not materially

misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 12(b) shall not apply if the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 11(a) of this Agreement.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not meet any applicable standard of conduct under applicable law (or did or did not hold any particular state of knowledge referred to under applicable law).

(d) Reliance as Safe Harbor. For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected with the reasonable care by the Enterprise. The provisions of this Section 12(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement.

(e) Actions of Others. The knowledge and/or actions, or failure to act, of any director, officer, agent, trustee, fiduciary or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

13. Remedies of Indemnitee.

(a) In the event that (i) a determination is made pursuant to Section 11 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 8 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 11(a) of this Agreement within 30 days after receipt by the Company of the request for indemnification, or (iv) payment of indemnification is not made pursuant to Section 3, 4 or 5 or the last sentence of Section 11(a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor, or, if a determination is required by law, within ten (10) days after a

determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication (or, in the case of clause (i), to seek an adjudication) by the Delaware Court or by any court in the State of Pennsylvania of his entitlement to such indemnification or advancement of Expenses; provided, that nothing contained in this Section 13 shall be deemed to limit Indemnitee's rights under Section 12(b). Alternatively, Indemnitee, at his option, may seek an award in binding arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 13 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 13 the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

(c) If a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 13, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 13 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. The Company shall indemnify Indemnitee against any and all Expenses and, if requested by Indemnitee, shall (within ten (10) days after receipt by the Company of a written request therefore) advance such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for indemnification or advance of Expenses from the Company under this Agreement, under the Company's certificate of incorporation or bylaws as in effect from time to time or under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of Expenses or insurance recovery, as the case may be.

14. Non-exclusivity; Survival of Rights; Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to

which Indemnitee may at any time be entitled under applicable law, the Company's Restated Certificate of Incorporation, the Company's Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Company's Restated Certificate of Incorporation, Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) The Company shall, from time to time, make the good faith determination whether or not it is practicable for the Company to obtain and maintain a policy or policies of insurance with reputable insurance companies providing the directors, officers, employees, trustees, fiduciaries and agents of the Company with coverage for losses from wrongful acts, or to ensure the Company's performance of its indemnification obligations under this Agreement. Among other considerations, the Company will weigh the costs of obtaining such insurance coverage against the protection afforded by such coverage. To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, trustees, fiduciaries and agents of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person serves at the request of the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee, trustee, fiduciary or agent under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company shall not be liable under this Agreement to make any

payment of amounts otherwise indemnifiable (or for which advancement is provided hereunder) hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise

(e) The Company's obligation to indemnify or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, employee, trustee, fiduciary or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise.

15. **Settlement.** (a) The Company shall have no obligation to indemnify Indemnitee under this Agreement for any amounts paid in settlement of any Proceeding by the Indemnitee effected without the Company's prior written consent.

(b) The Company shall not, without the prior written consent of Indemnitee, consent to the entry of any judgment against Indemnitee or enter into any settlement or compromise which (i) includes an admission of fault of Indemnitee, any non-monetary remedy affecting or obligation of Indemnitee, or Monetary Loss for which Indemnitee is not indemnified hereunder or (ii) with respect to any Proceeding with respect to which Indemnitee may be or is made a party, witness or participant or may be or is otherwise entitled to seek indemnification hereunder, does not include, as an unconditional term thereof, the full release of Indemnitee from all liability in respect of such Proceeding, which release shall be in form and substance reasonably satisfactory to Indemnitee.

(c) Neither the Company nor Indemnitee shall unreasonably withhold their consent to any proposed settlement.

16. **Duration of Agreement.** This Agreement shall continue until and terminate upon the later of: (a) 10 years after the date that Indemnitee shall have ceased to serve as a director or officer of the Company or as a director, officer, employee, trustee, fiduciary or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which Indemnitee served at the request of the Company; or (b) 1 year after the final termination of any Proceeding, including any and all appeals, then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 13 of this Agreement relating thereto.

17. **Successors and Assigns.** This Agreement shall be binding upon the Company and its successors and assigns and shall inure to the benefit of Indemnitee and his heirs, executors and administrators.

18. **Severability.** If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal

or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

19. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director or officer of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

20. Effectiveness of Agreement. This Agreement shall be effective as of the date set forth on the first page and may apply to acts or omissions of Indemnitee which occurred prior to such date if Indemnitee was an officer, director, employee, trustee, fiduciary or other agent of the Company, or was serving at the request of the Company as a director, officer, employee, trustee, fiduciary or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, at the time such act or omission occurred.

21. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties thereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

22. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

23. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (a) if delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, or (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide to the Company.

(b) If to the Company to

Carpenter Technology Corp
1047 North Park Road Wyomissing, PA 19610
Attention: General Counsel

or to any other address as may have been furnished to Indemnitee by the Company.

24. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for Losses and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees, trustees, fiduciaries and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

25. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration or proceeding commenced by Indemnitee pursuant to Section 13(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the "Delaware Court"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (iv) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

26. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

27. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof. The term including shall mean including without limitation.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

CARPENTER TECHNOLOGY CORPORATION

INDEMNITEE

By: _____

Name:
Office:

Name:
Address:

AMENDMENT NO. 2
TO THE
TRUST AGREEMENT FOR
CARPENTER TECHNOLOGY CORPORATION
NON-QUALIFIED BENEFITS TRUST FOR DIRECTORS

Pursuant to the power reserved to it in Section 8.01 of the Trust Agreement for Carpenter Technology Corporation Non-Qualified Benefits Trust for Directors (the "Directors Trust Agreement"), Carpenter Technology Corporation hereby amends the Trust Agreement, effective January 23, 2003, as follows:

1. **Section 6.04(b) is hereby amended in its entirety to read as follows:**

"(b) The Trustee shall incur no liability to any person in discharging its duties hereunder for any action taken or omitted in good faith in conformity with the terms of this Trust Agreement, or for the acts or omissions of persons hired pursuant to Section 2.06(a), provided that the Trustee selects and supervises such persons with reasonable care. Each direction, notice, request or approval provided (whether or not certified to the Trustee in writing) by the Company, the Pension Board, or the Committee, shall constitute a certification by the Company to the Trustee that such direction is in conformity with the terms of the Plan and applicable law. Under no circumstances shall the Trustee incur liability to any person for any indirect, consequential or special damages (including, without limitation, lost profits) of any form, whether or not foreseeable and regardless of the form of the action in which such a claim may be brought, with respect to the Trust or its role as Trustee, except as otherwise required by ERISA or New York State law."

To record the adoption of this Amendment No. 2 to the Directors Trust Agreement, Carpenter Technology Corporation has caused its corporate name and seal to be hereunto affixed this 10th day of January, 2003.

[CORPORATE SEAL]

CARPENTER TECHNOLOGY CORPORATION

Attest: /s/ David A. Christiansen

By: /s/ Jaime Vasquez

To record the consent of the Trustee to this Amendment No. 2 to the Directors Trust Agreement, JP Morgan Chase Bank has caused its corporate name and seal to be hereunto affixed this 15 day of January, 2003.

[CORPORATE SEAL]

JP MORGAN CHASE BANK

Attest: ILLEGIBLE

By: /s/ Peter. J. Coghill

JP Morgan Chase Bank

Office of the Secretary

270 Park Avenue, 35th floor

New York, NY 10017-2070

I, Jean E. Rugani, an Assistant Corporate Secretary of JP Morgan Chase Bank (formerly known as The Chase Manhattan Bank), hereby certify that the following is a true and correct copy of resolutions adopted at a meeting of the Board of Directors of Chemical Bank, now known as JP Morgan Chase Bank (the "Bank"), a New York state chartered bank, on the 19th day of March 1996, which meeting was properly called and held and at which a quorum was present and voted in favor of said resolutions. I further certify that the said resolutions, at the date hereof, are still in full force and effect.

RESOLVED that loan agreements, contracts, indentures, mortgages, deeds, releases, conveyances, assignments, transfers, certificates, certifications, declarations, leases, discharges, satisfactions, settlements, petitions, schedules, accounts, affidavits, bonds, undertakings, guarantees, proxies, requisitions, demands, proofs of debt, claims, records, notes signifying indebtedness of this Bank, and any other contracts, instruments or documents in connection with the conduct of the business of this Bank, whether or not specified in the foregoing resolutions may be signed, executed, acknowledged, verified, delivered or accepted on behalf of this Bank by the Chairman of the Board, the Chief Executive Officer, the President, a Vice Chairman of the Board, a Vice Chairman, any member of the Executive Committee, any Executive Vice President, the Chief Financial Officer, the Chief Credit Officer, the Secretary, any Senior Vice President, any Vice President, any Managing Director or any other officer who the Secretary or any Assistant Corporate Secretary certifies as having a functional title or official status which is equivalent to any of the foregoing, and the seal of this Bank may be affixed to any thereof and attested by the Secretary, any Assistant Corporate Secretary, any Vice President or any Assistant Secretary;

RESOLVED that powers of attorney may be executed on behalf of this Bank by the Chairman of the Board, the Chief Executive Officer, the President, a Vice Chairman of the Board, a Vice Chairman, any member of the Executive Committee, any Executive Vice President, the Chief Financial Officer, the Chief Credit Officer, the Secretary, any Senior Vice President, and by any Managing Director having a rank equivalent to Senior Vice President.

I further certify that Peter J. Coghill is a Vice President of the JP Morgan Chase Bank and is empowered to act in conformity with the above resolutions.

WITNESS my hand and the seal of JP Morgan Chase Bank as of this 16th day of April 2002.

/s/ Jean E. Rugani

Jean E. Rugani

AMENDMENT NO. 1
TO THE
TRUST AGREEMENT FOR
CARPENTER TECHNOLOGY CORPORATION
NON-QUALIFIED BENEFITS TRUST FOR DIRECTORS

Pursuant to the power reserved to it in Section 8.01 of the Trust Agreement for Carpenter Technology Corporation Non-Qualified Benefits Trust for Directors (the "Trust Agreement"), Carpenter Technology Corporation hereby amends the Trust Agreement, effective October 28, 2002, as follows:

1. **Section 3.01 is hereby amended in its entirety to read as follows:**

"Section 3.01 Definition of Change in Control. For purposes of this Trust, a "Change in Control" of the Company shall be deemed to have occurred if:

(a) The acquisition by any individual, entity or group [within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")] (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then-outstanding shares of common stock of Carpenter Technology Corporation (the "Outstanding Company Common Stock") or (B) the combined voting power of the then-outstanding voting securities of Carpenter Technology Corporation entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); *provided, however*, that, for purposes of this Section 3.01, the following acquisitions shall not constitute a Change in Control of the Corporation: (i) any acquisition directly from Carpenter Technology Corporation, (ii) any acquisition by Carpenter Technology Corporation, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Carpenter Technology Corporation or any affiliated company or (iv) any acquisition by any corporation pursuant to a transaction that complies with Sections 3.01(c)(1), 3.01(c)(2) and 3.01 (c)(3);

(b) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; *provided, however*, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by Carpenter Technology Corporation's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) consummation of a reorganization, merger, consolidation or sale or other disposition of all or substantially all of the assets of Carpenter Technology Corporation or the acquisition of the assets or stock of another entity (a "Business Combination"), in each case, unless, following such Business Combination, (1) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that,

as a result of such transaction, owns Carpenter Technology Corporation or all or substantially all of Carpenter Technology Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (2) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of Carpenter Technology Corporation or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (3) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(d) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.”

2. Section 4.01 (b) is hereby amended in its entirety to read as follows:

“(b) Upon the occurrence of a Potential Change in Control, the Company, if it so chooses, will deliver to the Trustee cash and/or marketable securities having a fair market value in an amount equal to (1) a reasonable allowance, as determined by the Trustee, for expenses expected to be necessary to administer the Trust until its exhaustion (including Trustee compensation and any amounts the Trustee is expected to pay pursuant to Section 6.02) and (2) the sum of the amounts, determined by an actuary selected by the Company, which will be sufficient to fund fully the Company's and its Affiliates' obligations to pay to the Participants the full amount of all Benefits to which they may become entitled pursuant to the Plans. The actuarial basis employed by such actuary shall include the following assumptions: no interest will be earned on plan assets; Directors' fees will increase at the rate of 10% per annum; there will be no change in the plan; any dollar limitations imposed on the underlying qualified plans will remain constant; and, a Director will be assumed to terminate at such time as to maximize his benefits under the Plans but not later than age 70. Any such contribution shall be identified to the Trustee, by the Company, as a Section 4.01(b) contribution.”

3. Section 4.01 (e) is hereby amended in its entirety to read as follows:

“(e) In the event that the Trust is overfunded, any amount of such assets constituting the overfunding shall or, following notice to the Trustee that a Change in Control or Potential Change in Control has occurred, may:

(1) first, be transferred to the Carpenter Technology Corporation Non-Qualified Employee Benefits Trust (“the Employees' Trust”) until the Employees' Trust becomes overfunded; and

(2) second, only if the Trustee has not received notice that a Change in Control or a Potential Change in Control has occurred, be returned to the Company.”

4. Section 5.02(b) is hereby amended in its entirety to read as follows:

“(b) If at any time the Committee or, if Section 5.01(b) applies, the Trustee determines that the amount allocated to the Account of any Participant exceeds the amount reasonably expected to be necessary to provide the Benefits payable in respect of such Participant from such Account, such excess may be reallocated to the Accounts of other Participants or held as part of the unallocated Fund, as determined by the Company or Trustee. If at any time prior to a Change in Control the Committee determines that the Benefits in respect of all Participants have been paid in full, the Committee shall so notify the Trustee in writing.”

5. **Global update of the name for the former Chase Manhattan Bank and Trustee:**

All references in the Trust Agreement to The Chase Manhattan Bank are hereby changed to JP Morgan Chase Bank and all references to the Trustee are hereby changed to, and shall be construed as meaning and pertaining to JP Morgan Chase Bank and read accordingly.

To record the adoption of this Amendment No. 1 to the Trust Agreement, Carpenter Technology Corporation has caused its corporate name and seal to be hereunto affixed this 31st day of December, 2002.

[CORPORATE SEAL]

CARPENTER TECHNOLOGY CORPORATION

Attest: /s/ David A. Christiansen

By: /s/ Jaime Vasquez

To record the consent of the Trustee to this Amendment No. 1 to the Trust Agreement, the Chase Manhattan Bank has caused its corporate name and seal to be hereunto affixed this 6 day of January, 2003.

[CORPORATE SEAL]

THE CHASE MANHATTAN BANK

Attest: ILLEGIBLE

By: /s/ Peter. J. Coghill

FIVE-YEAR
REVOLVING
CREDIT AGREEMENT

dated as of August 31, 2005

among

CARPENTER TECHNOLOGY CORPORATION,
as a Borrower and as Guarantor,

VARIOUS DESIGNATED SUBSIDIARY BORROWERS,
THE LENDERS FROM TIME TO TIME PARTY HERETO,

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Administrative Agent, Issuing Lender and Swingline Lender,

and

JPMORGAN CHASE BANK, N.A.

and

PNC BANK, NATIONAL ASSOCIATION,
as Syndication Agents

and

MANUFACTURERS AND TRADERS TRUST COMPANY,
as Documentation Agent

WACHOVIA CAPITAL MARKETS, LLC
Sole Lead Arranger and Sole Book Runner

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**FIVE-YEAR REVOLVING
CREDIT AGREEMENT**

THIS FIVE-YEAR REVOLVING CREDIT AGREEMENT is dated as of August 31, 2005 and is among **CARPENTER TECHNOLOGY CORPORATION**, a Delaware corporation (“Carpenter”), the Subsidiary Borrowers (as hereinafter defined) from time to time party hereto, the banks and other financial institutions from time to time party hereto (the “Lenders”), and **WACHOVIA BANK, NATIONAL ASSOCIATION**, as Administrative Agent, Issuing Lender and Swingline Lender.

Carpenter has requested the Lenders to provide a revolving credit facility to Carpenter and certain designated Subsidiary Borrowers in the aggregate principal amount of \$150,000,000 for the purposes hereinafter set forth. The Lenders are willing to make the requested credit facility available to the Borrowers on the terms and conditions set forth herein. Accordingly, in consideration of the mutual agreements set forth herein, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

Section 1.01 **Defined Terms.** As used in this Agreement, the following terms shall have the meanings set forth below:

“Absolute Rate Auction” means a solicitation of Competitive Bids setting forth Competitive Bid Absolute Rates pursuant to **Section 2.03** for Competitive Bid Loans in Dollars.

“Absolute Rate Bid Loan” means a Competitive Bid Loan made by a Lender pursuant to an Absolute Rate Auction.

“Additional Letter of Credit” means any letter of credit issued hereunder by an Issuing Lender on or after the Closing Date.

“Administrative Agent” means Wachovia Bank, National Association, in its capacity as administrative agent for the Lenders hereunder and under the other Loan Documents, and its successor or successors in such capacity.

“Administrative Agent’s Office” means (i) for all purposes other than as specified in clause (ii) below, the office of the Administrative Agent designated as its “Payment Office for Dollar-Denominated Loans” on **Schedule 10.02** and (ii) in the case of Alternative Currency Loans, the office of the Correspondent, or in each case such other address and account as the Administrative Agent may from time to time designate to Carpenter and the Lenders.

“Administrative Questionnaire” means an Administrative Questionnaire in a form supplied by the Administrative Agent.

“Affiliate” means, as to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. A Person shall be deemed to be “controlled by” any other Person if such other Person possesses, directly or

indirectly, power (i) to vote 10% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managing general partners or (ii) to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise; provided, however, that in no case shall the Administrative Agent or any Lender (by reason of its capacity as such) be deemed an Affiliate of any Borrower.

“Agent-Related Persons” means the Administrative Agent, together with its Affiliates, and the officers, directors, employees, agents, advisors and attorneys-in-fact of the Administrative Agent and its Affiliates.

“Agreement” means this Agreement, as amended, restated, supplemented or otherwise modified from time to time.

“Agreement Currency” has the meaning set forth in **Section 2.16**.

“Alternative Currency” means at any time any of the respective lawful currencies of the United Kingdom, Canada, Sweden and the European Economic Union, and such other currencies as Carpenter and the Administrative Agent may mutually agree from time to time, so long as at such time (i) such currency is dealt in the London interbank deposit market or, in the case of Euros, the European interbank deposit market, (ii) such currency is fully transferable and convertible into Dollars in the London foreign exchange market or, in the case of Euros, the European foreign exchange market and (iii) no central bank or other governmental authorization in the country of issue of such currency is required to permit the use of such currency by any Lender for making or maintaining any Loan hereunder and/or to permit the applicable Borrower to borrow and repay the principal thereof and to pay the interest thereon, unless such authorization has been obtained and is in full force and effect.

“Alternative Currency Loan” means a Committed Loan or a Competitive Bid Loan, as the case may be, that is made in an Available Alternative Currency in accordance with the applicable Notice of Borrowing or Competitive Bid Quote Request, as the case may be.

“Applicable Foreign Obligor Documents” has the meaning specified in **Section 5.18(a)**.

“Applicable Interbank Offered Rate” for any Eurocurrency Loan for the Interest Period applicable thereto means:

(a) the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate that appears on the page of the Telerate screen (or any successor thereto) that displays the average British Bankers Association Interest Settlement Rate for deposits in the relevant currency (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period; or

(b) if the rate referenced in clause (a) above does not appear on such page or service or such page or service shall cease to be available, the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate that appears on such other page or service that displays an average British Bankers Association Interest Settlement Rate for deposits in the relevant currency (for delivery on the first day of such Interest Period) with a term

equivalent to such Interest Period, determined as of approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period; or

(c) if the rates referenced in the preceding clauses (a) and (b) are not available, the rate per annum determined by the Administrative Agent as the rate of interest (rounded upwards to the next 1/16th of 1%) at which deposits in the relevant currency for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurocurrency Loan being made, continued or converted by Wachovia and with a term equivalent to such Interest Period would be offered by Wachovia's London branch to major banks in the offshore market for the relevant currency at their request at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period.

“Applicable Lending Office” means (i) with respect to any Lender and for each Class and Type of Loan, the “Lending Office” of such Lender (or of an Affiliate of such Lender) designated for such Class and Type of Loan in such Lender's Administrative Questionnaire or such other office of such Lender (or of an Affiliate of such Lender) as such Lender may from time to time specify to the Administrative Agent and the Borrowers as the office by which its Loans of such Class and Type are to be made and maintained; provided, that any Lender may from time to time by notice to the Borrowers and the Administrative Agent designate separate Lending Offices for Eurocurrency Loans in different currencies, in which case all references herein to the Applicable Lending Office of such Lender shall, with respect to its Eurocurrency Loans, be deemed to refer to any or all of such offices, as the context may require, and (ii) with respect to any Issuing Lender and for each Letter of Credit, the “Lending Office” of such Issuing Lender (or of an Affiliate of such Issuing Lender) designated on **Schedule 10.02** or such other office of such Issuing Lender (or of an Affiliate of such Issuing Lender) as such Lender may from time to time specify to the Administrative Agent and Carpenter as the office by which its Letters of Credit are to be issued and maintained.

“Applicable Percentage” means, from time to time, the appropriate applicable percentage set forth below corresponding to the better of (i) Carpenter's Ratings as determined below and (ii) the Debt to Capital Ratio as determined below:

<u>Pricing Level</u>	<u>Ratings or Debt to Capital Ratio</u>	<u>Applicable Percentage for Facility Fees</u>	<u>Applicable Percentage for Base Rate Loans</u>	<u>Applicable Percentage for Eurocurrency Loans and Letter of Credit Fees</u>	<u>Applicable Percentage for Utilization Fees</u>
Category A:	≥ A - / A3 or < 5%	0.08%	0.00%	0.27%	0.05%
Category B:	BBB+ / Baal or < 10% but ≥ 5%	0.10%	0.00%	0.35%	0.05%
Category C:	BBB / Baa2 or < 20% but ≥ 10%	0.125%	0.00%	0.425%	0.075%
Category D:	BBB- / Baa3 or < 30% but ≥ 20%	0.15%	0.00%	0.50%	0.10%
Category E:	< BBB- / Baa3 or ≥ 30%	0.20%	0.00%	0.80%	0.125%

Initially, each Applicable Percentage shall be based upon Carpenter's Ratings and Debt to Capital Ratio specified in the certificate delivered pursuant to **Section 4.01(d)(ii)** of this Agreement. Thereafter, each change in the Applicable Percentage shall be effective, (i) in the case of an upgrade in Carpenter's Ratings, during the period commencing on the date of delivery by Carpenter to the Administrative Agent of notice thereof pursuant to **Section 6.01(e)(ii)(G)** and ending on the date immediately preceding the effective date of the next such change, (ii) in the case of a downgrade in Carpenter's Ratings, during the period commencing on the date of the public announcement thereof and ending on the date immediately preceding the effective date of the next such change and (iii) in the case of any change in the Applicable Percentage resulting from a change in the Debt to Capital Ratio, such change shall become effective as of the first Business Day immediately following the date the officer's certificate is received by the Administrative Agent pursuant to **Section 6.01(c)**; provided, however, that if such certificate is not delivered when due in accordance with such Section, Category E pricing level shall apply during the period commencing on the date such certificate was required to have been delivered and ending on the date immediately preceding the date such certificate is delivered. In the event a rating differential of one level exists, Carpenter's Ratings shall be deemed to be the higher of the two ratings. In the event a rating differential of more than one level exists, Carpenter's Ratings shall be deemed to be one level below the higher of the two ratings.

"Approved Fund" means (i) with respect to any Lender, an entity (whether a corporation, partnership, limited liability company, trust or otherwise) that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by such Lender or an Affiliate of such Lender, (ii) with respect to any Lender that is a fund that invests in bank loans and similar extensions of credit, any other fund that invests in bank loans and similar extensions of credit and is managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor and (iii) any special purpose funding vehicle described in **Section 11.06(h)**.

"Arranger" means Wachovia Capital Markets, LLC and its successors.

"Assignment and Acceptance" means an Assignment and Acceptance, substantially in the form of **Exhibit C** hereto, under which an interest of a Lender hereunder is transferred to an Eligible Assignee pursuant to **Section 11.06(b)**.

"Assumption Agreement" means an assumption agreement in the form of **Exhibit F**.

"Attorney Costs" means all reasonable fees and disbursements of any law firm or other external counsel.

"Attributable Indebtedness" means, at any date (i) in respect of any Capital Lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, (ii) in respect of any Synthetic Lease

Obligation of any Person, the capitalized or principal amount of the remaining payments under the relevant lease or other agreement that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease or other agreement were accounted for as a Capital Lease and (iii) in respect of any Sale/Leaseback Transaction, the lesser of (A) the present value, discounted in accordance with GAAP at the debt rate implicit in the related lease, of the obligations of the lessee for rental payments over the remaining term of such lease (including any period for which such lease has been extended or may, at the option of the lessor be extended) and (B) the fair market value of the assets subject to such transaction.

“Available Alternative Currency” means at any time (i) in the case of Committed Loans, any Alternative Currency and any other currency (other than Dollars) that Carpenter requests, by notice to the Lenders through the Administrative Agent, be included as an additional Alternative Currency for purposes of this Agreement, in each case so long as at such time (A) such currency is dealt in the London interbank deposit market or the European interbank deposit market, (B) such currency is freely transferable and convertible into Dollars in the London foreign exchange market or the European foreign exchange market, as applicable, (C) no central bank or other governmental authorization in the country of issue of such currency is required to permit the use of such currency by any Lender for making any Loan hereunder and/or to permit the Borrowers to borrow and repay the principal thereof and to pay interest thereon, unless such authorization has been obtained and (D) no Lender shall have objected to the inclusion of such currency as an Available Alternative Currency by notice to Carpenter and the Administrative Agent given within five Business Days of such Lender’s receipt of the notice referred to above and (ii) in the case of Letters of Credit issued or to be issued by any Issuing Lender in any currency other than Dollars, any Alternative Currency or other currency approved by the Administrative Agent and such Issuing Lender.

“Bankruptcy Event” means, with respect to any Person, (i) a court or governmental agency having jurisdiction in the premises shall enter a decree or order for relief in respect of such Person in an involuntary case under any Debtor Relief Law now or hereafter in effect, or appoint a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of such Person or for any substantial part of its property or ordering the winding up or liquidation of its affairs, (ii) an involuntary case under any applicable Debtor Relief Law now or hereafter in effect is commenced against such Person and such petition remains unstayed and in effect for a period of 60 consecutive days, (iii) such Person shall commence a voluntary case under any applicable Debtor Relief Law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of such Person or any substantial part of its property or make any general assignment for the benefit of creditors or (iv) such Person shall admit in writing its inability to pay its debts generally as they become due or any action shall be taken by such Person in furtherance of any of the aforesaid purposes.

“Base Rate” means, for any day, a rate per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of 1/2 of 1% plus the Federal Funds Rate for such day. Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Rate shall be effective on the effective date of such change in the Prime Rate or the Federal Funds Rate.

“Base Rate Loan” means a Committed Loan (Syndicated or Swingline) which bears interest at the Base Rate pursuant to the applicable Notice of Committed Borrowing, Swingline Loan Request, Notice of Extension/Conversion or the provisions of **Article III**.

“Board” means the Board of Governors of the Federal Reserve System of the United States of America.

“Borrower” means, as applicable, (i) Carpenter and (ii) each Subsidiary of Carpenter which is designated as a Subsidiary Borrower after the Effective Date in accordance with **Section 2.18**, together with their respective successors, and “Borrowers” shall mean each such Borrower collectively.

“Borrowing” has the meaning set forth in **Section 1.04**.

“Business Day” means any day except a Saturday, Sunday or other day on which commercial banks are authorized or required to close, under the laws of, or are in fact closed in, the state where the Administrative Agent’s Office is located, except that: when used in **Section 2.06** with respect to any action taken by or with respect to any Issuing Lender, or to the issuance of, drawing under, or reimbursement obligation arising in respect of, a Letter of Credit denominated in Dollars or a notice by Carpenter with respect to any such issuance, drawing or reimbursement obligation, the term “Business Day” shall not include any day on which commercial banks are authorized or required to close, under the laws of, or in fact closed in, the jurisdiction where such Issuing Lender’s Applicable Lending Office is located; if such day relates to a borrowing of, a payment or prepayment of principal of or interest on, or the Interest Period for, a Eurodollar Loan, or a notice by Carpenter with respect to any such borrowing, payment, prepayment or Interest Period, such day shall also be a day on which commercial banks are open for international business (including dealings in Dollar deposits) in London; if such day relates to a borrowing of, a payment or prepayment of principal of or interest on, or the Interest Period for, an Alternative Currency Loan, or to the issuance of, drawing under, or reimbursement of obligations in respect of a Letter of Credit, denominated in an Available Alternative Currency other than the Euro, or a notice by Carpenter with respect to any such borrowing, payment, prepayment or Interest Period or issuance, drawing under or reimbursement obligation, such day shall also be a day on which commercial banks are open for international business (including dealings in deposits on such Alternative Currency) in both London and in the principal financial center for such Available Foreign Currency; and if such day relates to a borrowing of, a payment or prepayment of principal of or interest on, or the Interest Period for, an Alternative Currency Loan, or to the issuance of, drawing under, or reimbursement of obligations in respect of a Letter of Credit, denominated in the Euro, or a notice by Carpenter with respect to any such borrowing, payment, prepayment or Interest Period or issuance, drawing under or reimbursement obligation, such day shall also be a day on which the Trans-European Automated Real-Time Gross Settlement Expense Transfer payment system is open for the settlement of payment in Euros.

“Calculation Date” means each of the following: (i) each date on which an Alternative Currency Loan is initially made or a Letter of Credit denominated in an Alternative Currency is issued, (ii) each date on which a Alternative Currency Loan is continued for an additional Interest Period, (iii) the last Business Day of each calendar month, (iv) the Maturity Date, (v) each date a Revolving Loan is made to reimburse a Swingline Loan or drawing under a Letter of

Credit or a Participation Interest is required to be purchased in an outstanding Swingline Loan or outstanding LC Obligations pursuant to the terms hereunder and (vi) such additional dates as the Administrative Agent or the Required Lenders shall specify.

“Capital Lease” of any Person means any lease of property (whether real, personal or mixed) by such Person as lessee which would, in accordance with GAAP, be required to be accounted for as a capital lease on the balance sheet of such Person.

“Capital Lease Obligations” means, with respect to any Person, all obligations of such Person as lessee under Capital Leases, in each case taken at the amount thereof accounted for as liabilities in accordance with GAAP.

“Carpenter” is defined in the preamble.

“Carpenter’s 2004 Form 10-K” means Carpenter’s annual report on Form 10-K for the fiscal year ended June 30, 2004, as filed with the Securities and Exchange Commission pursuant to the Exchange Act.

“Carpenter’s Latest Form 10-Q” means Carpenter’s quarterly report on Form 10-Q for the quarter ended March 31, 2005, as filed with the Securities and Exchange Commission pursuant to the Exchange Act.

“Carpenter’s Ratings” means the ratings from Moody’s and S&P with respect to the senior, unsecured, long-term indebtedness for borrowed money of Carpenter that is not guaranteed by any other Person or subject to any other credit enhancement.

“Cash Collateralize” means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the Issuing Lenders and the Lenders, as collateral for the LC Obligations, cash or deposit balances in the applicable currency pursuant to documentation in form and substance satisfactory to the Administrative Agent and the Issuing Lenders (which documents are hereby consented to by the Lenders). Derivates of such term have a corresponding meaning.

“Cash Equivalents” means:

(a) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof) having maturities of not more than twelve months from the date of acquisition;

(b) Dollar-denominated certificates of deposit of (A) any Lender, (B) any United States commercial bank of recognized standing having capital and surplus in excess of \$500,000,000 or (C) any bank whose (or whose parent company’s) short-term commercial paper rating from S&P is at least A-1 or the equivalent thereof or from Moody’s is at least P-1 or the equivalent thereof (any such bank being an “Approved Lender”), in each case with maturities of not more than 270 days from the date of acquisition;

(c) commercial paper and variable or fixed rate notes issued by any Approved Lender (or by the parent company thereof) or any variable rate notes issued by, or guaranteed by, any domestic corporation not an Affiliate of Carpenter rated A-1 (or the equivalent thereof) or better by S&P or P-1 (or the equivalent thereof) or better by Moody's and maturing within six months of the date of acquisition;

(d) repurchase agreements with a bank or trust company (including any of the Lenders) or recognized securities dealer having capital and surplus in excess of \$500,000,000 for direct obligations issued by or fully guaranteed by the United States of America in which Carpenter or one or more of its Subsidiaries shall have a perfected first priority security interest (subject to no other Liens) and having, on the date of purchase thereof, a fair market value of at least 100% of the amount of the repurchase obligations;

(e) Investments, classified in accordance with GAAP as current assets, in money market investment programs registered under the Investment Company Act of 1940, as amended, which are administered by reputable financial institutions having capital of at least \$500,000,000 and the portfolios of which are limited to Investments of the character described in the foregoing clauses (a) through (d); and

(f) any other marketable securities recorded as "Cash Equivalents" on the consolidated balance sheet of Carpenter and its Consolidated Subsidiaries.

"Change of Control" means, with respect to any Person, an event or series of events by which:

(a) any "person" or "group" (within the meaning of Section 13(d) and 14(d) of the Exchange Act) has become the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a Person shall be deemed to have "beneficial ownership" of all securities that any such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), by way of merger, consolidation or otherwise, of 25% or more of the Equity Interests of such Person on a fully-diluted basis after giving effect to the conversion and exercise of all outstanding Equity Equivalents (whether or not such Equity Equivalents are then currently convertible or exercisable); or

(b) during any period of 12 consecutive months, a majority of the members of the board of directors or other equivalent governing body of such Person cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (b)(i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (C) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (b)(i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body.

"Class" has the meaning set forth in **Section 1.04**.

"Closing Date" means the date on or after the Effective Date when the conditions precedent in **Section 4.01** are satisfied or waived in accordance with **Section 4.01**.

“Code” means the Internal Revenue Code of 1986, as amended, and any successor statute thereto, as interpreted by the rules and regulations issued thereunder, in each case as in effect from time to time.

“Commitment” means (i) with respect to each Lender, its Revolving Commitment, (ii) with respect to each Issuing Lender, its LC Commitment and (iii) with respect to the Swingline Lender, the Swingline Commitment, in each case in the respective amount set forth on **Schedule 1.01A** or in the applicable Assignment and Acceptance or joinder agreement as its Commitment of the applicable Class, as any such amount may be increased or decreased from time to time pursuant to this Agreement.

“Committed Loan” means a Syndicated Loan or a Swingline Loan.

“Competitive Bid” has the meaning set forth in **Section 2.03(d)**.

“Competitive Bid Absolute Rate” has the meaning set forth in **Section 2.03(d)(i)(C)**.

“Competitive Bid Auction” means an Absolute Rate Auction or a Eurocurrency Rate Auction.

“Competitive Bid Loan” means a Competitive Bid Loan made by a Lender pursuant to an Absolute Rate Auction or a Eurocurrency Rate Auction.

“Competitive Bid Note” means a promissory note, substantially in the form of **Exhibit B-2** hereto, evidencing the obligation of Carpenter to repay outstanding Competitive Bid Loans, as such note may be amended, modified, supplemented, extended, renewed or replaced from time to time.

“Competitive Bid Loan Sublimit” means an amount equal to the lesser of the aggregate Revolving Commitments and \$75,000,000. The Competitive Bid Loan Sublimit is a part of, and not in addition to, the aggregate Revolving Commitments.

“Competitive Bid Quote Request” has the meaning set forth in **Section 2.03(b)**.

“Consolidated Capitalization” means the sum of, without duplication, (i) Consolidated Indebtedness and (ii) the consolidated stockholders’ equity (determined in accordance with GAAP) of the common and preferred stockholders of Carpenter recorded on Carpenter’s consolidated financial statements.

“Consolidated EBITDA” means for any period the sum of (i) Consolidated Net Income for such period plus (ii) an amount which, in the determination of Consolidated Net Income for such period, has been deducted for (A) Consolidated Interest Expense, (B) provisions for Federal, state, local and foreign income, value added and similar taxes, and (C) depreciation, amortization (including, without limitation, amortization of goodwill and other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash expense excluding any such non-cash expense to the extent that it represents amortization of a prepaid cash expense that was paid in a prior period or an accrual of, or a reserve for, cash charges or expenses in any future period; provided that, notwithstanding the foregoing, all (y)

actuarially determined non-cash retiree medical expenses equivalent to any amount that is funded under the Voluntary Employee Beneficiary Association Trust established by Carpenter pursuant to Section 501(c)(9) of the Code and (z) actuarially determined non-cash income or expense related to a Pension Plan to the extent included in the income statement of Carpenter and its Consolidated Subsidiaries, shall be excluded from Consolidated Net Income under clause (ii)(C) above.

“Consolidated Indebtedness” means at any date the Indebtedness of Carpenter and its Consolidated Subsidiaries, determined on a consolidated basis as of such date.

“Consolidated Interest Expense” means, for any period, the total interest expense, including the interest component of all payments under Capital Lease Obligations and the implied interest component of Synthetic Lease Obligations (regardless of whether accounted for as interest expense under GAAP), all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers’ acceptances that are typically treated as interest expense in accordance with GAAP, of Carpenter and its Consolidated Subsidiaries, in each case as determined in accordance with GAAP and as determined on a consolidated basis for such period.

“Consolidated Net Income” means, for any period, the net income (or net loss) after taxes of Carpenter and its Consolidated Subsidiaries for such period, as determined in accordance with GAAP; provided that there shall be excluded from the calculation of Consolidated Net Income non-operating, non-recurring gains and losses and extraordinary gains and losses of Carpenter and its Consolidated Subsidiaries; provided, further, that the net income of any Consolidated Subsidiary shall be excluded from Consolidated Net Income to the extent that the declaration or payment of dividends or similar distributions by such Consolidated Subsidiary from such income is not at the time permitted by the terms of its charter or by-laws or any judgment, decree, order, law, statute, rule, regulation, agreement, indenture or other instrument which is binding on such Consolidated Subsidiary.

“Consolidated Subsidiary” means with respect to any Person at any date any Subsidiary of such Person or other entity the accounts of which would be consolidated with those of such Person in its consolidated financial statements if such statements were prepared as of such date in accordance with GAAP.

“Consolidated Tangible Net Worth” means at any date the consolidated stockholders’ equity of Carpenter and its Consolidated Subsidiaries, less intangible assets and goodwill of Carpenter and its Consolidated Subsidiaries, in each case as determined in accordance with GAAP.

“Contractual Obligation” means, as to any Person, any provision of any instrument, including a security, issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

“Correspondent” shall mean Wachovia Bank, National Association, London branch, or any other financial institution designated by the Administrative Agent to act as its correspondent hereunder in respect of the disbursement and payment of Alternative Currency Loans.

“Credit Exposure” has the meaning set forth in the definition of “Required Lenders” in this **Section 1.01**.

“Credit Extension” means a Borrowing, a Competitive Bid Loan or the issuance, renewal or extension of a Letter of Credit, or the increase of the stated amount thereof, or the purchase by a Lender of a Participation Interest.

“Creditor” means each Lender, each Issuing Lender, the Administrative Agent and each Indemnitee and their respective successors and assigns, and “Creditors” means any two or more of such Creditors.

“Debt to Capital Ratio” means the ratio of Consolidated Indebtedness to Consolidated Capitalization; provided, however, that for purposes solely of determining the Applicable Percentages and not for determining compliance with **Section 7.12(a)**, Carpenter may exclude from Consolidated Indebtedness in both the numerator and denominator of the Debt to Capital Ratio the amount of Eligible Investments held for or on behalf of Carpenter in excess of \$50,000,000.

“Debtor Relief Laws” means Title 11 of the United States Code entitled “Bankruptcy,” as amended, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization or similar debtor relief laws of the United States of America or other applicable jurisdiction from time to time affecting the rights of creditors generally.

“Default” means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

“Defaulting Lender” means at any time any Lender that, within one Business Day of when due, (i) has failed to make a Loan or purchase a Participation Interest in a Swingline Loan or LC Obligation required pursuant to the terms of this Agreement, (ii) other than as set forth in clause (i) above, has failed to pay to the Administrative Agent or any Lender an amount owed by such Lender pursuant to the terms of this Agreement or any other Loan Document unless such amount is subject to a good faith dispute or (iii) has been deemed insolvent or has become subject to a Bankruptcy Event.

“Disposition” or “Dispose” means the sale, transfer, license or other disposition (including any Sale/Leaseback Transaction) of any property by any Person, including any sale, assignment, transfer or other disposal, with or without recourse, of any notes, accounts receivable or payment intangible or any rights or claims associated therewith.

“Disqualified Stock” of any Person means (i) any Equity Interest of such Person which by its terms (or by the terms of any security for which it is convertible or for which it is exchangeable or exercisable), or upon the happening of any event or otherwise (including an event which would constitute a Change of Control), (A) matures or is mandatorily redeemable or subject to any mandatory repurchase requirement, pursuant to a sinking fund or otherwise, (B) is convertible into or exchangeable for Indebtedness or Disqualified Stock or (C) is redeemable or subject to any repurchase requirement arising at the option of the holder thereof, in whole or in

part, on or prior to the first anniversary of the Maturity Date and (ii) if such Person is a Subsidiary of Carpenter, any Preferred Stock of such Person.

“Dollar Amount” means at any time:

(a) with respect to Dollar-Denominated Loans, the aggregate outstanding principal amount thereof after giving effect to any Borrowings, conversions, continuations and prepayments or repayments of such Loans occurring on such date;

(b) with respect to Alternative Currency Loans, the Dollar Equivalent of the aggregate outstanding principal amount thereof after giving effect to any Borrowings, continuations and prepayments or repayments of such Loans occurring on such date;

(c) with respect to LC Obligations in respect of Letters of Credit denominated in Dollars, the aggregate amount of such LC Obligations after giving effect to any changes in the aggregate amount of such LC Obligations as of such date; and

(d) with respect to LC Obligations in respect of Letters of Credit denominated in an Alternative Currency on any date, the Dollar Equivalent of the aggregate amount of such LC Obligations after giving effect to any changes in the aggregate amount of such LC Obligations on such date.

“Dollar-Denominated Loan” means any Loan that is made in Dollars in accordance with the applicable Notice of Borrowing.

“Dollar Equivalent” means, on any date of determination, the equivalent in Dollars of an amount denominated in a currency other than Dollars determined by the Administrative Agent pursuant to **Section 1.05** using the applicable Spot Rate.

“Dollars” and the sign “\$” means lawful money of the United States of America.

“EMU” means Economic and Monetary Union as contemplated in the Treaty on European Union.

“EMU Legislation” means the legislative measures of the European Union for the introduction of, changeover to, or operation of, the Euro in one or more member states.

“Effective Date” means the date this Agreement becomes effective in accordance with **Section 11.18**.

“Eligible Assignee” means (i) any Lender, (ii) any Affiliate of a Lender, (iii) any Approved Fund and (iv) any other Person (other than a natural Person) approved by (A) the Administrative Agent, (B) in the case of any assignment of a Revolving Commitment, the Issuing Lenders and the Swingline Lender and (C) unless (x) such Person is taking delivery of an assignment in connection with physical settlement of a credit derivatives transaction or (y) an Event of Default has occurred and is continuing at the time any assignment is effected pursuant to **Section 11.06(b)**, Carpenter (each such approval not to be unreasonably withheld or delayed and any such approval required of Carpenter to be deemed given by Carpenter if no objection

from Carpenter is received by the assigning Lender and the Administrative Agent within two Business Days after notice of such proposed assignment has been provided by the assigning Lender to Carpenter); provided, however, that Carpenter and its Affiliates shall not qualify as Eligible Assignees.

“Eligible Investments” means, as of any date of determination, the cash, Cash Equivalents and Marketable Securities which (i) are owned by Carpenter and held in banks or other financial institutions located in the United States, (ii) are not subject to any Lien, (iii) collectively, have an average credit quality rated by S&P as A+ or better and an average maturity not greater than 365 days, and (iv) certified as meeting the criteria set forth in clauses (i) through (iii) by the chief financial officer of Carpenter in the manner set forth in **Section 6.01(g)**.

“Environmental Laws” means any current or future legal requirement of any Governmental Authority pertaining to (i) the protection of health, safety, and the environment, (ii) the conservation, management or use of natural resources and wildlife, (iii) the protection or use of surface water and groundwater or (iv) the management, manufacture, possession, presence, use, generation, transportation, treatment, storage, disposal, release, threatened release, abatement, removal, remediation or handling of, or exposure to, any hazardous or toxic substance or material and includes, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 USC 9601 et seq., Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 and Hazardous and Solid Waste Amendment of 1984, 42 USC 6901 et seq., Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977, 33 USC 1251 et seq., Clean Air Act of 1966, as amended, 42 USC 7401 et seq., Toxic Substances Control Act of 1976, 15 USC 2601 et seq., Hazardous Materials Transportation Act, 49 USC App. 1801 et seq., Occupational Safety and Health Act of 1970, as amended, 29 USC 651 et seq., Oil Pollution Act of 1990, 33 USC 2701 et seq., Emergency Planning and Community Right-to-Know Act of 1986, 42 USC 11001 et seq., National Environmental Policy Act of 1969, 42 USC 4321 et seq., Safe Drinking Water Act of 1974, as amended, 42 USC 300(f) et seq., any analogous implementing or successor law, and any amendment, rule, regulation, order or directive issued thereunder.

“Equity Equivalents” means with respect to any Person any rights, warrants, options, convertible securities, exchangeable securities, indebtedness or other rights, in each case exercisable for or convertible or exchangeable into, directly or indirectly, Equity Interests of such Person or securities exercisable for or convertible or exchangeable into Equity Interests of such Person, whether at the time of issuance or upon the passage of time or the occurrence of some future event.

“Equity Interests” means all shares of capital stock, partnership interests (whether general or limited), limited liability company membership interests, beneficial interests in a trust and any other interest or participation that confers on a Person the right to receive a share of profits or losses, or distributions of assets, of an issuing Person, but excluding any debt securities convertible into such Equity Interests.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute thereto, as interpreted by the rules and regulations issued thereunder, in each case as in effect from time to time.

“ERISA Affiliate” means any trade or business (whether or not incorporated) under common control with Carpenter within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

“ERISA Event” means: (i) a Reportable Event with respect to a Pension Plan; (ii) a withdrawal by Carpenter or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA); (iii) a complete or partial withdrawal by Carpenter or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (iv) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Sections 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (v) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (vi) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon Carpenter or any ERISA Affiliate.

“Euro” means the single currency of the European Union as constituted by the Treaty on European and Monetary Union and as referred to in the EMU Legislation.

“Euro Unit” shall mean the currency unit of the Euro.

“Eurocurrency Bid Margin” means the margin to be added to or subtracted from the Eurocurrency Rate, which margin shall be expressed in multiples of 1/100th of one basis point.

“Eurocurrency Loan” means a Syndicated Loan which is either a Eurodollar Loan or an Alternative Currency Loan.

“Eurocurrency Rate” means, for each Interest Period for each Eurocurrency Loan comprising the same Group, (i) with respect to any Eurocurrency Loans not denominated in Dollars or Euros, the Applicable Interbank Offered Rate for the applicable currency for such Interest Period, (ii) with respect to any Eurocurrency Loans denominated in Dollars, the quotient obtained (rounded upward, if necessary, to the next higher 1/16 of 1%) by dividing (A) the Applicable Interbank Offered Rate for Dollars for such Interest Period by (B) 1.00 minus the Eurocurrency Reserve Percentage and (iii) with respect to Eurocurrency Loans denominated in Euros, the Applicable Interbank Offered Rate for Euros for such Interest Period.

“Eurocurrency Rate Auction” means a solicitation of Competitive Bids setting forth Eurocurrency Bid Margins pursuant to **Section 2.03**.

“Eurocurrency Rate Competitive Bid Loan” means a Competitive Bid Loan made by a Lender pursuant to a Eurocurrency Rate Auction.

“Eurocurrency Reserve Percentage” means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board (or any other entity succeeding to the functions currently performed thereby) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in New York City with deposits exceeding \$5,000,000,000 in respect of “Eurocurrency liabilities” (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Eurodollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non–United States office of any Lender to United States residents), whether or not a Lender has any Eurocurrency liabilities subject to such reserve requirement at that time. Eurocurrency Loans shall be deemed to constitute Eurocurrency liabilities and as such shall be deemed subject to reserve requirements without benefits of credits for prorrations, exceptions or offsets that may be available from time to time to a Lender. The Eurocurrency Rate shall be adjusted automatically on and as of the effective date of any change in the Eurocurrency Reserve Percentage.

“Eurodollar Loan” means a Syndicated Loan denominated in Dollars which bears interest at a Eurocurrency Rate pursuant to the applicable Notice of Committed Borrowing or Notice of Extension/Conversion.

“Event of Default” has the meaning set forth in **Section 8.01**.

“Evergreen Letter of Credit” has the meaning set forth in **Section 2.06(c)**.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and any successor statute thereto, together with the rules and regulations promulgated thereunder.

“Existing Indebtedness” has the meaning set forth in **Section 7.01(i)**.

“Existing Facility” means the Five–Year Revolving Credit Agreement dated as of November 20, 2001, among Carpenter, the subsidiary borrowers party thereto, the lending institutions party thereto and Wachovia, as administrative agent, as amended, restated, supplemented or otherwise modified.

“Existing Letters of Credit” means the letters of credit issued before the Closing Date and described by date of issuance, letter of credit number, undrawn amount, name of beneficiary and date of expiry on **Schedule 2.06** hereto, and “Existing Letter of Credit” means any one of them.

“Facility Fee” has the meaning set forth in **Section 2.12(a)**.

“Failed Loan” has the meaning set forth in **Section 2.04(e)**.

“Federal Funds Rate” means for any day the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (i) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if no such rate is so

published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate quoted to Wachovia on such day on such transactions as determined by the Administrative Agent.

“Fee Letter” means the letter from the Administrative Agent and the Arranger to Carpenter, dated July 13, 2005, relating to certain fees payable by Carpenter in respect of the transactions contemplated by this Agreement, as amended, modified, restated or supplemented from time to time.

“Foreign Benefit Plan” means any employee benefit plan, pension plan or welfare plan not subject to ERISA which is maintained or contributed to for the benefit of the employees of a Foreign Obligor or its Subsidiaries which, under applicable law, (a) is required to be funded through a trust or similar funding vehicle or (b) creates or could result in a Lien on any property of such Foreign Obligor or any of its Subsidiaries.

“Foreign Obligor” means any Borrower that is incorporated or organized under the laws of a jurisdiction other than the United States, a State thereof or the District of Columbia.

“GAAP” means at any time generally accepted accounting principles as then in effect in the United States, applied on a basis consistent (except for changes with which Carpenter’s independent public accountants have concurred) with the most recent audited consolidated financial statements of Carpenter and its Consolidated Subsidiaries previously delivered to the Lenders.

“Governmental Authority” means any federal, state, local, provincial or foreign government, authority, agency, central bank, quasi-governmental or regulatory authority, court or other body or entity, and any arbitrator with authority to bind a party at law.

“Granting Lender” has the meaning set forth in **Section 11.06(h)**.

“Group of Loans” means at any time a group of Loans consisting of (i) all Loans which are Base Rate Loans at such time or (ii) all Loans which are Eurocurrency Loans denominated in the same currency and having the same Interest Period at such time; provided that, if a Committed Loan of any particular Lender is converted to or made as a Base Rate Loan pursuant to **Article III**, such Loan shall be included in the same Group or Group of Loans from time to time as it would have been had it not been so converted or made.

“Guaranteed Obligations” has the meaning set forth in **Section 10.01**.

“Guaranty Obligation” means, with respect to any Person, without duplication, any obligation (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) guarantying, intended to guaranty, or having the economic effect of guarantying, any Indebtedness of any other Person in any manner, whether direct or indirect, and including without limitation any obligation, whether or not contingent, (i) to purchase any such Indebtedness or other obligation or any property constituting security therefor, (ii) to advance or provide funds or other support for the payment or purchase of such indebtedness or obligation or to maintain working capital, solvency or other balance sheet condition of such other Person (including, without limitation, maintenance agreements, comfort letters, take or pay

arrangements, put agreements or similar agreements or arrangements) for the benefit of the holder of Indebtedness of such other Person, (iii) to lease or purchase property, securities or services primarily for the purpose of assuring the owner of such Indebtedness or (iv) to otherwise assure or hold harmless the owner of such Indebtedness or obligation against loss in respect thereof. The amount of any Guaranty Obligation hereunder shall (subject to any limitations set forth therein) be deemed to be an amount equal to the outstanding principal amount (or maximum principal amount, if larger) of the Indebtedness in respect of which such Guaranty Obligation is made.

“Hedging Obligations” of any Person means all obligations of such Person in respect of any futures contract or options contract, interest rate swap agreements and interest rate collar agreements and all other agreements or arrangements, designed to protect such Person against fluctuations in interest rates.

“Indebtedness” of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, including, without limitation, obligations for borrowed money incurred by any Person in respect of any asset securitization transaction, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person under conditional sale or other title retention agreements relating to property purchased by such Person to the extent of the value of such property (other than customary reservations or retentions of title under agreements with suppliers entered into in the ordinary course of business), (iv) all obligations, other than intercompany items, of such Person to pay the deferred purchase price of property or services (other than trade accounts payable arising in the ordinary course of business), (v) the Attributable Indebtedness of such Person in respect of Capital Lease Obligations and Synthetic Lease Obligations (regardless of whether accounted for as indebtedness under GAAP), (vi) all obligations of such Person to purchase securities or other property which arise out of or in connection with the sale of the same or substantially similar securities or property, (vii) all non-contingent obligations (and, for purposes of **Section 7.01** and **Section 8.01(f)**, all contingent obligations) of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit, bankers’ acceptance or similar instrument, (viii) all Guaranty Obligations of such Person, (ix) all Disqualified Stock of such Person, (x) the net termination obligations of such Person in respect of any Hedging Obligations, calculated as of any date as if such agreement or arrangement were terminated as of such date and (xi) the Indebtedness of any other Person (including any partnership in which such Person is a general partner and any unincorporated joint venture in which such Person is a joint venturer) to the extent such Person would be liable therefor under applicable law or any agreement or instrument by virtue of such Person’s ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such person shall not be liable therefor.

“Indemnified Liabilities” has the meaning set forth in **Section 11.05**.

“Indemnitee” has the meaning set forth in **Section 11.05**.

“Interest Coverage Ratio” means for any period the ratio of (i) Consolidated EBITDA to (ii) Consolidated Interest Expense for such period.

“Interest Payment Date” means (i) as to Base Rate Loans and LIBOR Market Index Rate Loans, the last day of each fiscal quarter of Carpenter and the Maturity Date and (ii) as to Eurocurrency Loans, the last day of each applicable Interest Period and the Maturity Date, and, where the applicable Interest Period for a Eurocurrency Loan is greater than three months, also the date three months from the beginning of the Interest Period and each three months thereafter.

“Interest Period” means:

(i) with respect to each Eurocurrency Loan, a period commencing on the date of borrowing specified in the applicable Notice of Borrowing or on the date specified in the applicable Notice of Extension/Conversion and ending one, two, three or six months, thereafter, as the applicable Borrower may elect in the applicable notice (or such other period mutually agreed to by the applicable Borrower, the Administrative Agent and the Lenders); provided that:

(A) any Interest Period (except an Interest Period determined pursuant to clause (i)(C) below) which would otherwise end on a day which is not a Business Day for the relevant currency shall be extended to the next succeeding Business Day for such currency unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day for such currency;

(B) any Interest Period which begins on the last Business Day for the relevant currency in a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (C) below, end on the last Business Day for the relevant currency of a calendar month; and

(C) any Interest Period which would otherwise end after the Maturity Date shall end on the Maturity Date; and

(ii) with respect to each Competitive Bid Loan, the period commencing on the date of borrowing specified in the applicable Notice of Borrowing and ending such number of days thereafter (but not less than 7 or greater than 90) as Carpenter may elect in accordance with **Section 2.03**; provided that:

(A) any Interest Period (except an Interest Period determined pursuant to clause (iii)(B) below) which would otherwise end on a day which is not a Business Day for the relevant currency shall be extended to the next succeeding Business Day for such currency; and

(B) any Interest Period which would otherwise end after the Maturity Date for the relevant currency shall end on such Maturity Date.

“Investment” in any Person means (i) the acquisition (whether for cash, property, services, assumption of Indebtedness, securities or otherwise) of assets, shares of Capital Stock, bonds, notes, debentures, time deposits or other securities of such other Person, (ii) any deposit with, or advance, loan or other extension of credit to or for the benefit of such Person (other than

deposits made in connection with the purchase of equipment or inventory in the ordinary course of business) or (iii) any other capital contribution to or investment in such Person, including by way of Guaranty Obligations of any obligation of such Person, any support for a letter of credit issued on behalf of such Person incurred for the benefit of such Person or in the case of any Subsidiary of Carpenter, any release, cancellation, compromise or forgiveness in whole or in part of any Indebtedness owing by such Subsidiary.

“Issuing Lender” means (i) Wachovia, in its capacity as issuer of Letters of Credit under **Section 2.06(b)**, and its successor or successors in such capacity, (ii) each Lender listed in **Schedule 2.06** hereto as the issuer of an Existing Letter of Credit and (iii) any other Lender which Carpenter shall have designated as an “Issuing Lender” by notice to the Administrative Agent.

“Issuing Lender Fees” has the meaning set forth in **Section 2.12(b)(iii)**.

“Judgment Currency” has the meaning set forth in **Section 2.16(b)**.

“Law” means any international, foreign, Federal, state or local statute, treaty, rule, guideline, regulation, ordinance, code, or administrative or judicial precedent or authority, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“LC Commitment” means the commitment of an Issuing Lender to issue Letters of Credit in an aggregate face amount at any one time outstanding (together with the amounts of any unreimbursed drawings thereon and all LC Commitments of other Issuing Lenders) of up to the LC Committed Amount.

“LC Committed Amount” means \$50,000,000.

“LC Disbursement” means a payment or disbursement made by an Issuing Lender pursuant to a Letter of Credit.

“LC Documents” means, with respect to any Letter of Credit, such Letter of Credit, any amendments thereto, any documents delivered in connection therewith, any application therefor and any agreements, instruments, guarantees or other documents (whether general in application or applicable only to such Letter of Credit) governing or providing for (i) the rights and obligations of the parties concerned or at risk or (ii) any collateral security for such obligations.

“LC Obligations” means at any time, the sum of (i) the maximum amount which is, or at any time thereafter may become, available to be drawn under Letters of Credit then outstanding, assuming compliance with all requirements for drawings referred to in such Letters of Credit plus (ii) the aggregate amount of all LC Disbursements not yet reimbursed by Carpenter as provided in **Section 2.06(h)** to the applicable Issuing Lender in respect of drawings under Letters of Credit, including any portion of any such obligation to which a Lender has become subrogated pursuant to **Section 2.06(i)**.

“Lender” means each bank or other lending institution listed on **Schedule 1.01A**, each Eligible Assignee that becomes a Lender pursuant to **Section 2.17** or **Section 11.06(b)** and their respective successors and shall include, as the context may require, each Issuing Lender and/or the Swingline Lender, in each case in such capacity.

“Letter of Credit” means an Existing Letter of Credit or an Additional Letter of Credit, and “Letters of Credit” means any combination of the foregoing.

“Letter of Credit Fee” has the meaning set forth in **Section 2.12(b)(i)**.

“Letter of Credit Request” has the meaning set forth in **Section 2.06(c)**.

“LIBOR Market Index Rate” means, for any date, the rate for one month Pounds Sterling deposits or Euros, as applicable, as reported on Telerate page 3750 as of 11:00 a.m. London time, on such day, or if such day is not a London business day, then the immediately preceding London business day (or if not so reported, then as determined by the Administrative Agent from another recognized source or interbank quotation).

“LIBOR Market Index Rate Loan” means any Swingline Loan denominated in Pounds Sterling or Euros bearing interest at a rate determined by reference to the LIBOR Market Index Rate.

“Lien” means, with respect to any asset, any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable Laws of any jurisdiction), including the interest of a purchaser of accounts receivable, chattel paper, payment intangibles or promissory notes; provided, however, such term does not mean the grant of a security interest created in connection with merchandise delivered to Carpenter or any of its Subsidiaries on consignment until such time as any such merchandise is taken out of consignment and sold to, used and consumed by Carpenter or any of its Subsidiaries in their manufacturing processes.

“Loan” means a Committed Loan or a Competitive Bid Loan, and “Loans” means Committed Loans or Competitive Bid Loans or both.

“Loan Documents” means this Agreement, each LC Document and the Notes, in each case as the same may be amended, restated, modified or supplemented from time to time.

“Local Time” shall mean the local time in effect at the applicable Administrative Agent’s Office.

“Mandatory Cost” means, with respect to Loans denominated in Alternative Currencies for any period, the percentage rate per annum determined in accordance with **Schedule 1.01**.

“Marketable Securities” means the U.S. Government and Government-guaranteed agency securities, U.S. Government-sponsored agency obligations, corporate debt and other obligations

permitted for investment by Carpenter and all of its wholly-owned Subsidiaries in the “Policy Guidelines for Short-Term Excess Cash Investments,” created September 3, 2003, and as amended on February 14, 2005, furnished by Carpenter to the Administrative Agent, as modified and amended from time to time and reasonably satisfactory to the Administrative Agent.

“Material Adverse Effect” means (i) any material adverse effect upon the business, operations, business, properties, condition (financial or otherwise) or prospects of Carpenter and its Consolidated Subsidiaries taken as a whole, (ii) a material impairment of the ability of the Borrowers taken as a whole to perform any of their obligations under the Loan Documents taken as a whole or (iii) a material impairment of the rights and benefits of the Lenders under any Loan Document, which materially impairs the rights or benefits of the Lenders under the Loan Documents, taken as a whole.

“Maturity Date” means August __, 2010 or, if any such day is not a Business Day for the relevant currency, the next preceding Business Day for such currency. Unless the context otherwise requires, references to the Maturity Date are to the Maturity Date determined by reference to Loans denominated in Dollars.

“Moody’s” means Moody’s Investors Service, Inc., a Delaware corporation, and its successors or, absent any such successor, such nationally recognized statistical rating organization as Carpenter and the Administrative Agent may select.

“Multiemployer Plan” means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA to which Carpenter or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding three calendar years, has made or been obligated to make contributions.

“National Currency Unit” means a fraction or multiple of one Euro Unit expressed in units of the former national currency of a Participating Member State.

“Note” means a Revolving Note, a Competitive Bid Note or a Swingline Note and “Notes” means all of them, collectively.

“Notice of Borrowing” means a Notice of Syndicated Borrowing or a Notice of Competitive Bid Borrowing.

“Notice of Competitive Bid Borrowing” has the meaning set forth in **Section 2.03(f)**.

“Notice of Extension/Conversion” has the meaning set forth in **Section 2.08**.

“Notice of Syndicated Borrowing” has the meaning set forth in **Section 2.02(a)**.

“Obligations” means, without duplication, all of the following whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising:

(a) all principal of and interest (including, without limitation, any interest or fees which accrues after the commencement of any Bankruptcy Event, whether or not allowed or

allowable as a claim under any applicable Debtor Relief Law) on any Loan or LC Obligation under, or any Note issued pursuant to, this Agreement or any other Loan Document;

(b) all fees, expenses, indemnification obligations, foreign currency exchange obligations and other amounts of whatever nature now or hereafter payable by the Borrowers (including, without limitation, any amounts which accrue after the commencement of any Bankruptcy Event, whether or not allowed or allowable as a claim under any applicable Debtor Relief Law) pursuant to this Agreement or any other Loan Document;

(c) all expenses of the Administrative Agent to which it has a right to reimbursement under **Section 11.04** of this Agreement;

(d) all Indemnified Liabilities and other amounts paid by any Indemnitee as to which such Indemnitee has the right to payment or reimbursement under **Section 11.05** of this Agreement or under any other similar provision of any other Loan Document; and

(e) in the case of Carpenter pursuant to the provisions of **Article X**, all amounts now or hereafter payable by Carpenter and all other obligations or liabilities now existing or hereafter arising or incurred (including, without limitation, any amounts which accrue after the commencement of any Bankruptcy Event with respect to any Borrower, whether or not allowed or allowable as a claim under any applicable Debtor Relief Law) on the part of Carpenter pursuant to the provisions of **Article X**;

together in each case with all renewals, modifications, consolidations or extensions thereof.

“OFAC” means the U.S. Department of the Treasury’s Office of Foreign Assets Control, and any successor thereto.

“Organization Documents” means: (i) with respect to any corporation, the certificate or articles of incorporation and the bylaws; (ii) with respect to any limited liability company, the articles of formation and operating agreement; and (iii) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation with the secretary of state or other department in the state of its formation, in each case as amended from time to time.

“Other Taxes” has the meaning set forth in **Section 3.01(b)**.

“Participation Interest” means a Credit Extension by a Lender by way of a purchase of a participation interest in Letters of Credit or LC Obligations as provided in **Section 2.06(a)** or **Section 2.06(e)**, in Swingline Loans as provided in **Section 2.01(b)(vi)** or in any Loans as provided in **Section 2.14**.

“Participating Member State” shall mean each country so described in any EMU Legislation.

“PATRIOT Act” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT Act of 2001),

as amended from time to time, and any successor statute, and all rules and regulations from time to time promulgated thereunder.

“PBGC” means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA or any entity succeeding to any or all of its functions under ERISA.

“Pension Plan” means an “employee pension benefit plan” (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by Carpenter or any ERISA Affiliate or to which Carpenter or any ERISA Affiliate contributes or has an obligation to contribute, in which in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five plan years.

“Permit” means any license, permit, franchise, right or privilege, certificate of authority or order, or any waiver of the foregoing, issued or issuable by any Governmental Authority.

“Permitted Lien” has the meaning set forth in **Section 7.02**.

“Person” means an individual, a corporation, a partnership, an association, a limited liability company, a trust or an unincorporated association or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“Preferred Stock” means, as applied to the Equity Interests of a Person, Equity Interests of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over the Equity Interests of any other class of such Person.

“Prime Rate” means for any day the rate of interest publicly announced by Wachovia in Charlotte, North Carolina (or such other principal office of the Administrative Agent as communicated in writing to Carpenter and the Lenders) from time to time as its Prime Rate for Dollars loaned in the United States. It is a rate set by Wachovia based upon a variety of factors, including Wachovia’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above or below such announced rate. Any change in the interest rate resulting from a change in the Prime Rate shall take effect at the opening of business on the day specified in the public announcement of such change.

“Purchase Money Indebtedness” means Indebtedness of Carpenter or any Subsidiary incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property used in the business of Carpenter or such Subsidiary; provided that such Indebtedness is incurred within 90 days after such property is acquired or, in the case of improvements, constructed.

“Refunded Swingline Loan” has the meaning set forth in **Section 2.01(b)(iii)**.

“Register” has the meaning set forth in **Section 11.06(d)**.

“Regulation D, T, U or X” means Regulation D, T, U or X, respectively, of the Board as amended, or any successor regulation, in each case together with all interpretations of staff opinions issued in connection therewith.

“Replacement Date” has the meaning set forth in **Section 2.11(c)**.

“Reportable Event” means any of the events set forth in Section 4043 of ERISA, other than events for which the 30–day notice period has been waived.

“Required Lenders” means Revolving Lenders whose aggregate Credit Exposure (as hereinafter defined) constitutes more than 50% of the Credit Exposure of all Revolving Lenders at such time; provided, however, that if any Lender shall be a Defaulting Lender at such time then there shall be excluded from the determination of Required Lenders such Lender and the aggregate principal Dollar Amount of Credit Exposure of such Lender at such time. For purposes of the preceding sentence, the term “Credit Exposure” as applied to each Lender shall mean (i) at any time prior to the termination of the Commitments, the Revolving Commitment Percentage of such Lender multiplied by the Revolving Committed Amount, and (ii) at any time after the termination of the Commitments, the sum of (A) the Dollar Amount of the outstanding Revolving Loans of such Lender plus (B) the Dollar Amount such Lender’s Participation Interests in all LC Obligations and Swingline Loans.

“Reset Date” has the meaning set forth in **Section 1.05**.

“Responsible Officer” means the president, chief executive officer, chief financial officer, treasurer or assistant treasurer of Carpenter. Any document delivered hereunder that is signed by a Responsible Officer of Carpenter shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of Carpenter and such Responsible Officer shall be conclusively presumed to have acted on behalf of Carpenter.

“Restricted Payment” means (i) any dividend or other distribution, direct or indirect, on account of any shares of any class of Equity Interests or Equity Equivalents of Carpenter or any Subsidiary, now or hereafter outstanding, (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of Equity Interests or Equity Equivalents of Carpenter or any Subsidiary, now or hereafter outstanding or (iii) any payment made to retire, or to obtain the surrender of, any Equity Interests or Equity Equivalents of Carpenter or any Subsidiary now or hereafter outstanding.

“Revolving Borrowing” means a Syndicated Borrowing comprised of Revolving Loans and identified as such in the Notice of Borrowing with respect thereto.

“Revolving Commitment” means, with respect to any Lender, the commitment of such Lender, in an aggregate principal amount at any time outstanding of up to such Lender’s Revolving Commitment Percentage of the Revolving Committed Amount, (i) to make Revolving Loans in accordance with the provisions of **Section 2.01(a)**, (ii) to purchase Participation Interests in Swingline Loans in accordance with the provisions of **Section 2.01(b)** and (iii) to purchase Participation Interests in Letters of Credit in accordance with the provisions of **Section 2.06(d)**.

“Revolving Committed Amount” means \$150,000,000 or such other amount to which the Revolving Committed Amount may be increased or reduced pursuant to the terms hereof.

“Revolving Commitment Percentage” means, for each Lender, the percentage identified as its Revolving Commitment Percentage on **Schedule 1.01A** hereto, as such percentage may be modified in connection with any assignment made in accordance with the provisions of **Section 2.17** or **Section 11.06(b)**.

“Revolving Lender” means each Lender identified in the **Schedule 1.01A** as having a Revolving Commitment and each Eligible Assignee which acquires a Revolving Commitment or Revolving Loan pursuant to **Section 2.17** or **Section 11.06(b)** and their respective successors.

“Revolving Loan” means a Committed Loan made under **Section 2.01(a)**.

“Revolving Note” means a promissory note, substantially in the form of **Exhibit B-1** hereto, evidencing the obligation of the applicable Borrower to repay outstanding Revolving Loans made by such Borrower, as such Note may be amended, modified, supplemented, extended, renewed or replaced from time to time.

“Revolving Outstandings” means at any date the Dollar Amount of the aggregate outstanding principal amount of all Revolving Loans and Swingline Loans plus the aggregate outstanding Dollar Amount of all LC Obligations.

“Sale/Leaseback Transaction” means any direct or indirect arrangement with any Person or to which any such Person is a party providing for the leasing to Carpenter or any of its Subsidiaries of any property, whether owned by Carpenter or any of its Subsidiaries as of the Closing Date or later acquired, which has been or is to be sold or transferred by Carpenter or any of its Subsidiaries to such Person or to any other Person from whom funds have been, or are to be, advanced by such Person on the security of such property.

“Sanctioned Country” shall mean a country subject to a sanctions program identified on the list maintained by OFAC and available at <http://www.treas.gov/offices/eotffc/ofac/sanctions/index/html>, or as otherwise published from time to time.

“Sanctioned Person” means (i) a Person named on the list of Specially Designated Nationals or Blocked Persons maintained by OFAC available at <http://www.treas.gov/offices/eotffc/ofac/sdn/index/html>, or as otherwise published from time to time, or (ii) (A) an agency of the government of a Sanctioned Country, (B) an organization controlled by a Sanctioned Country, or (C) a Person resident in a Sanctioned Country, to the extent subject to a sanctions program administered by OFAC.

“S&P” means Standard & Poor’s Ratings Group, a division of McGraw Hill, Inc., a New York corporation, and its successor or, absent any such successor, such nationally recognized statistical rating organization as Carpenter and the Administrative Agent may select.

“Securities Act” means the Securities Act of 1933, as amended, and any successor statute thereto, together with the rules and regulations promulgated thereunder.

“SPC” has the meaning set forth in **Section 11.06(h)**.

“Spot Rate” shall mean, with respect to any Alternative Currency, the rate quoted by Wachovia as the spot rate for the purchase by Wachovia of such Alternative Currency with Dollars through its principal foreign exchange trading office at approximately 11:00 a.m. on the date two (2) Business Days prior to the date as of which the foreign exchange computation is made.

“Standby Letter of Credit” has the meaning set forth in **Section 2.06(b)**.

“Subsidiary” means with respect to any Person any corporation, partnership, limited liability company, association or other business entity of which (i) if a corporation, more than 50% of the total voting power of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a partnership, limited liability company, association or business entity other than a corporation, more than 50% of the partnership or other similar ownership interests thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have more than 50% ownership interest in a partnership, limited liability company, association or other business entity if such Person or Persons shall be allocated more than 50% of partnership, association or other business entity gains or losses or shall be or control the managing director, manager or a general partner of such partnership, association or other business entity.

“Subsidiary Borrower” has the meaning set forth in **Section 2.18**.

“Swingline Commitment” means the agreement of the Swingline Lender to make Loans pursuant to **Section 2.01(b)**.

“Swingline Committed Amount” means \$24,000,000.

“Swingline Lender” means Wachovia, in its capacity as the Swingline Lender under **Section 2.01(b)**, and its successor or successors in such capacity.

“Swingline Loan” means a Base Rate Loan made by the Swingline Lender in Dollars or any Available Alternative Currency pursuant to **Section 2.01(b)**, and “Swingline Loans” means any two or more of such Base Rate Loans.

“Swingline Loan Request” has the meaning set forth in **Section 2.02(b)**.

“Swingline Note” means a promissory note, substantially in the form of **Exhibit B-3** hereto, evidencing the obligation of the Borrowers to repay outstanding Swingline Loans, as such Note may be amended, modified, supplemented, extended, renewed or replaced from time to time.

“Swingline Termination Date” means the earlier of (i) fifth Business Day prior to the Maturity Date (or, if such day is not a Business Day, the next preceding Business Day) or such

earlier date upon which the Revolving Commitments shall have been terminated in their entirety in accordance with this Agreement and (ii) the date on which the Swingline Commitment is terminated in its entirety in accordance with the Agreement.

“Syndicated Loan” means a Committed Loan made by a Lender pursuant to **Section 2.01(a)**; provided that if any such Loan or Loans (or portions thereof) are combined or subdivided pursuant to a Notice of Extension/Conversion, the term “Syndicated Loan” shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be.

“Synthetic Lease Obligation” means the monetary obligation of a Person under (i) a so-called synthetic, off-balance sheet or tax retention lease or (ii) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such person (without regard to accounting treatment).

“Taxes” has the meaning set forth in **Section 3.01**.

“Trade Letter of Credit” has the meaning set forth in **Section 2.06(b)**.

“Type” has the meaning set forth in **Section 1.04**.

“UCP” has the meaning set forth in **Section 2.06(n)**.

“Unfunded Pension Liability” means at any date the excess of a Pension Plan’s benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Pension Plan’s assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

“United States” means the United States of America, including the states and the District of Columbia, but excluding its territories and possessions.

“Utilization Fee” has the meaning set forth in **Section 2.12(e)**.

“Wachovia” means Wachovia Bank, National Association, and its successors and assigns.

“Wholly-Owned Subsidiary” means, with respect to any Person at any date, any Subsidiary of such Person all of the shares of capital stock or other ownership interests of which (except directors’ qualifying shares) are at the time directly or indirectly owned by such Person.

Section 1.02 **Computation of Time Periods and Other Definitional Provisions**. For purposes of computation of periods of time hereunder, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding”. All references to time herein shall be references to Eastern Standard Time or Eastern Daylight Time, as the case may be, unless specified otherwise. References in this Agreement to Articles, Sections, Schedules, Appendices or Exhibits shall be to Articles, Sections, Schedules, Appendices or Exhibits of or to

this Agreement unless otherwise specifically provided. The definitions in **Section 1.01** shall apply equally to both the singular and plural forms of the terms defined.

Section 1.03 **Accounting Terms and Determinations.** Except as otherwise expressly provided herein, all accounting terms used herein shall be interpreted, and all financial statements and certificates and reports as to financial matters required to be delivered to the Lenders hereunder shall be prepared, in accordance with GAAP applied on a consistent basis. All financial statements delivered to the Lenders hereunder shall be accompanied by a statement from Carpenter that GAAP has not changed since the most recent financial statements delivered by Carpenter to the Lenders or, if GAAP has changed, describing such changes in detail and explaining how such changes affect the financial statements. All calculations made for the purposes of determining compliance with this Agreement shall (except as otherwise expressly provided herein) be made by application of GAAP applied on a basis consistent with the most recent annual or quarterly financial statements delivered pursuant to **Section 6.01** (or, prior to the delivery of the first financial statements pursuant to **Section 6.01**, consistent with the financial statements described in **Section 5.05(a)**).

Section 1.04 **Classes and Types of Borrowings.** The term “Borrowing” denotes the aggregation of Loans of one or more Lenders to be made to the Borrowers pursuant to **Article II** on the same date, all of which Loans are of the same Class, Type (subject to **Article III**), currency and, except in the case of Base Rate Loans, have the same initial Interest Period. Loans hereunder are distinguished by “Class” and “Type”. The “Class” of a Loan (or of a Commitment to make such a Loan or of a Borrowing comprised of such Loans) refers to whether such Loan is a Committed Loan (Syndicated or Swingline) or a Competitive Bid Loan. The “Type” of a Loan refers in the case of Committed Loans, to whether such Loan is a Base Rate Loan, LIBOR Market Index Rate Loan or a Eurocurrency Loan (Eurodollar or Alternative Currency). Identification of a Loan (or a Borrowing) by both Class and Type (e.g., a “Committed Eurocurrency Loan”) indicates that such Loan is a Loan of both such Class and such Type (e.g., both a Committed Loan and a Eurocurrency Loan) or that such Borrowing is comprised of such Loans. In addition, Borrowings are classified by reference to the provisions of **Article II** under which participation therein is determined (i.e., a “Committed Borrowing” is a Syndicated Borrowing under **Section 2.01(a)** in which all Lenders participate in proportion to their Commitments or a Swingline Borrowing under **Section 2.01(b)** funded by the Swingline Lender, while a “Competitive Bid Borrowing” is a Borrowing under **Section 2.03** in which the Lender participants are determined on the basis of their respective bids in accordance therewith).

Section 1.05 **Spot Rates.** On each Calculation Date, the Administrative Agent shall determine the applicable Spot Rates as of such Calculation Date used for calculating relevant Dollar Amounts. The Spot Rates so determined shall become effective on the relevant Calculation Date (a “Reset Date”), shall remain effective until the next succeeding Reset Date and shall for all purposes of this Agreement (other than provisions expressly requiring the use of a current Spot Rate) be the Spot Rates employed in converting any amounts between Dollars and currencies other than Dollars. Whenever in this Agreement in connection with a Borrowing, conversion or continuation of a Loan or the issuance or extension of a Letter of Credit, an amount, such as a required minimum or multiple amount, is expressed in Dollars, but such Borrowing, Loan or Letter of Credit is denominated in a currency other than Dollars, such amount shall be the relevant equivalent in such currency of such Dollar Amount (rounded to the

nearest 1,000th unit of such currency), as determined by the Administrative Agent. Determinations by the Administrative Agent pursuant to this Section shall be conclusive absent manifest error.

Section 1.06 **Redenomination of Certain Foreign Currencies.**

(a) Each obligation of the Borrowers to make a payment denominated in the national currency unit of any member state of the European Union that adopts the Euro as its lawful currency after the date hereof shall be redenominated into Euros at the time of such adoption (in accordance with the EMU Legislation). If, in relation to the currency of any such member state, the basis of accrual of interest expressed in this Agreement in respect of that currency shall be inconsistent with any convention or practice in the London interbank market for the basis of accrual of interest in respect of the Euro, such expressed basis shall be replaced by such convention or practice with effect from the date on which such member state adopts the Euro as its lawful currency; provided that if any Borrowing in the currency of such member state is outstanding immediately prior to such date, such replacement shall take effect, with respect to such Borrowing, at the end of the then current Interest Period.

(b) Without prejudice and in addition to any method of conversion or rounding prescribed by any EMU Legislation and without limiting the liability of the Borrowers for any amount due under this Agreement or any other Loan Document, all references in this Agreement to minimum amounts (or integral multiples thereof) denominated in the national currency unit of any member state of the European Economic and Monetary Union that adopts the Euro as its lawful currency after the date hereof shall, immediately upon such adoption, be replaced by references to such reasonably comparable and convenient amounts (or integral multiples hereof) in the Euro as the Administrative Agent may specify.

(c) Each provision of this Agreement shall be subject to such reasonable changes of construction as the Administrative Agent may from time to time specify to be appropriate to reflect the adoption of the Euro by any member state of the European Union and any relevant market conventions or practices relating to the Euro.

ARTICLE II

THE CREDIT FACILITIES

Section 2.01 **Commitments to Lend.**

(a) Syndicated Loans. Each Revolving Lender severally agrees, on the terms and conditions set forth in this Agreement, to make Revolving Loans denominated in Dollars or Available Alternative Currencies to the Borrowers pursuant to this **Section 2.01(a)** from time to time prior to the Maturity Date in amounts such that the aggregate Dollar Amount of its Revolving Outstandings shall not exceed (after giving effect to all Revolving Loans repaid, all reimbursements of LC Disbursements made, and all Refunded Swingline Loans paid, concurrently with the making of any Revolving Loans) its Revolving Commitment; provided that, immediately after giving effect to each such Revolving Loan, the aggregate Dollar Amount of the Revolving Outstandings shall not exceed the aggregate amount of the Revolving Commitments. Each Revolving Borrowing (other than a Borrowing to be used to repay

Refunded Swingline Loans which shall be in an aggregate amount equal to such Refunded Swingline Loans) shall be in an aggregate principal Dollar Amount of \$2,000,000 or any larger multiple of \$1,000,000 (except that any such Borrowing may be in the aggregate amount of the unused Revolving Commitments) and shall be made from the several Revolving Lenders ratably in proportion to their respective Revolving Commitments. Within the foregoing limits, the Borrowers may borrow under this **Section 2.01(a)**, repay, or, to the extent permitted by **Section 2.10**, prepay, Revolving Loans and reborrow under this **Section 2.01(a)**.

(b) Swingline Loans.

(i) The Swingline Lender agrees, on the terms and subject to the conditions set forth herein, to make a portion of the Revolving Commitments available to the Borrowers from time to time prior to the Swingline Termination Date by making Swingline Loans to the Borrowers in Dollars, Pounds Sterling or Euros (each such loan, a "Swingline Loan" and collectively, the "Swingline Loans"); provided that (i) the aggregate Dollar Amount of the Swingline Loans outstanding at any one time shall not exceed the Swingline Committed Amount, (ii) with regard to each Lender individually (other than the Swingline Lender in its capacity as such), the Dollar Amount of such Lender's outstanding Revolving Loans plus its Participation Interests in outstanding Swingline Loans plus its Participation Interests in outstanding LC Obligations shall not at any time exceed such Lender's Revolving Commitment Percentage of the Revolving Committed Amount, (iii) with regard to the Revolving Lenders collectively, the aggregate Dollar Amount of the Revolving Outstandings shall not exceed the Revolving Committed Amount and (iv) the Swingline Committed Amount shall not exceed the aggregate of the Revolving Commitments then in effect. Swingline Loans may be repaid and reborrowed in accordance with the provisions hereof prior to the Swingline Termination Date. Swingline Loans may be made notwithstanding the fact that such Swingline Loans, when aggregated with the Swingline Lender's other Revolving Outstandings, exceeds its Revolving Commitment. The proceeds of a Swingline Borrowing may be used, in whole or in part, to refund any prior Swingline Borrowing.

(ii) The Dollar Amount of all Swingline Loans shall be due and payable on the earliest of (A) the maturity date agreed to by the Swingline Lender and the Borrowers with respect to such Swingline Loan, (B) the Swingline Termination Date, (C) the occurrence of a Bankruptcy Event with respect to any Borrower or (D) the acceleration of any Loan or the termination of the Revolving Commitments pursuant to **Section 8.02**.

(iii) The Swingline Lender may, at any time in its sole discretion, by written notice to Carpenter and the Administrative Agent, demand repayment of its Swingline Loans by way of a Borrowing of Revolving Loans, and each such Lender hereby irrevocably agrees to make a Revolving Loan to the applicable Borrower (which shall be initially funded as a Base Rate Loan) in an amount equal to such Lender's Revolving Commitment Percentage of the Dollar Amount of the Swingline Loans ("Refunded Swingline Loans") outstanding on the date notice is given; provided that on the date on which any Refunded Swingline Loans that are made in Pounds Sterling or Euros are repaid with the proceeds of Revolving Loans made or deemed to be made by the Lenders (other than the Swingline Lender), any such Refunded Swingline Loans shall

automatically be converted into Loans made in Dollars in which case the applicable Borrower shall be deemed to have requested Revolving Base Rate Loans in Dollars in the Dollar Amount of such Swingline Loans; provided, however, that in the event any Swingline Loans have not been paid by the applicable Borrower when due under clause (ii) above, any such demand for the repayment of Swingline Loans under this clause (iii) shall be deemed to have been given one Business Day prior to the occurrence of any event described in clause (ii) above. Upon such funding of Revolving Loans under this clause (iii), Carpenter's obligations to the Swingline Lender (in its capacity as a Swingline Lender, and not as Lender funding its Revolving Commitment Percentage of the Revolving Loans) in respect of the Refunded Swingline Loans shall be considered fully satisfied.

(iv) In the case of Revolving Loans made by Lenders other than the Swingline Lender under clause (iii) above, each such Revolving Lender shall make the Dollar Amount of its Revolving Loan available to the Administrative Agent, in Dollars in same day funds, at the Administrative Agent's Office, not later than 2:00 P.M. on the Business Day next succeeding the date such notice is given. The proceeds of such Revolving Loans shall be immediately delivered to the Swingline Lender (and not to any Borrower) and applied to repay the Refunded Swingline Loans. On the day such Revolving Loans are made, the Swingline Lender's Revolving Commitment Percentage of the Refunded Swingline Loans shall be deemed to be paid with the proceeds of a Revolving Loan made by the Swingline Lender and such portion of the Swingline Loans deemed to be so paid shall no longer be outstanding as Swingline Loans and shall instead be outstanding as Revolving Loans. Upon receipt by Carpenter of prior written notice from the Administrative Agent, Carpenter authorizes the Administrative Agent and the Swingline Lender to charge any Borrower's account with the Administrative Agent (up to the amount available in such account) in order to pay immediately to the Swingline Lender the amount of such Refunded Swingline Loans to the extent amounts received from the Revolving Lenders, including amounts deemed to be received from the Swingline Lender, are not sufficient to repay in full such Refunded Swingline Loans. If any portion of any such amount paid (or deemed to be paid) to the Swingline Lender should be recovered by or on behalf of any Borrower from the Swingline Lender in bankruptcy, by assignment for the benefit of creditors or otherwise, the loss of the amount so recovered shall be ratably shared among all Revolving Lenders in the manner contemplated by **Section 2.14**.

(v) A copy of each notice given by the Swingline Lender pursuant to this **Section 2.01(b)** shall be promptly delivered by the Swingline Lender to the Administrative Agent and the Borrower. Upon the making of a Revolving Loan by a Revolving Lender pursuant to this **Section 2.01(b)**, the amount so funded shall no longer be owed in respect of its Participation Interest in the related Refunded Swingline Loans.

(vi) If as a result of any Bankruptcy Event, Revolving Loans are not made pursuant to this **Section 2.01(b)** sufficient to repay any amounts owed to the Swingline Lender as a result of a nonpayment of outstanding Swingline Loans, each Revolving Lender agrees to purchase, and shall be deemed to have purchased, a participation in such outstanding Swingline Loans in an amount equal to its Revolving Commitment

Percentage of the unpaid Dollar Amount together with accrued interest thereon. Upon one Business Day's notice from the Swingline Lender, each Revolving Lender shall deliver to the Swingline Lender an amount in Dollars equal to its respective Participation Interest in such Swingline Loans in same day funds at the office of the Swingline Lender specified on **Schedule 11.02**. In order to evidence such Participation Interest each Revolving Lender agrees to enter into a participation agreement at the request of the Swingline Lender in form and substance reasonably satisfactory to all parties. In the event any Revolving Lender fails to make available to the Swingline Lender the amount of such Revolving Lender's Participation Interest as provided in this **Section 2.01(b)(vi)**, the Swingline Lender shall be entitled to recover such amount on demand from such Revolving Lender together with interest at the Federal Funds Rate for one Business Day and thereafter at the Base Rate plus the then Applicable Margin for Base Rate Loans.

(vii) Each Revolving Lender's obligation to make Revolving Loans pursuant to clause (iii) above and to purchase Participation Interests in outstanding Swingline Loans pursuant to clause (vi) above shall be absolute and unconditional and shall not be affected by any circumstance, including (without limitation) (i) any set-off, counterclaim, recoupment, defense or other right which such Revolving Lender or any other Person may have against the Swingline Lender or any Borrower, (ii) the occurrence or continuance of a Default or an Event of Default or the termination or reduction in the amount of the Revolving Commitments after any such Swingline Loans were made, (iii) any adverse change in the condition (financial or otherwise) of any Borrower or any other Person, (iv) any breach of this Agreement or any other Loan Document by any Borrower or any other Lender, (v) whether any condition specified in **Article IV** is then satisfied or (vi) any other circumstance, happening or event whatsoever, whether or not similar to any of the forgoing. If such Lender does not pay such amount forthwith upon the Swingline Lender's demand therefor, and until such time as such Lender makes the required payment, the Swingline Lender shall be deemed to continue to have outstanding Swingline Loans in the amount of such unpaid Participation Interest for all purposes of the Loan Documents other than those provisions requiring the other Lenders to purchase a participation therein. Further, such Lender shall be deemed to have assigned any and all payments made of principal and interest on its Loans, and any other amounts due to it hereunder to the Swingline Lender to fund Swingline Loans in the amount of the Participation Interest in Swingline Loans that such Lender failed to purchase pursuant to this **Section 2.01(b)(vi)** until such amount has been purchased (as a result of such assignment or otherwise).

Section 2.02 Notice of Committed Borrowings.

(a) Syndicated Borrowings. The applicable Borrower shall give the Administrative Agent notice of each Syndicated Borrowing substantially in the form of **Exhibit A-1** hereto (a "Notice of Syndicated Borrowing") (i) not later than 11:30 a.m., Local Time on the date of each Syndicated Base Rate Borrowing, (ii) not later than 11:00 a.m., Local Time on the third Business Day before each Syndicated Eurodollar Borrowing and (iii) not later than 11:00 a.m., Local Time on the fourth Business Day before each Syndicated Eurocurrency Borrowing in an Alternative Currency. Each such notice shall be irrevocable and shall specify:

- (i) the name of the applicable Borrower;

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- (ii) the date of such Borrowing, which shall be a Business Day for the relevant currency;
 - (iii) the currency, the aggregate amount (in the applicable currency) and the Dollar Amount, if applicable, of such Borrowing;
 - (iv) whether the Loans comprising such Borrowing are to bear interest initially at the Base Rate or the Eurocurrency Rate (it being understood that Alternative Currency Loans shall be made as Eurocurrency Loans only); and
 - (v) in the case of a Eurocurrency Borrowing, the duration of the initial Interest Period applicable thereto, subject to the provisions of the definition of Interest Period and to **Section 2.07(a)**.

(b) Swingline Borrowings. The applicable Borrower shall request a Swingline Loan by written notice (or telephone notice promptly confirmed in writing) substantially in the form of **Exhibit A-5** hereto (a "Swingline Loan Request") to the Swingline Lender and the Administrative Agent (and its Correspondent in respect of Swingline Loans denominated in an Alternative Currency) not later than 11:00 A.M. Local Time on the Business Day of the requested Swingline Loan. Each such notice shall be irrevocable and shall specify (A) that a Swingline Loan is requested, (B) the date of the requested Swingline Loan (which shall be a Business Day) and (C) the principal amount of the Swingline Loan requested. Each Swingline Loan denominated in Dollars shall be made as a Base Rate Loan, and each Swingline Loan denominated in Pounds Sterling or Euros shall be made as a LIBOR Market Index Rate Loan and, in each case, subject to **Section 2.01(b)(ii)**, shall have such maturity date as agreed to by the Swingline Lender and Carpenter upon receipt by the Swingline Lender of the Swingline Loan Request from Carpenter.

Section 2.03 **Competitive Bid Borrowings**.

(a) Competitive Bid Option. In addition to Committed Borrowings pursuant to **Section 2.01**, Carpenter may, as set forth in this **Section 2.03**, request the Lenders to make offers to make Competitive Bid Loans in Dollars or Available Alternative Currencies to Carpenter from time to time prior to the Maturity Date. The Lenders may, but shall have no obligation to, make such offers and Carpenter may, but shall have no obligation to, accept any such offers in the manner set forth in this Section. After giving effect to any Borrowing of Competitive Bid Loans, (i)(A) the aggregate Revolving Outstandings plus the aggregate Dollar Amount of all Competitive Bid Loans shall not exceed the aggregate amount of the Revolving Commitments and (B) the aggregate Dollar Amount of all Competitive Bid Loans shall not exceed the Competitive Bid Loan Sublimit and (ii) there shall not be more than six different Interest Periods in effect with respect to Competitive Bid Loans at any time.

(b) Competitive Bid Quote Request. When Carpenter wishes to request offers to make Competitive Bid Loans under this Section, it shall transmit to the Administrative Agent by telephone call followed promptly by facsimile transmission a request substantially in the form of **Exhibit A-2** hereto (a "Competitive Bid Quote Request") so as to be received by the

Administrative Agent at the Administrative Agent's Office not later than 12:00 Noon on the Business Day next preceding the date of Borrowing proposed therein or such other time or date as Carpenter and the Administrative Agent shall have mutually agreed and shall have notified to the Lenders not later than the date of the Competitive Bid Quote Request for the first Competitive Bid Auction for which such change is to be effective. Each such Competitive Bid Quote Request shall specify:

- (i) the proposed date of Borrowing, which shall be a Business Day;
- (ii) the proposed currency, the aggregate amount (in such currency) and the Dollar Amount, if applicable, of such Borrowing, which shall be \$2,000,000 in aggregate Dollar Amount (or any larger multiple of \$1,000,000);
- (iii) whether Carpenter is requesting a Eurocurrency Rate Competitive Bid Loan or an Absolute Rate Competitive Bid Loan; and
- (iv) the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

Carpenter may request offers to make Competitive Bid Loans for more than one Interest Period in a single Competitive Bid Quote Request. No more than two Competitive Bid Quote Requests shall be given within five Business Days for the applicable currency (or such other number of days as Carpenter and the Administrative Agent may agree) of any other Competitive Bid Quote Request for a Borrowing in the same currency.

(c) Delivery of Competitive Bids Quote Requests. The Administrative Agent shall promptly notify each Revolving Lender of each Competitive Bid Quote Request received by it from Carpenter and the contents of such Competitive Bid Quote Requests, which notice shall constitute an invitation by Carpenter to each Revolving Lender to submit Competitive Bids offering to make the Competitive Bid Loans to which such Competitive Bid Quote Request relates in accordance with this **Section 2.03**.

(d) Submission and Contents of Competitive Bids. Each Lender may submit a competitive bid (a "Competitive Bid") containing an offer or offers to make Competitive Bid Loans in response to any invitation for Competitive Bids. Each Competitive Bid must comply with the requirements of this **Section 2.03(d)** and must be submitted to the Administrative Agent by facsimile at the Administrative Agent's office not later than 10:30 A.M. on the proposed date of Borrowing, in the case of an Absolute Rate Auction, or on a Business Day five Business Days prior to the date of a requested Eurocurrency Rate Competitive Bid Loan to be made in an Available Alternative Currency, or on a Business Day four Business Days prior to the date of a requested Eurocurrency Rate Competitive Bid Loan consisting of Dollar Denominated Loans; provided that Competitive Bids submitted by the Administrative Agent (or any Affiliate of the Administrative Agent) in the capacity of a Lender may be submitted, and may only be submitted, if the Administrative Agent or such Affiliate notifies Carpenter of the terms of the offer or offers contained therein not later than 15 minutes before the deadline for the other Lenders for a Competitive Bid Auction. Subject to **Articles III and IV**, any Competitive Bid so made shall not

be revocable except with the written consent of the Administrative Agent given on the instructions of Carpenter.

(i) Each Competitive Bid shall be substantially in the form of **Exhibit A-3** hereto and shall in any case specify:

(A) the proposed date of Borrowing;

(B) the principal amount (in the relevant currency) of the Competitive Bid Loan for which each such offer is being made, which principal amount (w) may be greater than or less than the Commitment of the quoting Lender, (x) must be in the Dollar Amount of \$2,000,000 (or any larger multiple of \$1,000,000), (y) may not exceed the principal amount of Competitive Bid Loans for which offers were requested and (z) may be subject to an aggregate limitation as to the principal amount of Competitive Bid Loans for which offers being made by such quoting Lender may be accepted;

(C) if an Absolute Rate Auction, the rate of interest per annum (specified to the nearest 1/1,000th of 1%) (the “Competitive Bid Absolute Rate”) offered for such Absolute Rate Competitive Bid Loan;

(D) if an Eurocurrency Rate Auction, the Eurocurrency Bid Margin with respect to such Eurocurrency Rate Competitive Bid Loan and the Interest Period applicable thereto; and

(E) the identity of the quoting Lender.

A Competitive Bid may set forth up to three separate offers by the quoting Lender with respect to each Interest Period specified in the related invitation for Competitive Bids.

(ii) Any Competitive Bid shall be disregarded if it:

(A) is not substantially in conformity with **Exhibit A-3** hereto or does not specify all of the information required by **Section 2.03(d)(i)** above;

(B) contains qualifying, conditional or similar language;

(C) proposes terms other than or in addition to those set forth in the applicable invitation for Competitive Bids; or

(D) arrives after the time set forth in **Section 2.03(d)(i)**.

(e) Notice to Carpenter. The Administrative Agent shall promptly notify Carpenter of the terms of (i) any Competitive Bid submitted by a Lender that is in accordance with **Section 2.03(d)** and (ii) any Competitive Bid that amends, modifies or is otherwise inconsistent with a previous Competitive Bid submitted by such Lender with respect to the same Competitive Bid Quote Request. Any such subsequent Competitive Bid shall be disregarded by the Administrative Agent unless such subsequent Competitive Bid is submitted solely to correct a

manifest error in such former Competitive Bid. The Administrative Agent's notice to Carpenter shall specify (A) the aggregate principal amount of Competitive Bid Loans for which offers have been received for each Interest Period specified in the related Competitive Bid Quote Request, (B) the principal amounts and the Competitive Bid Absolute Rates or Eurocurrency Bid Margins and Interest Periods applicable thereto so offered and (C) if applicable, limitations on the aggregate principal amount of Competitive Bid Loans for which offers in any single Competitive Bid may be accepted.

(f) Acceptance and Notice by Carpenter. Carpenter shall notify the Administrative Agent of its acceptance or non-acceptance of the offers notified to it pursuant to **Section 2.03(e)** at the Administrative Agent's Office not later than 12:00 Noon on the proposed date of Borrowing for an Absolute Rate Auction, or four Business Days prior to the requested date of Borrowing for a Eurocurrency Rate Auction consisting of Alternative Currency Loans and three Business Days prior to the requested date of Borrowing for an Eurocurrency Rate Auction consisting of Dollar-Denominated Loans. In the case of acceptance, such notice (a "Notice of Competitive Bid Borrowing") shall specify the aggregate principal amount of offers for each Interest Period that are accepted. Carpenter may accept any Competitive Bid in whole or in part; provided, that:

(i) the aggregate principal amount of each Competitive Bid Borrowing may not exceed the applicable amount set forth in the related Competitive Bid Quote Request;

(ii) the aggregate Dollar Amount of each Competitive Bid Borrowing must be in the amount of \$2,000,000 (or any larger multiple of \$1,000,000);

(iii) acceptance of offers may only be made on the basis of ascending Competitive Bid Absolute Rates or Eurocurrency Bid Margins; and

(iv) Carpenter may not accept any offer that is described in **Section 2.03(d)(ii)** or that otherwise fails to comply with the requirements of this Agreement.

(g) Allocation by Administrative Agent. If offers are made by two or more Lenders with the same Competitive Bid Absolute Rates or Eurocurrency Bid Margins, as the case may be, for a greater aggregate principal amount than the amount in respect of which such offers are accepted for the related Interest Period, the principal amount of Competitive Bid Loans in respect of which such offers are accepted shall be allocated by the Administrative Agent among such Lenders as nearly as possible in proportion to the aggregate principal amounts of such offers. Determinations by the Administrative Agent of the amounts of Competitive Bid Loans shall be conclusive in the absence of manifest error. After each Competitive Bid Auction pursuant to this **Section 2.03**, the Administrative Agent shall notify each Lender that submitted a Competitive Bid in such auction of the range of bids submitted (without the bidder's name) and accepted for each Competitive Bid Loan and the aggregate Dollar Amount of each Competitive Bid Borrowing resulting from such auction.

(h) Notice of Eurocurrency Rate. For any Eurocurrency Rate Auction, the Administrative Agent shall determine the Eurocurrency Rate for the relevant Interest Period, and

promptly after making such determination, shall notify Carpenter and the Lenders that will be participating in such Competitive Bid Borrowing of such Eurocurrency Rate.

Section 2.04 **Notice to Lenders; Funding of Loans.**

(a) Notice to Lenders. Upon receipt of a Notice of Borrowing, the Administrative Agent shall promptly notify each Lender of such Lender's ratable share (if any) of the Borrowing referred to therein, and such Notice of Borrowing shall not thereafter be revocable by the Borrower.

(b) Funding of Loans.

(i) On the date of each Borrowing, each Lender participating therein shall: (i) if such Borrowing is to be made in Dollars, make available its share of such Borrowing in Dollars not later than 2:00 P.M., Local Time, in Federal or other funds immediately available, to the Administrative Agent at the applicable Administrative Agent's Office; or (ii) if such Borrowing is to be made in an Alternative Currency, make available to the Administrative Agent not later than 1:00 P.M., Local Time at the applicable Administrative Agent's Office an amount, in the applicable currency and in immediately available funds, equal to its share of such Borrowing. Upon satisfaction of the applicable conditions specified in **Article IV**, the Administrative Agent will make the funds so received from the Lenders available to the applicable Borrower at the applicable Administrative Agent's Office; provided, however, that if on the date of any Syndicated Borrowing there are outstanding Swingline Loans or LC Disbursements, then the funds so received shall be applied, first, to the payment of such LC Disbursements, second, to the repayment of such Swingline Loans and third, to the applicable Borrower as provided above.

(ii) On the date of each Swingline Borrowing, the Swingline Lender shall, unless the Administrative Agent shall have notified the Swingline Lender that any applicable condition specified in **Article IV** has not been satisfied, make available the amount of such Swingline Borrowing, in same day funds in the currency requested by the applicable Borrower, to such Borrower at the applicable Administrative Agent's Office.

(c) Funding by the Administrative Agent in Anticipation of Amounts Due from the Lenders. Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing (except in the case of a Base Rate Borrowing, in which case prior to the time of such Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available to the Administrative Agent on the date of such Borrowing in accordance with **Section 2.04(b)** above, and the Administrative Agent or its Correspondent may, in reliance upon such assumption, make available to the applicable Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such share available to the Administrative Agent, such Lender and the Borrowers severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount, together with interest thereon for each day from the date such amount is made available to the applicable Borrower until the date such amount is repaid to the Administrative Agent at (i) a rate per annum

equal to the higher of the Federal Funds Rate (if such Borrowing is in Dollars) or the rate then applicable to such Loan in accordance with **Section 2.07**, in the case of such Borrower, and (ii) the Federal Funds Rate (if such Borrowing is in Dollars) or the Applicable Interbank Offered Rate (if such Borrowing is in an Alternative Currency), in the case of such Lender. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Lender's Loan included in such Borrowing for purposes of this Agreement.

(d) **Obligations of Lenders Several.** The failure of any Lender to make a Loan required to be made by it as part of any Borrowing hereunder shall not relieve any other Lender of its obligation, if any, hereunder to make any Loan on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Loan to be made by such other Lender on such date of Borrowing.

(e) **Failed Loans.** If any Lender shall fail to make any Loan (a "**Failed Loan**") which such Lender is otherwise obligated hereunder to make to the applicable Borrower on the date of Borrowing thereof, and the Administrative Agent shall not have received notice from such Borrower or such Lender that any condition precedent to the making of the Failed Loan has not been satisfied, then, until such Lender shall have made or be deemed to have made (pursuant to the last sentence of this **Section 2.04(e)**) the Failed Loan in full or the Administrative Agent shall have received notice from the applicable Borrower or such Lender that any condition precedent to the making of the Failed Loan was not satisfied at the time the Failed Loan was to have been made, whenever the Administrative Agent shall receive any amount from such Borrower for the account of such Lender, (i) the amount so received (up to the amount of such Failed Loan) will, upon receipt by the Administrative Agent, be deemed to have been paid to the Lender in satisfaction of the obligation for which paid, without actual disbursement of such amount to the Lender, (ii) the Lender will be deemed to have made the same amount available to the Administrative Agent for disbursement as a Loan to the applicable Borrower (up to the amount of such Failed Loan) and (iii) the Administrative Agent will disburse such amount (up to the amount of the Failed Loan) to such Borrower or, if the Administrative Agent has previously made such amount available to such Borrower on behalf of such Lender pursuant to the provisions hereof, reimburse itself (up to the amount made available to such Borrower); provided, however, that the Administrative Agent shall have no obligation to disburse any such amount to any Borrower or otherwise apply it or deem it applied as provided herein unless the Administrative Agent shall have determined in its sole discretion that to so disburse such amount will not violate any law, rule, regulation or requirement applicable to the Administrative Agent. Upon any such disbursement by the Administrative Agent, such Lender shall be deemed to have made a Base Rate Loan of the same Class as the Failed Loan to the applicable Borrower in satisfaction, to the extent thereof, of such Lender's obligation to make the Failed Loan.

Section 2.05 **Evidence of Loans.**

(a) **Lender Accounts.** Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness 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 under this Agreement.

(b) Administrative Agent Records. The Administrative Agent shall maintain accounts in which it will record (i) the amount of each Loan made hereunder, the Class, Type and currency of each Loan made and the Interest Period, if any, applicable 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 and (iii) the amount of any sum received by the Administrative Agent hereunder from the Borrowers and each Lender's share thereof.

(c) Evidence of Debt. The entries made in the accounts maintained pursuant to **Sections 2.05(a)** and **(b)** shall be prima facie evidence of the existence and amounts of the obligations therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligations of the Borrowers to repay the Loans in accordance with their terms.

(d) Notes. Notwithstanding any other provision of this Agreement, if any Lender shall request and receive a Note or Notes as provided in **Section 11.06** or otherwise, then the Loans of such Lender shall be evidenced by Notes of the applicable Class, in each case, substantially in the form of **Exhibit B-1** or **B-2**, as applicable, and payable to the order of such Lender for the account of its Applicable Lending Office in an amount equal to the aggregate unpaid principal amount of such Lender's Revolving Loans or Competitive Bid Loans, as applicable. If requested by the Swingline Lender, the Swingline Loans shall be evidenced by a single Swingline Note, substantially in the form of **Exhibit B-3**, and payable to the order of the Swingline Lender in an amount equal to the aggregate unpaid principal amount of the Swingline Loans.

Section 2.06 Letters of Credit.

(a) Existing Letters of Credit. On the Closing Date, each Issuing Lender that has issued an Existing Letter of Credit shall be deemed, without further action by any party hereto, to have sold to each Revolving Lender, and each such Revolving Lender shall be deemed, without further action by any party hereto, to have purchased from each such Issuing Lender, without recourse or warranty, an undivided participation interest in such Existing Letter of Credit and the related LC Obligations in the proportion its Revolving Commitment Percentage bears to the aggregate Revolving Committed Amount (although any fronting fee payable under **Section 2.12(b)(ii)** shall be payable directly to the Administrative Agent for the account of each applicable Issuing Lender, and the Lenders (other than such Issuing Lender) shall have no right to receive any portion of such fronting fee) and any security therefor or guaranty pertaining thereto. On and after the Closing Date, each Existing Letter of Credit shall constitute a Letter of Credit for all purposes hereof.

(b) Additional Letters of Credit. Each Issuing Lender agrees, on the terms and conditions set forth in this Agreement, to issue Letters of Credit denominated in Dollars or an Available Alternative Currency, each such Letter of Credit being in a Dollar Amount of at least \$500,000, from time to time before the 30th day prior to the Maturity Date for the account, and upon the request, of Carpenter and in support of (i) trade obligations of Carpenter and/or its Subsidiaries, which shall be payable at sight (each such letter of credit, a "Trade Letter of Credit" and, collectively, the "Trade Letters of Credit") and (ii) such other obligations of Carpenter that are acceptable to the Lenders (each such letter of credit, a "Standby Letter of Credit" and,

collectively, the “Standby Letters of Credit”); provided that, immediately after each Letter of Credit is issued, (i) the aggregate amount of the LC Obligations shall not exceed the LC Committed Amount, (ii) the aggregate Dollar Amount of the Revolving Outstandings shall not exceed the aggregate amount of the Revolving Commitments and (iii) with respect to each individual Revolving Lender, the aggregate outstanding principal Dollar Amount of the Revolving Lender’s Revolving Loans plus its Participation Interest in outstanding LC Obligations plus its (other than the Swingline Lender’s in its capacity as such) Participation Interests in outstanding Swingline Loans shall not exceed such Revolving Lender’s Revolving Commitment Percentage of the Revolving Committed Amount.

(c) Method of Issuance of Letters of Credit. Carpenter shall give the applicable Issuing Lender notice (with a copy to the Administrative Agent) substantially in the form of Exhibit A-6 hereto (a “Letter of Credit Request”) of the requested issuance or amendment of a Letter of Credit prior to 1:00 P.M. on the proposed date of the issuance or amendment of Trade Letters of Credit (which shall be a Business Day) and at least three Business Days before the proposed date of issuance or extension of Standby Letters of Credit (which shall be a Business Day) (or such shorter period as may be agreed by the applicable Issuing Lender in any particular instance). In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit Request shall specify in form and detail satisfactory to the applicable Issuing Lender: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount, currency (which may only be Dollars or an Available Alternative Currency) and, if applicable, Dollar Amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; and (G) such other matters as such Issuing Lender may require. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Request shall specify in form and detail satisfactory to the Issuing Lender: (i) the Letter of Credit to be amended; (ii) the proposed date of amendment thereof (which shall be a Business Day); (iii) the nature of the proposed amendment; and (iv) such other matters as the Issuing Lender may require. The extension or renewal of any Letter of Credit shall be deemed to be an issuance of such Letter of Credit. Subject to the provisions of the following paragraph with respect to Evergreen Letters of Credit, no Letter of Credit shall have a term of more than one year or shall have a term extending or be extendible beyond the fifth Business Day prior to the Maturity Date.

If Carpenter so requests in any applicable Letter of Credit Request, the Issuing Lender may, in its sole and absolute discretion, agree to issue a Letter of Credit that has automatic renewal provisions (each, an “Evergreen Letter of Credit”); provided that any such Evergreen Letter of Credit must permit the Issuing Lender to prevent any such renewal at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the “Nonrenewal Notice Date”) in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the Issuing Lender, Carpenter shall not be required to make a specific request to the Issuing Lender for any such renewal. Once an Evergreen Letter of Credit has been issued, the Revolving Lenders shall be deemed to have authorized (but may not require) the Issuing Lender to permit the renewal of such Letter of Credit at any time to a date not later than the fifth Business Day prior to the Maturity Date; provided, however, that the Issuing Lender shall not permit any such renewal if (i) the Issuing Lender would have no obligation at

such time to issue such Letter of Credit in its renewed form under the terms hereof or (ii) it has received notice (which may be by telephone or in writing) on or before the Business Day immediately preceding the Nonrenewal Notice Date (A) from the Administrative Agent that the Required Lenders have elected not to permit such renewal or (B) from the Administrative Agent, any Revolving Lender or Carpenter that one or more of the applicable conditions specified in **Section 4.02** is not then satisfied. Notwithstanding anything to the contrary contained herein, the Issuing Lender shall have no obligation to permit the renewal of any Evergreen Letter of Credit at any time.

Promptly after receipt of any Letter of Credit Request, the Issuing Lender will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Letter of Credit Request from Carpenter and, if not, the Issuing Lender will provide the Administrative Agent with a copy thereof. Upon receipt by the Issuing Lender of confirmation from the Administrative Agent that the requested issuance or amendment is permitted in accordance with the terms hereof, then, subject to the terms and conditions thereof, the Issuing Lender shall, on the requested date, issue a Letter of Credit for the account of Carpenter or enter into the applicable amendment, as the case may be, in each case in accordance with the Issuing Lender's usual and customary business practices.

Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the Issuing Lender will also deliver to Carpenter and the Administrative Agent a true and complete copy of such Letter of Credit or amendment.

(d) Conditions to Issuance of Additional Letters of Credit. The issuance by an Issuing Lender of each Additional Letter of Credit shall, in addition to the conditions precedent set forth in **Section 4.02**, be subject to the conditions precedent that (i) such Letter of Credit shall be satisfactory in form and substance to the applicable Issuing Lender, (ii) Carpenter shall have executed and delivered such other instruments and agreements relating to such Letter of Credit as the Issuing Lender shall have reasonably requested, (iii) the Issuing Lender shall have confirmed with the Administrative Agent on the date of (and after giving effect to) such issuance that (A) the Dollar Amount of the aggregate amount of all LC Obligations will not exceed the LC Committed Amount and (B) the Dollar Amount of the aggregate Revolving Outstandings will not exceed the aggregate amount of the Revolving Commitments and (iv) the Issuing Lender shall not have been notified by the Administrative Agent that any condition specified in **Section 4.02(b)** or (c) is not satisfied on the date such Letter of Credit is to be issued. Notwithstanding any other provision of this **Section 2.06**, no Issuing Lender shall be under any obligation to issue any Additional Letter of Credit if: (x) any order, judgment or decree of any Governmental Authority shall by its terms purport to enjoin or restrain the Issuing Lender from issuing such Additional Letter of Credit, or any requirement of Law applicable to such Issuing Lender or any request or directive (whether or not having a force of Law) from any Governmental Authority with jurisdiction over such Issuing Lender shall prohibit, or request that such Issuing Lender refrain from, the issuance of letters of credit generally or such Additional Letter of Credit in particular or shall impose upon such Issuing Lender with respect to such Additional Letter of Credit any restriction, reserve or capital requirement (for which such Issuing Lender is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon such Issuing Lender any unreimbursed loss, cost or expense which was not applicable on the Closing

Date and which such Issuing Lender in good faith deems material to it; or (y) the issuance of such Additional Letter of Credit shall violate any applicable general policies of such Issuing Lender.

(e) Purchase and Sale of Letter of Credit Participations. Upon the issuance by an Issuing Lender of an Additional Letter of Credit, such Issuing Lender shall be deemed, without further action by any party hereto, to have sold to each Revolving Lender, and each Revolving Lender shall be deemed, without further action by any party hereto, to have purchased from such Issuing Lender, without recourse or warranty, an undivided participation interest in such Letter of Credit and the related LC Obligations in the proportion its Revolving Commitment Percentage bears to the Revolving Committed Amount (although any fronting fee payable under **Section 2.12(b)(ii)** shall be payable directly to the Administrative Agent for the account of the applicable Issuing Lender, and the Lenders (other than such Issuing Lender) shall have no right to receive any portion of any such fronting fee) and any security therefor or guaranty pertaining thereto. Upon any change in the Revolving Commitments pursuant to **Section 2.17** or **Section 11.06**, there shall be an automatic adjustment to the Participation Interests in all outstanding Letters of Credit (including all Existing Letters of Credit, if any) and all LC Obligations to reflect the adjusted Revolving Commitments of the Lenders.

(f) Drawings under Letters of Credit. Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the applicable Issuing Lender shall determine in accordance with the terms of such Letter of Credit whether such drawing should be honored. If the Issuing Lender determines that any such drawing shall be honored, such Issuing Lender shall make available to such beneficiary in accordance with the terms of such Letter of Credit the amount of the drawing and shall notify Carpenter and the Administrative Agent as to the amount to be paid as a result of such drawing and the payment date.

(g) Duties of Issuing Lenders to Revolving Lenders: Reliance. In determining whether to pay under any Letter of Credit, the relevant Issuing Lender shall not have any obligation relative to the Revolving Lenders participating in such Letter of Credit or the related LC Obligations other than to determine that any document or documents required to be delivered under such Letter of Credit have been delivered and that they substantially comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by an Issuing Lender under or in connection with any Letter of Credit shall not create for the Issuing Lender any resulting liability if taken or omitted in the absence of gross negligence or willful misconduct. Each Issuing Lender shall be entitled (but not obligated) to rely, and shall be fully protected in relying, on the representation and warranty by Carpenter set forth in the last sentence of **Section 4.02** to establish whether the conditions specified in **Sections 4.02(b)** and **(c)** of **Section 4.02** are met in connection with any issuance or extension of a Letter of Credit. Each Issuing Lender shall be entitled to rely, and shall be fully protected in relying, upon advice and statements of legal counsel, independent accountants and other experts selected by such Issuing Lender and upon any Letter of Credit, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopier, statement, order or other document believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary

unless the beneficiary and Carpenter shall have notified such Issuing Lender that such documents do not comply with the terms and conditions of the Letter of Credit. Each Issuing Lender shall be fully justified in refusing to take any action requested of it under this Section in respect of any Letter of Credit unless it shall first have received such advice or concurrence of the Required 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, or omitting or continuing to omit, any such action. Notwithstanding any other provision of this Section, each Issuing Lender shall in all cases be fully protected in acting, or in refraining from acting, under this Section in respect of any Letter of Credit in accordance with a request of the Required Lenders, and such request and any action taken or failure to act in respect thereof shall be binding upon all Revolving Lenders and all future holders of participations in such Letter of Credit.

(h) **Reimbursement Obligations.** Carpenter shall be irrevocably and unconditionally obligated forthwith to reimburse each Issuing Lender in the applicable currency for any amounts paid by such Issuing Lender upon any drawing under any Letter of Credit, together with any and all reasonable charges and expenses which the Issuing Lender may pay or incur relative to such drawing and interest on the amount drawn at the rate applicable to Base Rate Loans for each day from and including the date such amount is drawn to but excluding the date such reimbursement payment is due and payable. Such reimbursement payment shall be due and payable (i) on the date the Issuing Lender notifies Carpenter of such drawing, if such notice is given at or before 12:00 P.M. on such date or (ii) the next succeeding Business Day is such notice is given after 12:00 P.M. on any such date; provided that no payment otherwise required by this sentence to be made by Carpenter shall be overdue hereunder if arrangements for such payment satisfactory to the Issuing Lender, in its reasonable discretion, shall have been made by Carpenter at or before 1:00 P.M. on such day and such payment is actually made at or before 3:00 P.M. on such day. In addition, Carpenter agrees to pay to the Issuing Lender interest, payable on demand, on any and all amounts not paid by Carpenter to the Issuing Lender when due under this **Section 2.06(h)**, for each day from and including the date when such amount becomes due to but excluding the date such amount is paid in full, whether before or after judgment, at a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate Loans for such day. Subject to the satisfaction of all applicable conditions set forth in **Article IV**, Carpenter may, at its option, utilize the Swingline Commitment or the Revolving Commitments, or make other arrangements for payment satisfactory to the Issuing Lender, for the reimbursement of all LC Disbursements as required by this **Section 2.06(h)**. Each reimbursement payment to be made by Carpenter pursuant to this **Section 2.06(h)** shall be made to the Issuing Lender in Federal or other funds immediately available to it at its address referred to **Section 11.02**.

(i) **Obligations of Revolving Lenders to Reimburse Issuing Lender for Unpaid LC Disbursements.** If Carpenter shall not have reimbursed an Issuing Lender in full for any LC Disbursement as required pursuant to **Section 2.06(h)**, the Issuing Lender shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify each Revolving Lender (other than the relevant Issuing Lender) of (x) the date of drawing under the related Letter of Credit, (y) the Dollar Amount of the unreimbursed LC Disbursement and (z) such Revolving Lender's pro-rata share of the LC Disbursement. On the date of any such notice from the Administrative Agent in respect of an unreimbursed LC Disbursement in respect of a Letter of Credit denominated in an Alternative Currency, Carpenter's reimbursement obligation to the

Issuing Lender in respect of such drawing shall be automatically redenominated into Dollars. Upon receipt of notice from the Administrative Agent pursuant to this **Section 2.06(i)** each such Revolving Lender shall promptly and unconditionally pay to the Administrative Agent, for the account of such Issuing Lender, such Revolving Lender's pro-rata share of the Dollar Amount of each LC Disbursement which is the subject of such notice (determined by the proportion its Revolving Commitment Percentage bears to the aggregate Revolving Committed Amount) in Dollars in Federal or other immediately available funds. Such payment from the Revolving Lender shall be due (i) on the date the Administrative Agent so notifies a Revolving Lender, if such notice is given at or before 12:00 P.M. on such date or (ii) on the next succeeding Business Day if such notice is given after 12:00 P.M. on such date, together with interest on such amount for each day from and including the date of such drawing to but excluding the day such payment is due from such Revolving Lender at the Federal Funds Rate for such day (which funds the Administrative Agent shall promptly remit to the applicable Issuing Lender). The failure of any Revolving Lender to make available to the Administrative Agent for the account of an Issuing Lender its pro-rata share of any unreimbursed LC Disbursement shall not relieve any other Revolving Lender of its obligation hereunder to make available to the Administrative Agent for the account of such Issuing Lender its pro-rata share of any payment made under any Letter of Credit on the date required, as specified above, but no such Lender shall be responsible for the failure of any other Lender to make available to the Administrative Agent for the account of the Issuing Lender such other Lender's pro-rata share of any such payment. Upon payment in full of all amounts payable by a Lender under this **Section 2.06(i)**, such Lender shall be subrogated to the rights of the Issuing Lender against Carpenter to the extent of such Lender's pro-rata share of the related LC Obligation so paid (including interest accrued thereon). If any Revolving Lender fails to pay any amount required to be paid by it pursuant to this **Section 2.06(i)** on the date on which such payment is due, interest shall accrue on such Lender's obligation to make such payment, for each day from and including the date such payment became due to but excluding the date such Lender makes such payment, whether before or after judgment, at a rate per annum equal to (i) for each day from the date such payment is due to the third succeeding Business Day, inclusive, the Federal Funds Rate for such day as determined by the relevant Issuing Lender and (ii) for each day thereafter, the sum of 2% plus the rate applicable to Base Rate Loans for such day. Any payment made by any Lender after 3:00 P.M. on any Business Day shall be deemed for purposes of the preceding sentence to have been made on the next succeeding Business Day. On the date of any notice from the Administrative Agent to the Revolving Lenders pursuant to this **Section 2.06(i)** in respect of an LC Disbursement in respect of a Letter of Credit denominated in an Alternative Currency, Carpenter's reimbursement obligation in respect thereof shall be automatically redenominated in Dollars in an amount equal to the then Dollar Amount thereof.

(j) Funds Received from Carpenter in Respect of Drawn Letters of Credit. Whenever an Issuing Lender receives a payment of an LC Obligation as to which the Administrative Agent has received for the account of such Issuing Lender any payments from the Lenders pursuant to **Section 2.06(i)** above, such Issuing Lender shall pay the amount of such payment to the Administrative Agent, and the Administrative Agent shall promptly pay to each Lender which has paid its pro-rata share thereof, in Dollars in Federal or other immediately available funds, an amount equal to such Lender's pro-rata share of the principal amount thereof and interest thereon for each day after relevant date of payment at the Federal Funds Rate.

(k) Obligations in Respect of Letters of Credit Unconditional. The obligations of Carpenter under **Section 2.06(h)** above shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any Letter of Credit or any document related hereto or thereto;

(ii) any amendment or waiver of or any consent to departure from all or any of the provisions of this Agreement or any Letter of Credit or any document related hereto or thereto;

(iii) the use which may be made of the Letter of Credit by, or any acts or omission of, a beneficiary of a Letter of Credit (or any Person for whom the beneficiary may be acting);

(iv) the existence of any claim, set-off, defense or other rights that Carpenter may have at any time against a beneficiary of a Letter of Credit (or any Person for whom the beneficiary may be acting), any Issuing Lender or any other Person, whether in connection with this Agreement or any Letter of Credit or any document related hereto or thereto or any unrelated transaction;

(v) any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(vi) payment under a Letter of Credit against presentation to an Issuing Lender of a draft or certificate that does not comply with the terms of such Letter of Credit; provided that the relevant Issuing Lender's determination that documents presented under such Letter of Credit comply with the terms thereof shall not have constituted gross negligence or willful misconduct of such Issuing Lender; or

(vii) any other act or omission to act or delay of any kind by any Issuing Lender or any other Person or any other event or circumstance whatsoever that might, but for the provisions of this **Section 2.06(k)(vii)**, constitute a legal or equitable discharge of Carpenter's obligations hereunder.

(l) Designation of Subsidiaries as Account Parties. Notwithstanding anything to the contrary set forth in this Agreement, a Letter of Credit issued hereunder may contain a statement to the effect that such Letter of Credit is issued for the account of a Subsidiary of Carpenter; provided, that notwithstanding such statement, Carpenter shall be the actual account party for all purposes of this Agreement for such Letter of Credit and such statement shall not affect Carpenter's reimbursement obligations hereunder with respect to such Letter of Credit.

(m) Modification and Extension. The issuance of any supplement, modification, amendment, renewal, or extensions to any Letter of Credit shall, for purposes hereof, be treated in all respects the same as a Credit Extension hereunder.

(n) Uniform Customs and Practices. Unless otherwise expressly agreed by the Issuing Lender and Carpenter when a Letter of Credit is issued (including any such agreement applicable to an Existing Letter of Credit), (i) the rules of the “International Standby Practices 1998” published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance) shall apply to each Standby Letter of Credit, and (ii) the rules of the Uniform Customs and Practice for Documentary Credits (collectively, the “UCP”), as most recently published by the International Chamber of Commerce (the “ICC”) at the time of issuance (including the ICC decision published by the Commission on Banking Technique and Practice on April 6, 1998 regarding the European single currency (euro)) shall apply to each Trade Letter of Credit.

(o) Responsibility of Issuing Lenders. It is expressly understood and agreed that the obligations of the Issuing Lenders hereunder to the Revolving Lenders are only those expressly set forth in this Agreement and that the Issuing Lender shall be entitled to assume that the conditions precedent set forth in **Section 4.02** have been satisfied unless it shall have acquired actual knowledge that any such condition precedent has not been satisfied; provided, however, that nothing set forth in this **Section 2.06** shall be deemed to prejudice the right of any Revolving Lender to recover from the Issuing Lender any amounts made available by such Revolving Lender to the Issuing Lender pursuant to this **Section 2.06** in the event that it is determined by a court of competent jurisdiction that the payment with respect to a Letter of Credit constituted gross negligence or willful misconduct on the part of the Issuing Lender.

(p) Conflict with LC Documents. In the event of any conflict between this Agreement and any LC Document, this Agreement shall govern.

(q) Indemnification of Issuing Lenders.

(i) In addition to its other obligations under this Agreement, Carpenter hereby agrees to protect, indemnify, pay and save each Issuing Lender harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys’ fees) that such Issuing Lender may incur or be subject to as a consequence, direct or indirect, of (A) the issuance of any Letter of Credit or (B) the failure of such Issuing Lender to honor a drawing under a Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority (all such acts or omissions, herein called “Government Acts”).

(ii) As between Carpenter and each Issuing Lender, Carpenter shall assume all risks of the acts, omissions or misuse of any Letter of Credit by the beneficiary thereof. The Issuing Lenders shall not be responsible for: (A) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of any Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (B) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, that may prove to be invalid or ineffective for any reason; (C) failure of the beneficiary of a Letter of Credit to comply fully with conditions

required in order to draw upon a Letter of Credit; (D) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph or otherwise, whether or not they be in cipher; (E) errors in interpretation of technical terms; (F) any loss or delay in the transmission or otherwise of any documents required in order to make a drawing under a Letter of Credit or of the proceeds thereof; and (G) any consequences arising from causes beyond the control of any such Issuing Lender, including, without limitation, any Government Acts. None of the above shall affect, impair, or prevent the vesting of any Issuing Lenders' rights or powers hereunder.

(iii) In furtherance and extension and not in limitation of the specific provisions hereinabove set forth, any action taken or omitted by an Issuing Lender, under or in connection with any Letter of Credit or the related certificates, if taken or omitted in good faith, shall not put such Issuing Lender under any resulting liability to Carpenter. It is the intention of the parties that this Agreement shall be construed and applied to protect and indemnify the Issuing Lenders against any and all risks involved in the issuance of any Letter of Credit, all of which risks are hereby assumed by Carpenter, including, without limitation, any and all risks of the acts or omissions, whether rightful or wrongful, of any present or future Government Acts. The Issuing Lenders shall not, in any way, be liable for any failure by any such Issuing Lender or anyone else to pay any drawing under any Letter of Credit as a result of any Government Acts or any other cause beyond the control of the Issuing Lenders.

(iv) Nothing in this **Section 2.06(q)** is intended to limit the reimbursement obligation of Carpenter contained in this **Section 2.06**. The obligations of Carpenter under this **Section 2.06(q)** shall survive the termination of this Agreement. No act or omission of any current or prior beneficiary of a Letter of Credit shall in any way affect or impair the rights of any Issuing Lender to enforce any right, power or benefit under this Agreement.

(v) Notwithstanding anything to the contrary contained in this **Section 2.06(q)**, Carpenter shall have no obligation to indemnify any Issuing Lender in respect of any liability incurred by the Issuing Lender arising solely out of the gross negligence or willful misconduct of the Issuing Lender, as determined by a court of competent jurisdiction. Nothing in this Agreement shall relieve any Issuing Lender of any liability to Carpenter in respect of any action taken by the Issuing Lender which action constitutes gross negligence or willful misconduct of the Issuing Lender or a violation of the UCP or Uniform Commercial Code, as applicable, as determined by a court of competent jurisdiction.

(r) Cash Collateral. If Carpenter is required pursuant to the terms of this Agreement to Cash Collateralize any LC Obligations, Carpenter shall deposit in an account with the Administrative Agent an amount in cash equal to 100% of the Dollar Amount of such LC Obligations. Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the LC Obligations. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. The Administrative Agent will, at the request of Carpenter, invest amounts deposited in such account in Cash Equivalents; provided, however, that (i) the Administrative Agent shall not be required

to make any investment that, in its sole judgment, would require or cause the Administrative Agent to be in, or would result in any, violation of any Law, (ii) such Cash Equivalents shall be subjected to a first priority perfected security interest in favor of the Administrative Agent for the benefit of the Creditors and (iii) if an Event of Default shall have occurred and be continuing, the selection of such Cash Equivalents shall be in the sole discretion of the Administrative Agent. Carpenter shall indemnify the Administrative Agent for any losses relating to such investments in Cash Equivalents. Other than any interest or profits earned on such investments, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Lenders immediately for drawings under Letters of Credit and, if the maturity of the Loans has been accelerated, to satisfy the LC Obligations. If Carpenter is required to provide an amount of cash collateral hereunder as a result of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to Carpenter within three Business Days after all Events of Default have been cured or waived. Carpenter hereby pledges and assigns to the Administrative Agent, for its benefit and the benefit of the Creditors, the cash collateral account established hereunder (and all monies and investments held therein) to secure the Obligations.

(s) Resignation or Removal of an Issuing Lender. (a) Any Issuing Lender may resign at any time by giving 30 days' notice to the Administrative Agent, the Lenders and Carpenter, and may be removed at any time by Carpenter by notice to such Issuing Lender, the Administrative Agent and the Lenders. Upon any such resignation or removal, Carpenter shall (within 30 days after such notice of resignation or removal) either appoint a successor, or terminate the unutilized LC Commitment of such Issuing Lender; provided, however, that, if Carpenter elects to terminate such unutilized LC Commitment, Carpenter may at any time thereafter that the Revolving Credit Commitments are in effect reinstate such LC Commitment in connection with the appointment of another Issuing Lender. Subject to **Section 2.06(t)** below, upon the acceptance of any appointment as an Issuing Lender hereunder by a successor Issuing Lender, such successor shall succeed to and become vested with all the interests, rights and obligations of the retiring Issuing Lender, and the retiring Issuing Lender shall be discharged from its obligations to issue Additional Letters of Credit hereunder. The acceptance of any appointment as Issuing Lender hereunder by a successor Issuing Lender shall be evidenced by an agreement entered into by such successor, in a form reasonably satisfactory to Carpenter and the Administrative Agent, and, from and after the effective date of such agreement, (i) such successor shall be a party hereto and have all the rights and obligations of an Issuing Lender under this Agreement and the other Loan Documents and (ii) references herein and in the other Loan Documents to the "Issuing Lender" shall be deemed to refer to such successor or to any previous Issuing Lender, or to such successor and all previous Issuing Lenders, as the context shall require.

(t) Rights with Respect to Outstanding Letter of Credit. After the resignation or removal of any Issuing Lender hereunder, the retiring Issuing Lender shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Lender under this Agreement and the other Loan Documents with respect to Letters of Credit issued by it prior to such resignation or removal, but shall not be required to issue Additional Letters of Credit.

Section 2.07 **Interest.**

(a) Rate Options Applicable to Loans. Each Committed Borrowing shall be comprised of Base Rate Loans or (except in the case of Swingline Loans which shall be made and maintained as Base Rate Loans or LIBOR Market Index Rate Loans) Eurocurrency Loans, as the applicable Borrower may request pursuant to **Section 2.02**. Each Competitive Bid Borrowing shall be comprised of Competitive Bid Loans pursuant to **Section 2.03**. Borrowings of more than one Type may be outstanding at the same time; provided, however, that the Borrowers may not request any Borrowing that, if made, would result in an aggregate for any Class of more than 10 separate Groups of Eurocurrency Loans being outstanding hereunder at any one time. For this purpose, Loans having different Interest Periods, regardless of whether commencing on the same date, shall be considered separate Groups.

(b) Base Rate Loans. Each Loan of a Class which is made as, or converted into, a Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made as, or converted into, a Base Rate Loan until it becomes due or is converted into a Loan of any other Type, at a rate per annum equal to the Applicable Percentage for Base Rate Loans of such Class for such day plus the Base Rate for such day. Such interest shall be payable quarterly in arrears on each Interest Payment Date and, with respect to the principal amount of any Base Rate Loan converted to a Eurocurrency Loan, on the date such Base Rate Loan is so converted.

(c) LIBOR Market Index Rate Loans. Swingline Loans that are denominated in Pounds Sterling or Euros shall bear interest at the LIBOR Market Index Rate. Interest on such Swingline Loans shall be payable in arrears on each Interest Payment Date.

(d) Eurocurrency Loans. Each Eurocurrency Loan shall bear interest on the outstanding principal amount thereof, for each day during the Interest Period applicable thereto, at a rate per annum equal to the sum of the Applicable Percentage for Eurocurrency Loans for such day plus the Eurocurrency Rate applicable to Eurocurrency Loans denominated in the relevant currency for such Interest Period. Such interest shall be payable for each Interest Period on each Interest Payment Date.

(e) Competitive Bid Loans. The unpaid principal amount of each Competitive Bid Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the Competitive Bid Absolute Rate quoted by the Lender making such Loan or the Eurocurrency Bid Margin plus the Eurocurrency Rate quoted by the Administrative Agent, as the case may be. Such interest shall be payable for each Interest Period on the last day thereof.

(f) Determination and Notice of Interest Rates. The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to Carpenter and the participating Lenders of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error. Any notice with respect to Eurocurrency Loans shall, without the necessity of the Administrative Agent so stating in such notice, be subject to adjustments in the Applicable Percentage applicable to such Loans after the beginning of the Interest Period applicable thereto. When

during an Interest Period any event occurs that causes an adjustment in the Applicable Percentage applicable to Loans to which such Interest Period is applicable, the Administrative Agent shall give prompt notice to Carpenter and the Lenders of such event and the adjusted rate of interest so determined for such Loans, and its determination thereof shall be conclusive in the absence of manifest error.

(g) Default Interest. Upon the occurrence and during the continuance of an Event of Default, the principal of and, to the extent permitted by law, interest on the Loans and any other amounts owing herein or under the other Loan Documents shall bear interest, payable on demand, at a per annum rate equal to (i) in the case of principal of any Loan, the rate otherwise applicable to such Loan during such period pursuant to this **Section 2.07** plus 2.00% and (ii) in the case of any other amount, the Base Rate plus the Applicable Margin for Base Rate Loans plus 2.00%.

Section 2.08 **Extension and Conversion**.

(a) Conversions and Continuations. The Dollar-Denominated Loans included in each Syndicated Borrowing shall bear interest initially at the type of rate specified by the applicable Borrower in the applicable Notice of Syndicated Borrowing. Thereafter, the applicable Borrower shall have the option, on any Business Day, to elect to change or continue the type of interest rate borne by each Group of Syndicated Dollar-Denominated Loans (subject in each case to the provisions of **Article III** and **Section 2.08(d)**), as follows:

(i) if such Loans are Base Rate Loans, the applicable Borrower may elect to convert such Loans to Eurodollar Loans as of any Business Day; and

(ii) if such Loans are Eurodollar Loans, the applicable Borrower may elect to convert such Loans to Base Rate Loans or elect to continue such Loans as Eurodollar Loans for an additional Interest Period, subject to **Section 3.05** in the case of any such conversion or continuation effective on any day other than the last day of the then current Interest Period applicable to such Loans.

Each such election shall be made by delivering a notice, substantially in the form of **Exhibit A-4** hereto (a “Notice of Extension/Conversion”) to the Administrative Agent not later than 12:00 Noon on the third Business Day before the conversion or continuation selected in such notice is to be effective. A Notice of Extension/Conversion may, if it so specifies, apply to only a portion of the aggregate principal amount of the relevant Group of Loans, provided that (i) such portion is allocated ratably among the Loans comprising such Group and (ii) the portion to which such Notice applies, and the remaining portion to which it does not apply, are each \$2,000,000 or any larger multiple of \$500,000.

(b) Contents of Notice of Extension/Conversion. Each Notice of Extension/Conversion shall specify:

(i) the Group of Loans (or portion thereof) to which such notice applies;

(ii) the date on which the conversion or continuation selected in such notice is to be effective, which shall comply with the applicable clause of **Section 2.08(a)** above;

(iii) if the Loans comprising such Group are to be converted, the new Type of Loans and, if the Loans being converted are to be Eurodollar Loans, the duration of the next succeeding Interest Period applicable thereto; and

(iv) if such Loans are to be continued as Eurodollar Loans for an additional Interest Period, the duration of such additional Interest Period.

Each Interest Period specified in a Notice of Interest Rate Election shall comply with the provisions of the definition of the term “ Interest Period”.

(c) Notification to Lenders. Upon receipt of a Notice of Extension/Conversion from the applicable Borrower pursuant to **Section 2.08(a)** above, the Administrative Agent shall promptly notify each Lender of the contents thereof and such notice shall not thereafter be revocable by the Borrower. If no Notice of Extension/Conversion is timely received prior to the end of an Interest Period for any Group of Eurodollar Loans, the applicable Borrower shall be deemed to have elected that such Group be converted to Base Rate Loans as of the last day of such Interest Period.

(d) Limitation on Conversion/Continuation Options. The Borrowers shall not be entitled to elect to convert any Syndicated Loans to, or continue any Syndicated Loans for an additional Interest Period as, Eurodollar Loans if (i) the aggregate principal amount of any Group of Eurodollar Loans created or continued as a result of such election would be less than \$2,000,000 or (ii) a Default shall have occurred and be continuing when any Borrower delivers notice of such election to the Administrative Agent.

(e) Alternative Currency Loans. The initial Interest Period for each Group of Syndicated Alternative Currency Loans shall be specified by the applicable Borrower in the applicable Notice of Borrowing. The applicable Borrower may specify the duration of each subsequent Interest Period applicable to such Group of Syndicated Alternative Currency Loans by delivering to the Administrative Agent, not later than 11:00 A.M., Local Time, on the fourth Business Day before the end of the immediately preceding Interest Period, a notice specifying the Group of Loans to which such notice applies and the duration of such subsequent Interest Period (which shall comply with the provisions of the definition of Interest Period), provided that any such continuation of Alternative Currency Loans shall be in the same currency. Such notice may, if it so specifies, apply to only a portion of the aggregate principal amount of the relevant Group of Loans; provided that (i) such portion is allocated ratably among the Loans comprising such Group and (ii) the Dollar Amounts of the portion to which such notice applies, and the remaining portion to which it does not apply, are each at least \$2,000,000. If no such Notice of Extension/Conversion is timely received by the Administrative Agent before the end of any applicable Interest Period, the applicable Borrower shall be deemed to have elected that the subsequent Interest Period for such Group of Loans shall have a duration of one month (subject to the provisions of the definition of Interest Period).

(f) Certain Mandatory Conversions and Prepayments of Eurocurrency Loans. On the date in which the aggregate unpaid Dollar Amount of Eurocurrency Loans comprising any Group of Loans shall be reduced, by payment or prepayment or otherwise, to less than \$2,000,000, such Loans shall, on the last day of the then current Interest Period therefor, (i) if

such Eurocurrency Loans are denominated in Dollars, automatically be converted into Base Rate Syndicated Loans and (ii) if such Eurocurrency Loans are denominated in an Alternative Currency, be repaid by the applicable Borrower. Upon the occurrence and during the continuance of any Event of Default, (i) each Eurocurrency Loan shall automatically, on the last day of the then current Interest Period therefor, (A) if such Eurocurrency Loan is denominated in Dollars, be converted into a Syndicated Base Rate Loan and (B) if such Eurocurrency Loan is denominated in an Alternative Currency, be redenominated into Dollars in an amount equal to the then Dollar Equivalent thereof as of the date of determination and converted into Base Rate Syndicated Loans and (ii) the obligation of the Lenders to make, or to continue or convert Syndicated Loans into, Eurocurrency Loans shall be suspended. The Administrative Agent shall promptly notify each Lender of the aggregate Dollar Amount if any such Eurocurrency Loan which is redenominated into Dollars and such Lender's pro-rata share of such Loan.

(g) Accrued Interest. Accrued interest on a Loan (or portion thereof) being extended or converted shall be paid by the applicable Borrower (i) with respect to any Base Rate Loan being converted to a Eurodollar Loan, on the last day of the first fiscal quarter of Carpenter ending on or after the date of conversion and (ii) otherwise, on the date of extension or conversion.

Section 2.09 **Scheduled Termination of Commitments; Mandatory Prepayments**. The Commitments shall terminate on the Maturity Date, and any Loans then outstanding (together with accrued interest thereon) shall be due and payable on the Maturity Date. If on any Calculation Date after giving effect to the determination of all relevant Dollar Amounts hereunder, the aggregate Dollar Amount of all Revolving Outstandings exceeds the aggregate amount of the Revolving Commitments or the aggregate Dollar Amount of all LC Obligations exceeds the LC Committed Amount, the Borrowers shall, within five Business Days, prepay outstanding Loans (as selected by Carpenter and notified to the Revolving Lenders through the Administrative Agent not less than three Business Days prior to the date of such payment) and/or Cash Collateralize outstanding Letters of Credit to the extent necessary to eliminate any such excess.

Section 2.10 **Optional Prepayments**.

(a) Subject in the case of any Eurocurrency Loan to **Section 3.05**, the Borrowers may (i) with notice by 12:00 Noon on the date of such prepayment, prepay any Group of Base Rate Loans or any Swingline Borrowing or any Competitive Bid Borrowing bearing interest at the Base Rate pursuant to **Section 3.02**, in each case in whole at any time, or from time to time in part in an aggregate Dollar Amount of \$5,000,000 (\$100,000 in the case of a Swingline Borrowing) or any larger multiple of \$1,000,000 (\$100,000 in the case of a Swingline Borrowing), or (ii) upon at least three Business Days' notice to the Administrative Agent, prepay any Group of Eurocurrency Loans in whole at any time, or from time to time in part in an aggregate Dollar Amount of \$5,000,000 or any larger multiple of \$1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Lenders included in such Group or Borrowing.

(b) Except as provided in **Section 2.10(a)** above, Carpenter may not prepay all or any portion of the principal amount of any Competitive Bid Loan prior to the maturity thereof.

(c) Upon receipt of a notice of prepayment pursuant to this Section, the Administrative Agent shall promptly notify each Lender of the contents thereof and of such Lender's ratable share (if any) of such prepayment and such notice shall not thereafter be revocable by the Borrower.

Section 2.11 Adjustment of Commitments.

(a) Optional Termination or Reduction of Revolving Committed Amount. Carpenter may from time to time terminate in full or permanently reduce the Revolving Committed Amount upon five Business Days' prior written or telecopied notice to the Administrative Agent; provided, however, that (i) no such termination or reduction shall be made which would cause the Dollar Amount of the Revolving Outstandings (after giving effect to any concurrent repayment of Revolving Loans or Swingline Loans or Cash Collateralization of LC Obligations) to exceed the Revolving Committed Amount as so reduced, and (ii) any such partial reduction shall be in a minimum aggregate amount of \$5,000,000 or any integral multiple of \$1,000,000 in excess thereof (or, if less, the full remaining amount of the then applicable Revolving Committed Amount). The Administrative Agent shall promptly notify each affected Lender of the receipt by the Administrative Agent of any notice from Carpenter pursuant to this **Section 2.11(a)**. Any partial reduction of the Revolving Committed Amount pursuant to this **Section 2.11(a)** shall be applied to the Revolving Commitments of the Lenders pro-rata based upon their respective Revolving Commitment Percentages. Carpenter shall pay to the Administrative Agent for the account of the Lenders in accordance with the terms of **Section 2.12**, on the date of each termination or reduction of the Revolving Committed Amount, any fees accrued through the date of such termination or reduction on the amount of the Revolving Committed Amount so terminated or reduced.

(b) Automatic Termination at Maturity. The Revolving Commitments of the Lenders and the LC Commitments of the Issuing Lenders shall terminate automatically on the Maturity Date. The Swingline Commitment of the Swingline Lender shall terminate automatically on the Swingline Termination Date.

(c) Optional Replacement of Lenders, Non-Pro-Rata Termination of Commitments. If (i) any Lender has demanded compensation or indemnification pursuant to **Section 3.01** or **Section 3.04**, (ii) the obligation of any Lender to make Eurocurrency Loans has been suspended pursuant to **Section 3.02**, (iii) any Lender is a Defaulting Lender or (iv) any Lender has failed to consent to a proposed amendment, waiver, discharge or termination which pursuant to the terms of **Section 11.01** or any other provision of any Loan Document requires the consent of all of the Lenders and with respect to which the Required Lenders shall have granted their consent, Carpenter shall have the right, if no Default or Event of Default then exists, to (i) remove such Lender by terminating such Lender's Commitment in full or (ii) replace such Lender by causing such Lender to assign its Commitment to one or more existing Lenders or Eligible Assignees pursuant to **Section 11.06**. The replacement of a Lender pursuant to this **Section 2.11(c)** shall be effective on the tenth Business Day (the "Replacement Date") following the date of notice of

such replacement to the Lenders through the Administrative Agent, subject to the satisfaction of the following conditions:

(i) each replacement Lender and/or Eligible Assignee, and each Lender subject to replacement, shall have satisfied the conditions to an Assignment and Acceptance set forth in **Section 11.06(b)** and, in connection therewith, the replacement Lender(s) and/or Eligible Assignee(s) shall pay:

(A) to each Lender subject to replacement an amount equal in the aggregate to the sum of (x) the principal of, and all accrued but unpaid interest on, its outstanding Loans, (y) all LC Disbursements that have been funded by (and not reimbursed to) it under **Section 2.06**, together with all accrued but unpaid interest with respect thereto, and (z) all accrued but unpaid fees owing to it pursuant to **Section 2.12**; and

(B) to the Issuing Lenders an amount equal to the aggregate amount owing by the replaced Lenders to the Issuing Lenders as reimbursement pursuant to **Section 2.06**, to the extent such amount was not theretofore funded by such replaced Lenders; and

(ii) each of the Borrowers shall have paid to the Administrative Agent for the account of each replaced Lender an amount equal to all obligations owing to such replaced Lenders by such Borrower pursuant to this Agreement and the other Loan Documents (other than those obligations of the Borrowers referred to in clause (i)(A) above).

In the case of the removal of a Lender pursuant to this **Section 2.11(c)**, upon (i) payment by the applicable Borrowers to the Administrative Agent for the account of the Lender subject to such removal of an amount equal to the sum of (A) the aggregate principal amount of all Loans and LC Obligations held by such Lender and (B) all accrued interest, fees and other amounts owing to such Lender hereunder, including, without limitation, all amounts payable by the Borrowers to such Lender under **Article III** or **Section 11.04** and **Section 11.05**, and (ii) provision by Carpenter to the Swingline Lender and each Issuing Lender of appropriate assurances and indemnities (which may include letters of credit) as each may reasonably require with respect to any continuing obligation of such removed Lender to purchase Participation Interests in any LC Obligations or Swingline Loans then outstanding, such Lender shall cease to constitute a Lender hereunder; provided that the provisions of this Agreement (including, without limitation, the provisions of **Article III** and **Section 11.04** and **Section 11.05**) shall continue to govern the rights and obligations of a removed Lender with respect to any Loans made, any Letters of Credit issued or any other actions taken by such removed Lender while it was a Lender.

Section 2.12 **Fees**.

(a) Facility Fee. Carpenter shall pay to the Administrative Agent for the account of each Revolving Lender a fee (the “Facility Fee”) on such Lender’s Revolving Commitment

Percentage of the daily Dollar Amount of Revolving Committed Amount, computed at a per annum rate for each day at a rate equal to the Applicable Percentage for Facility Fees in effect from time to time. The Facility Fee shall commence to accrue on the Closing Date and shall be due and payable in arrears on each March 31, June 30, September 30 and December 31 (and any date that the Revolving Committed Amount is reduced as provided in **Section 2.11(a)** or **Section 2.11(b)** and the Maturity Date) for the calendar quarter or portion thereof ending on each such date, beginning with the first of such dates to occur after the Closing Date.

(b) Letter of Credit Fees.

(i) *Letter of Credit Fees.* Carpenter shall pay to the Administrative Agent for the account of each Lender a fee (the “Letter of Credit Fee”) on such Lender’s Revolving Commitment Percentage of the Dollar Amount of the average daily maximum amount available to be drawn under each such Letter of Credit computed at a per annum rate for each day from the date of issuance to the date of expiration equal to the Applicable Percentage for Eurocurrency Loans in effect from time to time. The Letter of Credit Fee will be payable quarterly in arrears on the last Business Day of each March, June, September and December for the immediately preceding quarter (or portion thereof), beginning with the first of such dates to occur after the date of issuance of such Letter of Credit and on the Maturity Date. If there is a change in the Applicable Percentages during any period, the actual Dollar Amount of each Letter of Credit shall be computed and multiplied by the Applicable Percentages separately for each period during which such Applicable Percentages are in effect.

(ii) *Fronting Fees.* Carpenter shall pay directly to each Issuing Lender for its own account a fronting fee in the amount (A) with respect to each Trade Letter of Credit, equal to .125% of the amount of such Trade Letter of Credit, due and payable upon the issuance thereof and (B) with respect to each Standby Letter of Credit; equal to .125% per annum on the daily maximum amount available to be drawn thereunder, due and payable quarterly in arrears on the last Business Day of each March, June, September and December, commencing with the first such date after the issuance of such letter of credit and on the Maturity Date.

(iii) *Issuing Lender Fees.* In addition to the Letter of Credit Fee payable pursuant to clause (i) above and any fronting fees payable pursuant to clause (ii) above, Carpenter promises to pay to each Issuing Lender for their own respective accounts without sharing by the other Lenders the letter of credit fronting and negotiation fees agreed to by Carpenter and each such Issuing Lender from time to time and the customary charges from time to time of such Issuing Lender with respect to the issuance, amendment, transfer, administration, cancellation and conversion of, and drawings under, such Letters of Credit (collectively, the “Issuing Lender Fees”).

(c) Utilization Fee. Carpenter shall pay to the Administrative Agent for the account of each Revolving Lender a fee (the “Utilization Fee”) on the actual daily aggregate Dollar Amount of such Lender’s Revolving Loans then outstanding hereunder with respect to each day on which the principal amount of all Revolving Loans (including Swingline Loans) then outstanding exceeds 50% of the aggregate Revolving Commitments (each such day a

“Utilization Fee Day”). Such fee shall be computed with respect to each Utilization Fee Day at a rate equal to the Applicable Percentage for Utilization Fees, and shall accrue with respect to each Utilization Fee Day occurring on and after the Closing Date to the later to occur of (i) the Maturity Date and (ii) the date on which all Loans and LC Obligations and interest thereon are paid in full and the commitments hereunder are terminated and, to the extent accrued during such period, shall be due and payable, quarterly in arrears, on the last Business Day of each March, June, September and December, beginning on the first of such dates to occur after the Closing Date. If there is a change in the Applicable Percentages during any period, the actual Utilization Fee shall be computed and multiplied by the Applicable Percentages separately for each period during which such Applicable Percentages are in effect.

(d) Agency Fees. Carpenter shall pay an agency fee to the Administrative Agent’s own account, in amounts and at times specified in the Fee Letter. In addition to such fees payable to the Administrative Agent, Carpenter shall pay a fee of \$1,500 for each Competitive Bid Auction run by the Administrative Agent, whether or not Carpenter receives or accepts any Competitive Bid with respect to any such Competitive Bid Auction. All such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

Section 2.13 Pro-rata Treatment. Except to the extent otherwise provided herein:

(a) Loans. Each Syndicated Borrowing, each payment or prepayment of principal of or interest on any Syndicated Loan (other than pursuant to **Section 2.11(c), Section 2.17, Section 3.01, Section 3.04, Section 3.05, or Section 11.06(b)**), each payment of fees (other than the Issuing Lender Fees retained by each Issuing Lender for its own account and the fees retained by the Administrative Agent for its own account), each reduction of the Revolving Committed Amount and each conversion or continuation of any Syndicated Loan, shall be allocated pro-rata among the relevant Lenders in accordance with the respective Revolving Commitment Percentages, of such Lenders (or, if the Commitments of such Lenders have expired or been terminated, in accordance with the respective principal amounts of the outstanding Loans of the applicable Class and Participation Interests of such Lenders); provided that, in the event any amount paid to any Lender pursuant to this **Section 2.13(a)** is rescinded or must otherwise be returned by the Administrative Agent, each Lender shall, upon the request of the Administrative Agent, repay to the Administrative Agent the amount so paid to such Lender, with interest for the period commencing on the date such payment is returned by the Administrative Agent until the date the Administrative Agent receives such repayment at a rate per annum equal to, during the period to but excluding the date two Business Days after such request, the Federal Funds Rate, and thereafter, the Base Rate plus two percent (2%) per annum.

(b) Letters of Credit. Each payment of LC Obligations shall be allocated to each Revolving Lender pro-rata in accordance with its Revolving Commitment Percentage; provided that, if any Revolving Lender shall have failed to pay its applicable pro-rata share of any LC Disbursement, then any amount to which such Revolving Lender would otherwise be entitled pursuant to this **Section 2.13(b)** shall instead be payable to the applicable Issuing Lender; provided, further, that in the event any amount paid to any Revolving Lender pursuant to this **Section 2.13(b)** is rescinded or must otherwise be returned by any such Issuing Lender, each Revolving Lender shall, upon the request of such Issuing Lender, repay to the Administrative Agent for the account of such Issuing Lender the amount so paid to such Revolving Lender, with

interest for the period commencing on the date such payment is returned by such Issuing Lender until the date such Issuing Lender receives such repayment at a rate per annum equal to, during the period to but excluding the date two Business Days after such request, the Federal Funds Rate, and thereafter, the Base Rate plus two percent (2%) per annum.

Section 2.14 **Sharing of Payments**. The Lenders agree among themselves that, except to the extent otherwise provided herein, if any Lender shall obtain payment in respect of any Loan, unreimbursed LC Disbursements or any other obligation owing to such Lender under this Agreement through the exercise of a right of setoff, banker's lien or counterclaim, or pursuant to a secured claim under Section 506 of the Bankruptcy Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, in excess of its pro-rata share of such payment as provided for in this Agreement, such Lender shall promptly pay in cash or purchase from the other Lenders a participation in such Loans, unreimbursed LC Disbursements, and other obligations in such amounts, and make such other adjustments from time to time, as shall be equitable to the end that all Lenders share such payment in accordance with their respective ratable shares as provided for in this Agreement; provided that nothing in this **Section 2.14** shall impair the right of any Lender to exercise any right of set-off or counterclaim it may have for payment of indebtedness of the Borrowers other than its indebtedness hereunder. The Lenders further agree among themselves that if payment to a Lender obtained by such Lender through the exercise of a right of setoff, banker's lien, counterclaim or other event as aforesaid shall be rescinded or must otherwise be restored, each Lender which shall have shared the benefit of such payment shall, by payment in cash or a repurchase of a participation theretofore sold, return its share of that benefit (together with its share of any accrued interest payable with respect thereto) to each Lender whose payment shall have been rescinded or otherwise restored. The Borrowers agree that any Lender so purchasing such a participation may, to the fullest extent permitted by law, exercise all rights of payment, including setoff, banker's lien or counterclaim, with respect to such participation as fully as if such Lender were a holder of such Loan, LC Obligation or other obligation in the amount of such participation. Except as otherwise expressly provided in this Agreement, if any Lender or the Administrative Agent shall fail to remit to the Administrative Agent or any other Lender an amount payable by such Lender or the Administrative Agent to the Administrative Agent or such other Lender pursuant to this Agreement on the date when such amount is due, such payments shall be made together with interest thereon if paid within two Business Days of the date when such amount is due at a per annum rate equal to the Federal Funds Rate and thereafter at a per annum rate equal to the Base Rate until the date such amount is paid to the Administrative Agent or such other Lender. If under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a setoff to which this **Section 2.14** applies, such Lender shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders under this **Section 2.14** to share in the benefits of any recovery on such secured claim.

Section 2.15 **Payments; Computations**.

(a) **Payments by the Borrower**. (i) Each payment of principal and interest with respect to any Dollar-Denominated Loan and all payments of fees, expenses and any other amounts due hereunder or under any other Loan Document (except as set forth in clause (ii)

below with respect to amounts denominated in an Available Alternative Currency and other than fees payable directly to the Issuing Lenders or the Administrative Agent), in Dollars shall be paid not later than 2:00 P.M., Charlotte Time, on the date when due, and (ii) in the case of payments of principal and interest with respect to any Alternative Currency Loan and any other amounts denominated in an Available Alternative Currency, shall be paid not later than 2:00 P.M., Local Time, on the date when due in the currency which such Alternative Currency Loan was made or in which such other amount is denominated, in each case under clauses (i) and (ii) in funds immediately available to the Administrative Agent at the applicable Administrative Agent's Office. Each such payment shall be made irrespective of any set-off, counterclaim or defense to payment which might in the absence of this provision be asserted by any Borrower or any Affiliate against any Agent or any Lender. Except as otherwise provided herein, payments of to the Administrative Agent received after 2:00 P.M., Charlotte time (in the case of payments denominated in Dollars) or 2:00 P.M., Local Time (in the case of payments denominated an Available Alternative Currency), shall be deemed to have been received on the next Business Day. The applicable Borrower shall, at the time it makes any payments under this Agreement, specify to the Administrative Agent the Loan, Letters of Credit, fees or other amounts payable by such Borrower hereunder to which such payment is to be applied (and if it fails so to specify or if such application would be inconsistent with the terms hereof, the Administrative Agent shall, subject to **Section 2.13**, distribute such payment to the Lenders in such manner as the Administrative Agent may deem appropriate). The Administrative Agent will distribute such payments in like funds to the applicable Lenders on the date of receipt thereof, if such payment is received prior to 2:00 P.M., Charlotte time (in the case of payments denominated in Dollars) or 2:00 P.M., Local Time (in the case of payments denominated an Available Alternative Currency); otherwise the Administrative Agent will distribute such payment to the applicable Lenders on the next succeeding Business Day. Whenever any payment hereunder shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day unless (in the case of Eurocurrency Loans) such Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Business Day for such currency. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time. Each Borrower hereby authorizes and directs the Administrative Agent to debit any account maintained by such Borrower with the Administrative Agent to pay when due any amounts required to be paid from time to time under this Agreement. Unless converted to Dollars pursuant to the express terms of this Agreement, all payments in respect of the principal of or interest on Loans denominated in any Available Alternative Currency, and all reimbursement of amounts drawn under Letters of Credit denominated in an Available Alternative Currency, shall be made by the applicable Borrower in such currency.

(b) Distributions by the Administrative Agent. Unless the Administrative Agent shall have received notice from any Borrower prior to the date on which any payment is due to the Lenders hereunder that such Borrower will not make such payment in full, the Administrative Agent may assume that such Borrower has made such payment in full to the Administrative Agent on such date, and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent that such Borrower shall not have so made such payment, each Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed

to such Lender until the date such Lender repays such amount to the Administrative Agent, at (i) the Federal Funds Rate (if such amount was distributed in Dollars) or (ii) the rate per annum at which one day deposits in the relevant currency are offered to the Administrative Agent in the appropriate interbank market for such day (if such amount was distributed in an Alternative Currency).

(c) Computations. All computations of interest and fees hereunder (including computations of the Eurocurrency Reserve Percentage) shall be made on the basis of a year consisting of (i) in the case of interest on Base Rate Loans, 365/366 days, as the case may be, (ii) in the case of interest on Alternative Currency Loans denominated in Pounds Sterling, 365 days, or (iii) in all other instances, 360 days; and in each case under (i), (ii) and (iii) above, with regard to the actual number of days (including the first day, but excluding the last day) elapsed.

(d) Each payment on account of an amount due from a Borrower under this Agreement or any other Credit Document shall be made in the Applicable Currency in which such amount is denominated and in such funds as are customary at the place and time of payment for the settlement of international payments in such currency. Without limitation of the foregoing, accrued interest on any Alternative Currency Loans shall be payable in the same currency as such Loan.

Section 2.16 **Judgment Currency**.

(a) Exchange Ratio. If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum owing hereunder or under any other Loan Document in one currency into another currency, each party hereto agrees, to the fullest extent that it may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures in the relevant jurisdiction the first currency could be purchased with such other currency on the Business Day immediately preceding the day on which final judgment is given.

(b) Satisfaction of Obligations in Agreement Currency. The obligations of each Borrower hereunder and under each other Loan Document in respect of any sum due to any other party hereto or thereto or to any holder of the obligations owing hereunder or thereunder (an “Applicable Creditor”) shall, notwithstanding any judgment in a currency (the “Judgment Currency”) other than the currency in which such sum is stated to be due hereunder (the “Agreement Currency”), be discharged only to the extent that, on the Business Day following receipt by the Applicable Creditor of any sum adjudged to be so due in the Judgment Currency, the Applicable Creditor may, in accordance with normal banking procedures in the relevant jurisdiction, purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the sum originally due to the Applicable Creditor in the Agreement Currency, the Borrowers agree, jointly and severally, as a separate obligation and notwithstanding such judgment, to indemnify the Applicable Creditor against such loss. The obligations of the Borrowers contained in this **Section 2.16** shall survive the termination of this Agreement and the payment of all other amounts owing.

Section 2.17 **Increase in Commitments.**

(a) Provided there exists no Default, upon not less than 15 Business Days prior written notice to the Administrative Agent, or, solely with respect to the initial increase in Commitments requested by Carpenter in accordance with this Section (the “**Initial Increase**”), such prior written notice as is acceptable to the Administrative Agent, Carpenter may, from time to time, request an increase in the Commitments in minimum increments of not less than \$10,000,000 and not in excess of \$100,000,000 in the aggregate. At the time of sending such notice, Carpenter (in consultation with the Administrative Agent) shall specify the time period within which each Lender is requested to respond (which shall in no event be less than ten Business Days, or, solely with respect to the Initial Increase, such number of days as is acceptable to the Administrative Agent, from the date of delivery of such notice to the Lenders). Each Lender shall notify the Administrative Agent within such time period whether or not it agrees to increase its Commitment and, if so, whether by an amount equal to, greater than, or less than its pro rata share of such requested increase. Any Lender not responding within such time period shall be deemed to have declined to increase its Commitment. The Administrative Agent shall notify Carpenter and each Lender of the Lenders’ responses to each request made hereunder. To achieve the full amount of a requested increase, Carpenter may also invite additional Eligible Assignees, such Eligible Assignees to be acceptable to the Administrative Agent, to become Lenders pursuant to a joinder agreement in form and substance satisfactory to the Administrative Agent and its counsel.

(b) If the Commitments are increased in accordance with this Section, the Administrative Agent and Carpenter shall determine the effective date (the “**Increase Effective Date**”), and the final allocation of such increase. The Administrative Agent shall promptly notify the Borrowers and the Lenders of the final allocation of such increase and the Increase Effective Date. As a condition precedent to such increase, the Borrower shall deliver to the Administrative Agent a certificate of the Guarantor and each Borrower dated as of the Increase Effective Date (in sufficient copies for each Lender) signed by a Responsible Officer of such Borrower (i) certifying and attaching the resolutions adopted by such Person approving or consenting to such increase, and (ii) in the case of the Borrowers, certifying that, before and after giving effect to such increase, (A) the representations and warranties contained in **Article V** and the other Loan Documents are true and correct on and as of the Increase Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and except that for purposes of this **Section 2.17**, the representations and warranties contained in **Section 5.05(a)** and **Section 5.05(b)** shall be deemed to refer to the most recent statements furnished pursuant to **Section 6.01(a)** and **Section 6.01(b)**, and (B) no Default exists. The Borrowers shall prepay any Committed Loans outstanding on the Increase Effective Date (and pay any additional amounts required pursuant to **Section 3.05**) to the extent necessary to keep the outstanding Committed Loans ratable with any revised pro rata shares arising from any nonratable increase in the Commitments under this Section.

(c) This Section shall supersede any provisions in **Section 2.13**, **Section 2.14** or **Section 11.01** to the contrary.

Section 2.18 Designated Subsidiary Borrowers. Carpenter may from time to time after the Effective Date designate (i) Certech International Limited, a company organized and existing under the laws of England and Wales, (ii) Carpenter Technology (Europe) S.A., a company organized and existing under the laws of Belgium, (iii) Carpenter Technology (UK) Limited, a company organized and existing under the laws of England and Wales, (iv) Carpenter Powder Products AB, a company organized and existing under the laws of Sweden, or (v) any other Subsidiary of Carpenter that is acceptable to the Administrative Agent (each, a “Subsidiary Borrower”) as a Borrower under this Agreement, subject to the following terms and conditions:

(a) on or prior to the date of designation, each such Subsidiary Borrower shall enter into an appropriately completed Assumption Agreement;

(b) no later than 5 days prior to the date of designation, the Administrative Agent shall have received from such Subsidiary Borrower the Organization Documents and other documents and certificates required by **Section 4.01(c)**, all of which shall be satisfactory to the Administrative Agent; and

(c) no later than 5 days prior to the date of designation, the Administrative Agent shall have received an opinion, addressed to the Administrative Agent and each of the Lenders and dated the date of designation, from counsel to such Subsidiary Borrower, which opinion shall (y) in the case of a Subsidiary Borrower located in the United States, be substantially in the form of **Exhibit D** and otherwise satisfactory to the Administrative Agent, and (z) in the case of a Subsidiary Borrower located in a jurisdiction other than the United States, be in form and substance satisfactory to the Administrative Agent.

ARTICLE III

TAXES, YIELD PROTECTION AND ILLEGALITY

Section 3.01 Taxes.

(a) Payments Net of Certain Taxes. Any and all payments by the Borrowers to or for the account of any Lender or the Administrative Agent hereunder or under any other Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Administrative Agent, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Lender (or its Applicable Lending Office) or the Administrative Agent (as the case may be) is organized or any political subdivision thereof (all such non-excluded taxes, duties, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as “Taxes”). If any Borrower shall be required by law to deduct or withhold any Taxes from or in respect of any sum payable under this Agreement or any other Loan Document to any Lender or the Administrative Agent, (i) the sum payable shall be increased as necessary so that after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this **Section 3.01**) such Lender or the Administrative Agent receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and withholdings, (iii) such Borrower shall

pay the full amount deducted or withheld to the relevant taxation authority or other authority in accordance with applicable law and (iv) such Borrower shall furnish to the Administrative Agent, at the office of the Administrative Agent specified in **Section 11.02**, the original or a certified copy of a receipt evidencing payment thereof.

(b) Other Taxes. In addition, the Borrowers agrees to pay any and all present or future stamp or documentary, excise or property taxes or similar levies (including mortgage recording taxes) which arise from any payment made under this Agreement or any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document (hereinafter referred to as “Other Taxes”).

(c) Additional Taxes. The Borrowers agree, jointly and severally, to indemnify each Lender and the Administrative Agent, within ten (10) days after demand therefor, for the full amount of Taxes and Other Taxes (including any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this **Section 3.01**) paid by such Lender or the Administrative Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto.

(d) Tax Forms and Certificates. Each Lender organized under the laws of a jurisdiction outside the United States (a “Non-U.S. Lender”), on or prior to the date of its execution and delivery of this Agreement in the case of each Lender listed on the signature pages hereof and on or prior to the date on which it becomes a Lender in the case of each other Lender, and from time to time thereafter as required by law, shall provide Carpenter and the Administrative Agent with (i) Internal Revenue Service Form W-8 BEN or W-8 ECI, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Lender is entitled to benefits under an income tax treaty to which the United States is a party which reduces to zero the rate of withholding tax on payments of interest or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States, (ii) Internal Revenue Service Form W-8 or W-9, as appropriate, or any successor form prescribed by the Internal Revenue Service and (iii) any other form or certificate required by any taxing authority (including any certificate required by Sections 871(h) and 881(c) of the Internal Revenue Code), certifying that such Lender is entitled to an exemption from tax on payments pursuant to this Agreement or any of the other Loan Documents.

(e) Failure to Provide Tax Forms and Certificates. For any period with respect to which a Lender has failed to provide Carpenter and the Administrative Agent with the appropriate form pursuant to **Section 3.01(d)** (unless such failure is due to a change in treaty, law or regulation occurring subsequent to the date on which a form originally was required to be provided), such Lender shall not be entitled to indemnification under **Section 3.01(a)** or **3.01(b)** with respect to Taxes imposed by the United States; provided, however, that should a 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 to be delivered hereunder, the Borrowers shall take such steps as such Lender shall reasonably request to assist such Lender to recover such Taxes.

(f) **Obligations in Respect of Non-U.S. Lenders.** The Borrower shall not be required to indemnify any Non-U.S. Lender or to pay any additional amounts to any Non-U.S. Lender, in respect of United States Federal withholding tax pursuant to **Section 3.01(a)** or **(b)** above to the extent that the obligation to withhold amounts with respect to United States Federal withholding tax existed on the date such Non-U.S. Lender became a party to this Agreement (or, in the case of a participant, on the date such participant acquired its participation interest) or, with respect to payments to a new Applicable Lending Office, the date such Non-U.S. Lender designated such new Applicable Lending Office with respect to a Loan; provided, however, that this **Section 3.01(f)** shall not apply (i) to any participant or new Applicable Lending Office that becomes a participant or new Applicable Lending Office as a result of an assignment, participation, transfer or designation made at the request of any Borrower or (ii) to the extent the indemnity payment or additional amounts any participant, or any Lender acting through a new Applicable Lending Office, would be entitled to receive (without regard to this **Section 3.01(f)**) do not exceed the indemnity payment or additional amounts that the Person making the assignment, participation or transfer to such participant, or Lender (or participant) making the designation of such new Applicable Lending Office, would have been entitled to receive in the absence of such assignment, participation, transfer or designation.

(g) **Mitigation.** If any Borrower is required to pay additional amounts to or for the account of any Lender pursuant to this **Section 3.01**, then such Lender will agree to use reasonable efforts (consistent with legal and regulatory restrictions) to change the jurisdiction of its Applicable Lending Office so as to eliminate or reduce any such additional payment which may thereafter accrue if such change, in the judgment of such Lender, is not otherwise disadvantageous to such Lender.

(h) **Tax Receipts.** Within thirty days after the date of any payment of Taxes, the applicable Borrower shall furnish to the Administrative Agent the original or a certified copy of a receipt evidencing such payment (to the extent one is so provided).

Section 3.02 Illegality. If, on or after the date of this Agreement, the adoption of any applicable Law, or any change in any applicable Law, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Applicable Lending Office) with any request or directive (whether or not having the force of Law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Lender (or its Applicable Lending Office) to make, maintain or fund any of its Eurocurrency Loans in any currency and such Lender shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Lenders and Carpenter, whereupon until such Lender notifies Carpenter and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Lender to make Eurocurrency Loans, or to convert outstanding Loans into Eurocurrency Loans, in such currency shall be suspended. Before giving any notice to the Administrative Agent pursuant to this **Section 3.02**, such Lender shall designate a different Applicable Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender. If such notice is given, each Eurocurrency Loan of such Lender in such currency then outstanding shall be converted (at the Dollar Equivalent on the date of conversion in the case of each Alternative Currency Loan) to a

Base Rate Loan either (i) on the last day of the then current Interest Period applicable to such Eurocurrency Loan if such Lender may lawfully continue to maintain and fund such Loan to such day or (ii) immediately if such Lender shall determine that it may not lawfully continue to maintain and fund such Loan to such day.

Section 3.03 **Basis for Determining Interest Rate Inadequate or Unfair**. If, on or prior to the first day of any Interest Period, (x) the Administrative Agent or the Required Lenders shall have determined that by reason of circumstances affecting the foreign exchange and interbank markets generally, deposits in any Alternative Currency in the applicable amounts are not being quoted or offered to the Administrative Agent or the Lenders for such Interest Period, or that a fundamental change has occurred in the foreign exchange or interbank markets with respect to any Alternative Currency (including, without limitation, changes in national or international financial, political or economic conditions or currency exchange rates or exchange controls), (y) the Administrative Agent shall have determined that adequate and reasonable means do not exist for ascertaining the applicable Eurocurrency Rate for such Interest Period or (z) the Administrative Agent shall have received written notice from the Required Lenders of their determination that the rate of interest referred to in the definition of “Applicable Interbank Offered Rate” upon the basis of which the Eurocurrency Rate for Eurocurrency Loans for such Interest Period is to be determined will not adequately and fairly reflect the cost to such Lenders of making or maintaining the relevant Type of Eurocurrency Loans during such Interest Period, the Administrative Agent will forthwith so notify Carpenter and the Lenders. Upon such notice, (i) all then outstanding Eurocurrency Loans of each affected currency and/or Interest Period type specified in such notice (each, a “Relevant Type”) shall automatically, on the expiration date of the respective Interest Periods applicable thereto (unless then repaid in full), be converted into Base Rate Loans (provided that any affected outstanding Alternative Currency Loan shall be repaid in full on the last day of the Interest Period therefor), (ii) the obligation of the Lenders to make, to convert Base Rate Loans into, or to continue, Eurocurrency Loans of each Relevant Type shall be suspended (including pursuant to the Borrowing to which such Interest Period applies), and (iii) any Notice of Borrowing or Notice of Extension/Conversion given at any time thereafter with respect to each Relevant Type of Eurocurrency Loans shall be deemed to be a request for Base Rate Loans (provided that any such notice with respect to any Alternative Currency Loans constituting a Relevant Type shall be disregarded), in each case until the Administrative Agent or the Required Lenders, as the case may be, shall have determined that the circumstances giving rise to such suspension no longer exist (and the Required Lenders, if making such determination, shall have so notified the Administrative Agent), and the Administrative Agent shall have so notified Carpenter and the Lenders.

Section 3.04 **Increased Costs and Reduced Return**. If on or after (x) the date hereof, in the case of any Committed Loan or Letter of Credit or any obligation to make Committed Loans or issue or participate in any Letter of Credit or (y) the date of any related Competitive Bid, the adoption of or any change in any applicable Law or in the interpretation or application thereof applicable to any Lender (or its Applicable Lending Office), or compliance by any Lender (or its Applicable Lending Office) with any request or directive (whether or not having the force of Law) from any central bank or other Governmental Authority, in each case made subsequent to the Effective Date (or, if later, the date on which such Lender becomes a Lender):

(i) shall subject such Lender (or its Applicable Lending Office) to any tax of any kind whatsoever with respect to any Letter of Credit, any Eurocurrency Loans made by it or any of its Notes or its obligation to make Eurocurrency Loans or to participate in Letters of Credit, or change the basis of taxation of payments to such Lender (or its Applicable Lending Office) in respect thereof (except for (A) Taxes and Other Taxes covered by **Section 3.01** (including Taxes imposed solely by reason of any failure of such Lender to comply with its obligations under **Section 3.01(d)**) and (B) changes in taxes measured by or imposed upon the overall net income, or franchise tax (imposed in lieu of such net income tax), of such Lender or its Applicable Lending Office, branch or any affiliate thereof));

(ii) the Mandatory Cost, as calculated hereunder, does not represent the cost to any Lender of complying with the requirements of the Bank of England and/or the Financial Services Authority or the European Central Bank in relation to its making, funding or maintaining Eurocurrency Loans;

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

(iv) shall impose on such Lender (or its Applicable Lending Office) any other condition (excluding any tax of any kind whatsoever);

and the result of any of the foregoing is to increase the cost to such Lender (or its Applicable Lending Office) of making, converting into, continuing or maintaining any Eurocurrency Loans or issuing or participating in Letters of Credit or to reduce any amount receivable hereunder in respect thereof, then, in any such case, upon notice to Carpenter from such Lender, through the Administrative Agent, in accordance herewith, the Borrowers shall be obligated to promptly pay such Lender, upon its demand, any additional amounts necessary to compensate such Lender on an after-tax basis (after taking into account applicable deductions and credits in respect of the amount indemnified) for such increased cost or reduced amount receivable.

(a) If any Lender shall have determined that the adoption or the becoming effective of, or any change in, or any change by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof in the interpretation or administration of, any applicable Law, regarding capital adequacy, or compliance by such Lender, or its parent corporation, with any request or directive regarding capital adequacy (whether or not having the force of Law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's (or parent corporation's) capital or assets as a consequence of its commitments or obligations hereunder to a level below that which such Lender, or its parent corporation, could have achieved but for such adoption, effectiveness, change or compliance (taking into consideration such Lender's (or parent corporation's) policies with respect to capital adequacy), then, upon notice from such Lender to Carpenter, the Borrowers shall be obligated to pay to such Lender such additional

amount or amounts as will compensate such Lender on an after-tax basis (after taking into account applicable deductions and credits in respect of the amount indemnified) for such reduction. Each determination by any such Lender of amounts owing under this Section shall, absent manifest error, be conclusive and binding on the parties hereto; provided, that if any Lender receives a rebate of any amount for which it had received compensation from any Borrower pursuant to **Section 3.04(a)** or **Section 3.04(b)**, any such Lender shall promptly remit any such rebated amount to the Borrower.

(b) A certificate of each Lender setting forth such amount or amounts as shall be necessary to compensate such Lender or its holding company as specified in **Section 3.04(a)** or **Section 3.04(b)** above, as the case may be, shall be delivered to Carpenter and shall be conclusive absent manifest error. The Borrowers shall pay each Lender or the Issuing Lender, as the case may be, the amount shown as due on any such certificate delivered by it within 10 Business Days after receipt of the same.

(c) Promptly after any Lender becomes aware of any circumstance that will, in its sole judgment, result in a request for increased compensation pursuant to this Section, such Lender shall notify Carpenter thereof. Failure on the part of any Lender so to notify Carpenter or to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital with respect to any period shall not constitute a waiver of such Lender's right to demand compensation with respect to such period or any other period. The protection of this Section shall be available to each Lender regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, guideline or other change or condition which shall have occurred or been imposed.

Section 3.05 **Funding Losses**. The Borrowers shall indemnify, jointly and severally, each Lender against any loss or reasonable expense which such Lender may sustain or incur as a consequence of (i) any failure by any Borrower to fulfill on the date of any Borrowing hereunder the applicable conditions set forth in **Article IV**, so long as any such failure is not solely due to the failure of the Administrative Agent or any Lender to comply with its obligations hereunder in all material respects, (ii) any failure by any Borrower to borrow or to refinance, convert or continue any Loan hereunder after irrevocable notice of such Borrowing, refinancing, conversion or continuation has been given pursuant to **Section 2.02** or **2.08**, so long as any such failure is not solely due to the failure of the Administrative Agent or any Lender to comply with its obligations hereunder in all material respects, (iii) any payment, prepayment or conversion of a Eurocurrency Loan, whether voluntary or involuntary, pursuant to any other provision of this Agreement or otherwise made on a date other than the last day of the Interest Period applicable thereto, so long as any such payment, prepayment or conversion is not solely due to the failure of the Administrative Agent or any Lender to comply with its obligations hereunder in all material respects, (iv) any default in payment or prepayment of the principal amount of any Loan or any part thereof or interest accrued thereon, as and when due and payable (at the due date thereof, by irrevocable notice of prepayment or otherwise), (v) any redenomination of a Syndicated Eurocurrency Loan denominated in an Alternative Currency to a Syndicated Base Rate Loan in Dollars pursuant to **Section 2.08(f)** by reason of any difference between the applicable Spot Rate used to effect such redenomination hereunder and the actual exchange rate used by such Lender to effect such redenomination on its books at or about the time it receives notice of such redenomination hereunder, (vi) any failure by any Borrower to make payment of any Loan (or

interest due thereon) denominated in an Alternative Currency on its scheduled due date or any Borrower makes any payment thereof in a different currency, or (vii) the occurrence of any Event of Default, including, in each such case, any loss or reasonable expense sustained or incurred or to be sustained or incurred in liquidating or employing deposits from third parties acquired to effect or maintain such Loan or any part thereof as a Eurocurrency Loan. Such loss or reasonable expense shall include an amount equal to the excess, if any, as reasonably determined by such Lender, of (i) its cost of obtaining the funds for the Loan being paid, prepaid, converted or not borrowed (based on the applicable Eurocurrency Rate), for the period from the date of such payment, prepayment, conversion or failure to borrow, convert or continue to the last day of the Interest Period for such Loan (or, in the case of a failure to borrow, the Interest Period for such Loan which would have commenced on the date of such failure to borrow, convert or continue) over (ii) the amount of interest (as reasonably determined by such Lender) that would be realized by such Lender in reemploying the funds so paid, prepaid, converted or not borrowed, converted or continued for such period or Interest Period, as the case may be. A certificate of any Lender setting forth any amount or amounts which such Lender is entitled to receive pursuant to this Section shall be delivered to Carpenter and shall be conclusive absent manifest error.

Section 3.06 **Base Rate Loans Substituted for Affected Eurocurrency Loans**. If (i) the obligation of any Lender to make, or to continue or convert outstanding Loans as or to, Eurocurrency Loans has been suspended pursuant to **Section 3.02** or (ii) any Lender has demanded compensation under **Section 3.01** or **3.04** with respect to its Eurocurrency Loans, and in any such case the applicable Borrower shall, by at least five Business Days' prior notice to such Lender through the Administrative Agent, have elected that the provisions of this Section shall apply to such Lender, then, unless and until such Lender notifies the applicable Borrower that the circumstances giving rise to such suspension or demand for compensation no longer exist, all Loans which would otherwise be made by such Lender as (or continued as or converted to) Eurocurrency Loans shall instead be Base Rate Loans denominated in Dollars (in the case of Alternative Currency Loans, in the same Dollar Amount as the Eurocurrency Loan that such Lender would otherwise have made in the Alternative Currency) (on which interest and principal shall be payable contemporaneously with the related Eurocurrency Loans of the other Lenders). If such Lender notifies the applicable Borrower that the circumstances giving rise to such suspension or demand for compensation no longer exist, the principal amount of each such Base Rate Loan shall be converted into a Eurocurrency Loan on the first day of the next succeeding Interest Period applicable to the related Eurocurrency Loans of the other Lenders. If such Loan is converted into an Alternative Currency Loan, such Lender, the Administrative Agent and the applicable Borrower shall make such arrangements as shall be required (including increasing or decreasing the amount of such Alternative Currency Loan) so that such Alternative Currency Loan shall be in the same amount as it would have been if the provisions of this Section had never been applied thereto.

ARTICLE IV
CONDITIONS

Section 4.01 **Conditions to Closing**. The obligation of each Lender to make a Loan and the obligation of each Issuing Lender to issue a Letter of Credit on the Closing Date is subject to the satisfaction of the following conditions:

(a) **Executed Loan Documents**. Receipt by the Administrative Agent of duly executed copies of: (i) this Agreement; and (ii) the Notes, if any, each in form and substance satisfactory to the Lenders in their sole discretion.

(b) **Legal Matters**. All legal matters incident to this Agreement and the borrowings hereunder shall be satisfactory to the Administrative Agent and to Robinson, Bradshaw & Hinson, P.A., counsel for the Administrative Agent.

(c) **Organization Documents**. The Administrative Agent shall have received: (i) a copy of the Organization Documents of each Borrower, certified (if available) as of a recent date by the Secretary of State or similar official of its respective state or similar jurisdiction of organization, and a certificate as to the good standing of each Borrower, from such Secretary of State or similar official, as of a recent date; (ii) a certificate of the Secretary or Assistant Secretary of each Borrower dated the Closing Date and certifying (A) that the Organization Documents of such Borrower have not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to clause (i) above; (B) that attached thereto is a true and complete copy of by-laws or similar constitutive documents of such Borrower as in effect on the Closing Date and at all times since a date prior to the date of the resolutions described in clause (C) below, (C) that attached thereto is a true and complete copy of resolutions duly adopted by the board of directors or similar governing body of each Borrower authorizing the execution, delivery and performance of the Loan Documents and the borrowings hereunder, and that such resolutions have not been modified, rescinded or amended and are in full force and effect; and (D) as to the incumbency and specimen signature of each officer executing any Loan Document or any other document delivered in connection herewith on behalf of such Borrower; (iii) a certificate of another officer of each Borrower as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to clause (ii) above; and (iv) such other documents as the Administrative Agent or Robinson, Bradshaw & Hinson, P.A., counsel for the Administrative Agent, may reasonably request.

(d) **Officer's Certificate**. The Administrative Agent shall have received a certificate, dated the Closing Date and signed by a Responsible Officer of Carpenter, (i) confirming compliance with the conditions precedent set forth in paragraphs (b) and (c) of Section 4.02 and (ii) certifying the current Carpenter's Ratings and the Debt to Capital Ratio as of the fiscal quarter most recently ended prior to the Closing Date.

(e) **Opinions of Counsel**. On the Closing Date, the Administrative Agent shall have received favorable written opinions of Stevens & Lee, P.C., special New York counsel to the Borrowers, and in-house counsel of Carpenter, in each case addressed to the Administrative

Agent and each Lender, dated the Closing Date, substantially in the form of **Exhibit D** hereto and covering such additional matters incident to the transactions contemplated hereby as the Administrative Agent may reasonably request.

(f) Payment of Fees. All costs, fees and expenses due to the Administrative Agent and the Lenders on or before the Closing Date shall have been paid.

(g) Counsel Fees. The Administrative Agent shall have received full payment from Carpenter of the fees and expenses of Robinson, Bradshaw & Hinson, P.A. described in **Section 11.04** which are billed through the Closing Date.

(h) Repayment of Indebtedness. The Administrative Agent shall have received satisfactory evidence of the repayment in full of all amounts owing and termination of all commitments to lend under the Existing Facility.

(i) Financial Statements. The Administrative Agent and the Lenders shall have received and be satisfied with (a) the consolidated balance sheet and income statement of Carpenter and its Consolidated Subsidiaries, as of June 30, 2004, and the related consolidated statements of operations and retained earnings and cash flows for such fiscal year, audited by independent certified public accountants of recognized national standing reasonably acceptable to the Administrative Agent and accompanied by an opinion of such accountants (which shall not be subject to any qualifications or exceptions as to the scope of the audit nor to any qualifications or exceptions not reasonably acceptable to the Administrative Agent) to the effect that such consolidated financial statements have been prepared in accordance with GAAP and present fairly the consolidated financial position and consolidated results of operations and cash flows of Carpenter and its Consolidated Subsidiaries in accordance with GAAP consistently applied (except for changes with which such accountants concur) and (b) unaudited, interim financial statements of Carpenter and its Consolidated Subsidiaries for the fiscal quarter ended March 31, 2005.

All corporate and legal proceedings and instruments and agreements relating to the transactions contemplated by this Agreement or in any other document delivered in connection herewith or therewith shall be satisfactory in form and substance to the Administrative Agent and its counsel, and the Administrative Agent shall have received all information and copies of all documents and papers, including records of corporate proceedings, governmental approvals, good standing certificates and bring-down telegrams, if any, which the Administrative Agent reasonably may have requested in connection therewith, such documents and papers where appropriate to be certified by proper corporate or Governmental Authorities. The documents referred to in this Section shall be delivered to the Administrative Agent no later than the Closing Date. The certificates and opinions referred to in this Section shall be dated the Closing Date.

Without limiting the generality of the provisions of **Section 9.04**, for purposes of determining compliance with the conditions specified in this **Section 4.01**, 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 hereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

Section 4.02 **Conditions to All Credit Extensions.** The obligation of any Lender to make a Loan on the occasion of any Borrowing, and the obligation of any Issuing Lender to issue (or renew or extend the term of) any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) **Notice.** The applicable Borrower shall have delivered (i) in the case of any Revolving Loan, to the Administrative Agent, an appropriate Notice of Borrowing, duly executed and completed, by the time specified in **Section 2.02**, (ii) in the case of any Competitive Bid Auction, the Competitive Bid Quote Request duly executed and completed by the time specified in **Section 2.03**, (iii) in the case of any Letter of Credit, to the Issuing Lender, an appropriate Letter of Credit Request duly executed and completed in accordance with the provisions of **Section 2.06**, and (iv) in the case of any Swingline Loan, to the Swingline Lender, a Swingline Loan Request, duly executed and completed, by the time specified in **Section 2.02**.

(b) **Representations and Warranties.** The representations and warranties made by the Borrowers in any Loan Document are true and correct in all material respects at and as if made as of such date except to the extent they expressly relate to an earlier date. No Default or Event of Default shall exist or be continuing either prior to or after giving effect thereto.

(c) **Availability.** Immediately after giving effect to the making of a Loan (and the application of the proceeds thereof) or to the issuance of a Letter of Credit, as the case maybe, (i) the Dollar Amount of the Revolving Outstandings shall not exceed the Revolving Committed Amount, (ii) the Dollar Amount of the sum of LC Obligations outstanding shall not exceed the LC Committed Amount, (iii) the sum of Swingline Loans outstanding shall not exceed the Swingline Committed Amount and (iv) the Dollar Amount of all Competitive Bid Loans shall not exceed the Competitive Bid Loan Sublimit.

(d) **Currency Availability.** In the case of any Eurocurrency Borrowing in an Alternative Currency, the fact that no Lender shall have notified the Administrative Agent (which shall promptly notify the applicable Borrower and the other Lenders) within two Business Days of such Lender's receipt of the Notice of Syndicated Borrowing for such Eurocurrency Borrowing that deposits in the relevant currency are not available to such Lender in the applicable interbank market for the relevant Interest Period and there shall not have occurred any change in national or international financial, political or economic conditions or currency exchange rates or exchange controls which in the reasonable opinion of the Administrative Agent or the Required Lenders would make it impracticable for such Loan to be denominated in the relevant Alternative Currency.

The delivery of each Notice of Borrowing, Competitive Bid Quote Request, Swingline Loan Request and each request for a Letter of Credit shall constitute a representation and warranty by the Borrowers of the correctness of the matters specified in **Sections 4.02(b)** and **(c)** above.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

The Borrowers represent and warrant to the Administrative Agent, the Issuing Lenders and the Lenders that:

Section 5.01 **Existence, Qualification and Power; Compliance with Laws**. The Borrowers (i) are corporations or other entities duly organized validly existing and in good standing under the Laws of the jurisdiction of their respective incorporation or organization, (ii) have all requisite power and authority and all governmental licenses, authorizations, consents and approvals to own their respective assets, carry on their respective business and to execute, deliver, and perform their respective obligations under the Loan Documents to which they are a party, (iii) are duly qualified and licensed and are in good standing under the Laws of each jurisdiction where their ownership, lease or operation of properties or the conduct of their respective businesses require such qualification or license and (iv) are in compliance with all Laws, except in each case referred to in clause (iii) or this clause (iv), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

Section 5.02 **Authorization; No Contravention**. The execution, delivery and performance by each Borrower of each Loan Document to which it is party, has been duly authorized by all necessary corporate or similar action, and do not and will not (i) contravene the terms of its Organization Documents, (ii) conflict with or result in any breach or contravention of, or the creation of any Lien under, any indenture, mortgage, loan agreement, deed of trust or other contract, agreement or instrument to which it is a party or any order, injunction, writ or decree of any Governmental Authority to which its property is subject or (iii) violate any Law.

Section 5.03 **Governmental and Other Authorizations**. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, any Borrower of this Agreement or any other Loan Document, which has not been obtained.

Section 5.04 **Binding Effect**. This Agreement constitutes, and each other Loan Document to which any Borrower is a party when executed and delivered will constitute, a legal, valid and binding obligation of such Borrower enforceable against such Borrower in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by equitable principles of general applicability (regardless of whether enforcement is sought by proceedings in equity or at law).

Section 5.05 **Financial Condition**.

(a) **Audited Financial Statements**. The consolidated balance sheet of Carpenter and its Consolidated Subsidiaries as of June 30, 2004 and the related consolidated statements of income and cash flows for the fiscal year then ended, reported on by PricewaterhouseCoopers and set forth in Carpenter's 2004 Form 10-K, a copy of which has been delivered to each of the Lenders, fairly present in all material respects, in conformity with GAAP, the consolidated

financial position of Carpenter and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year.

(b) Interim Financial Statements. The unaudited consolidated balance sheet of Carpenter and its Consolidated Subsidiaries as of March 31, 2005 and the related unaudited consolidated statements of income and cash flows for the three months then ended, set forth in Carpenter's Latest Form 10-Q, a copy of which has been delivered to each of the Lenders, fairly present in all material respects, in conformity with GAAP applied on a basis consistent with the financial statements referred to in **Section 5.05(a)**, the consolidated financial position of Carpenter and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such three-month period (subject to normal year-end audit adjustments and the absence of footnotes required under GAAP).

(c) Material Adverse Effect. Since June 30, 2004, there has been no Material Adverse Effect, and no event or development has occurred which could reasonably be expected to result in a Material Adverse Effect.

(d) Post-Closing Financial Statements. The financial statements delivered to the Lenders pursuant to **Section 6.01(a)** and **(b)**, if any, (i) have been and will be prepared in accordance with GAAP (except as may otherwise be permitted under **Section 6.01(a)** and **(b)**) and (ii) present fairly in all material respects (on the basis disclosed in the footnotes to such financial statements, if any) the consolidated financial condition, results of operations and cash flows of Carpenter and its Consolidated Subsidiaries as of the respective dates thereof and for the respective periods covered thereby.

(e) Disclosure of Liabilities and Obligations. Except as fully reflected in the financial statements referred to in **Section 5.05(a)**, **(b)** and **(d)** and the notes thereto, there are no material liabilities or obligations with respect to Carpenter or any of its Consolidated Subsidiaries of any nature whatsoever that are required in accordance with GAAP to be reflected in such financial statements and that are not so reflected.

Section 5.06 Litigation. There are no actions, suits, investigations or legal, equitable, arbitration or administrative proceedings pending or, to the knowledge of any Borrower, threatened against or affecting Carpenter or any of its Subsidiaries or against any of their properties or revenues that (i) purport to affect or pertain to any Loan Document or (ii) if determined adversely, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

Section 5.07 No Default. Neither Carpenter nor any Subsidiary is in default in any respect under any Contractual Obligation which default could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred or exists or would result from the consummation of the transactions contemplated by this Agreement and the other Loan Documents.

Section 5.08 Ownership of Property; Liens. Carpenter and each Subsidiary has good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of its business, except for such defects in title as would

not, individually or in the aggregate, have a Material Adverse Effect. As of the Effective Date, the property of Carpenter and its Subsidiaries is subject to no Liens, other than Liens permitted by **Section 7.02**.

Section 5.09 **Environmental Compliance**. Carpenter and its Subsidiaries conduct in the ordinary conduct of business a review of the effect of existing Environmental Laws and claims alleging potential liability or responsibility for violation of any Environmental Law on their respective businesses, operations and properties, and as a result thereof each Borrower has reasonably concluded that such Environmental Laws and claims would not, individually or in the aggregate, have a Material Adverse Effect.

Section 5.10 **Insurance**. The properties of Carpenter and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of Carpenter, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where Carpenter or its Subsidiaries operate.

Section 5.11 **Taxes**. Carpenter and its Subsidiaries have filed all Federal, state, local, foreign and other material tax returns and reports required to be filed, and have paid all Federal, state, local, foreign and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP. There is no proposed tax assessment against Carpenter or any Subsidiary that would, if made, have a Material Adverse Effect.

Section 5.12 **ERISA and Foreign Benefit Plan Compliance**.

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state Laws. Each Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and, to the best knowledge of Carpenter, nothing has occurred which would prevent, or cause the loss of such qualification. Carpenter and each ERISA Affiliate have made all required contributions to each Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) There are no pending or, to the best knowledge of Carpenter, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could be reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could be reasonably expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) no Pension Plan has any Unfunded Pension Liability; (iii) neither Carpenter nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with

respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) neither Carpenter nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Sections 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) neither Carpenter nor any ERISA Affiliate has engaged in a transaction that could be subject to Sections 4069 or 4212(c) of ERISA.

(d) With respect to any Foreign Benefit Plan, (i) each Foreign Benefit Plan is in compliance in all material respects with applicable Law except to the extent set forth in subparagraph (ii), (ii) the aggregate of the accumulated benefit obligations under all Foreign Benefit Plans does not exceed the current fair market value of the assets held in the trust or similar funding vehicles for such Foreign Benefit Plans in an amount in excess of \$15,000,000, and (iii) reasonable reserves have been established in accordance with prudent business practice or where required by ordinary accounting practices in the jurisdiction in which such Foreign Benefit Plan is maintained. There are no material actions, suits or claims (other than routine claims for benefits) pending, or the knowledge of Carpenter, threatened against it or any of the Borrowers or any of their respective Subsidiaries with respect to any Foreign Benefit Plan.

Section 5.13 **Subsidiaries**. **Schedule 5.13** sets forth a complete and accurate list as of the Closing Date of all Subsidiaries of Carpenter. **Schedule 5.13** sets forth as of the Closing Date the jurisdiction of formation of each such Subsidiary, the number of authorized shares of each class of Equity Interests of each such Subsidiary, the number of outstanding shares of each class of Equity Interests, the number and percentage of outstanding shares of each class of Equity Interests of each such Subsidiary owned (directly or indirectly) by any Person and the number and effect, if exercised, of all Equity Equivalents with respect to Capital Stock of each such Subsidiary.

Section 5.14 **Margin Regulation; Investment Company Act; Public Utility Holding Company Act.**

(a) None of Carpenter and its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying "margin stock" within the meaning of Regulation U. No part of the Letters of Credit or proceeds of the Loans will be used, directly, or indirectly, for the purpose of purchasing or carrying any "margin stock" within the meaning of Regulation U. Following the application of the proceeds of each Borrowing or drawing under each Letter of Credit, not more than 25% of the value of the assets (either of the applicable Borrower only or of such Borrower and its Subsidiaries on a consolidated basis) subject to the provisions of **Section 7.02** or **Section 7.05** or subject to any restriction contained in any agreement or instrument between any Borrower and any Lender or any Affiliate of any Lender relating to Indebtedness and within the scope of **Section 8.01(f)** will be margin stock. None of the transactions contemplated by this Agreement (including the direct or indirect use of the proceeds of the Loans) will violate or result in a violation of the Securities Act, as amended, the Exchange Act or regulations issued pursuant thereto, or Regulation T, U or X.

(b) None of Carpenter and its Subsidiaries is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act or the Investment Company Act of

1940, each as amended. In addition, none of Carpenter and its Subsidiaries is (i) an “investment company” registered or required to be registered under the Investment Company Act of 1940, as amended, (ii) controlled by such a company, or (iii) a “holding company”, a “subsidiary company” of a “holding company”, or an “affiliate” of a “holding company” or of a “subsidiary” of a “holding company”, within the meaning of the Public Utility Holding Company Act of 1934, as amended.

Section 5.15 **Disclosure.** No statement, information, report, representation, or warranty made by any Borrower in any Loan Document or furnished to the Administrative Agent or any Lender by or on behalf of any Borrower in connection with any Loan Document contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Section 5.16 **Intellectual Property.** Carpenter and its Subsidiaries own, or possess the right to use, all of the trademarks, service marks, trade names, copyrights, patents, patent rights, franchises, licenses and other rights that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person. To the best knowledge of any Borrower, no slogan or other advertising devise, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by Carpenter or any Subsidiary infringes upon any rights held by any other Person. No claim or litigation regarding any of the foregoing is pending or, to the best knowledge of any Borrower, 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 Borrower, proposed, which, in either case, could reasonably be expected to have a Material Adverse Effect.

Section 5.17 **Compliance with Laws.** Each Borrower and each Subsidiary thereof is in compliance in all material respects with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its properties, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted or (b) the failure to comply therewith, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

Section 5.18 **Representations as to Foreign Obligors.** Each Foreign Obligor represents and warrants to the Administrative Agent and the Lenders that:

(a) Such Foreign Obligor is subject to civil and commercial Laws with respect to its obligations under this Agreement and the other Loan Documents to which it is a party (collectively as to such Foreign Obligor, the “Applicable Foreign Obligor Documents”), and the execution, delivery and performance by such Foreign Obligor of the Applicable Foreign Obligor Documents constitute and will constitute private and commercial acts and not public or governmental acts. Neither such Foreign Obligor nor any of its property has any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) under the laws of the jurisdiction in which such Foreign Obligor is organized and existing in respect of its obligations under the Applicable Foreign Obligor Documents.

(b) The Applicable Foreign Obligor Documents are in proper legal form under the Laws of the jurisdiction in which such Foreign Obligor is organized and existing for the enforcement thereof against such Foreign Obligor under the Laws of such jurisdiction, and to ensure the legality, validity, enforceability, priority or admissibility in evidence of the Applicable Foreign Obligor Documents. It is not necessary to ensure the legality, validity, enforceability, priority or admissibility in evidence of the Applicable Foreign Obligor Documents that the Applicable Foreign Obligor Documents be filed, registered or recorded with, or executed or notarized before, any court or other authority in the jurisdiction in which such Foreign Obligor is organized and existing or that any registration charge or stamp or similar tax be paid on or in respect of the Applicable Foreign Obligor Documents or any other document.

(c) There is no tax, levy, impost, duty, fee, assessment or other governmental charge, or any deduction or withholding, imposed by any Governmental Authority in or of the jurisdiction in which such Foreign Obligor is organized and existing either (i) on or by virtue of the execution or delivery of the Applicable Foreign Obligor Documents or (ii) on any payment to be made by such Foreign Obligor pursuant to the Applicable Foreign Obligor Documents.

(d) The execution, delivery and performance of the Applicable Foreign Obligor Documents executed by such Foreign Obligor are, under applicable foreign exchange control regulations of the jurisdiction in which such Foreign Obligor is incorporated or organized and existing, not subject to any notification or authorization except such as have been made or obtained.

Section 5.19 **OFAC: Anti-Terrorism Laws.**

(a) No Borrower is a Sanctioned Person or does business in a Sanctioned Country or with a Sanctioned Person, in each case in violation of the economic sanctions of the United States administered by OFAC.

(b) Neither the making of the Loans hereunder nor the use of the proceeds thereof will violate the PATRIOT Act, the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto. The Borrowers and their Subsidiaries are in compliance in all material respects with the PATRIOT Act.

ARTICLE VI

AFFIRMATIVE COVENANTS

The Borrowers agree that so long as any Lender has any Commitment hereunder, any Obligation or other amount payable hereunder or under any Note or other Loan Document or any LC Obligation remains unpaid or any Letter of Credit remains unexpired:

Section 6.01 **Information**. Carpenter will furnish, or cause to be furnished, to the Administrative Agent, and the Administrative Agent will furnish each of the Lenders:

(a) **Annual Financial Statements**. As soon as available and in any event within ninety (90) days (or, if earlier and if applicable to Carpenter, the annual report deadline under the Exchange Act rules and regulations) after the end of each fiscal year of Carpenter, a consolidated balance sheet and income statement of Carpenter and its Consolidated Subsidiaries, as of the end of such fiscal year, and the related consolidated statements of operations and retained earnings and cash flows for such fiscal year, setting forth in comparative form consolidated figures for the preceding fiscal year, all such financial statements to be in reasonable form and detail and audited by independent certified public accountants of recognized national standing reasonably acceptable to the Administrative Agent and accompanied by an opinion of such accountants (which shall not be subject to any qualifications or exceptions as to the scope of the audit nor to any qualifications or exceptions not reasonably acceptable to the Required Lenders) to the effect that such consolidated financial statements have been prepared in accordance with GAAP and present fairly the consolidated financial position and consolidated results of operations and cash flows of Carpenter and its Consolidated Subsidiaries in accordance with GAAP consistently applied (except for changes with which such accountants concur).

(b) **Quarterly Financial Statements**. As soon as available, and in any event within forty-five (45) days (or, if earlier and if applicable to Carpenter, the quarterly report deadline under the Exchange Act rules and regulations) after the end of each of the first three fiscal quarters in each fiscal year of Carpenter, a consolidated balance sheet of Carpenter and its Consolidated Subsidiaries as of the end of such fiscal quarter, together with related consolidated statements of operations and retained earnings and cash flows for such fiscal quarter and the then elapsed portion of such fiscal year, setting forth in comparative form consolidated figures for the corresponding periods of the preceding fiscal year, all such financial statements to be in form and detail and reasonably acceptable to the Administrative Agent, and accompanied by a certificate of the chief financial officer of Carpenter to the effect that such quarterly financial statements have been prepared in accordance with GAAP and present fairly in all material respects the consolidated financial position and consolidated results of operations and cash flows of Carpenter and its Consolidated Subsidiaries in accordance with GAAP consistently applied, subject to changes resulting from normal year-end audit adjustments and the absence of footnotes required by GAAP.

(c) **Officer's Certificate**. At the time of delivery of the financial statements provided for in **Sections 6.01(a)** and **6.01(b)** above, a certificate of the chief financial officer of Carpenter (i) demonstrating compliance with the financial covenants contained in **Section 7.12** by calculation thereof as of the end of the fiscal period covered by such financial statements, (ii) stating that no Default or Event of Default exists, or if any Default or Event of Default does exist, specifying the nature and extent thereof and what action Carpenter proposes to take with respect thereto, (iii) stating whether, since the date of the most recent financial statements delivered hereunder, there has been any material change in the GAAP applied in the preparation of the financial statements of Carpenter and its Consolidated Subsidiaries, and, if so, describing such change.

(d) **Reports**. Promptly after the same are filed or made available, copies, which may be in electronic format, of each annual report, proxy or financial statement or other report or communication sent to the stockholders of Carpenter, and copies of all annual, regular, periodic and special reports and registration statements which Carpenter may file or be required to file

with the Securities and Exchange Commission under Section 13 or 15(d) of the Securities Exchange Act of 1934, and not otherwise required to be delivered to the Administrative Agent pursuant hereto.

(e) Notices. Prompt notice of: (i) the occurrence of any Default or Event of Default; (ii) any matter that has resulted or may result in a Material Adverse Effect, including (A) breach or non-performance of, or any default under, a Contractual Obligation of Carpenter or any Subsidiary, which could reasonably be expected to have a Material Adverse Effect; (B) any dispute, litigation, investigation, proceeding or suspension between Carpenter or any Subsidiary and of Governmental Authority, which could reasonably be expected to have a Material Adverse Effect; (C) the commencement of, or any material development in, any litigation or proceeding affecting Carpenter or any Subsidiary, including pursuant to any applicable Environmental Law, which could reasonably be expected to have a Material Adverse Effect; (D) any litigation, investigation or proceeding affecting any Borrower in which the amount involved exceeds \$5,000,000, or in which injunctive relief or similar relief is sought, which relief, if granted, could be reasonably expected to have a Material Adverse Effect; (E) the occurrence of any ERISA Event, which could reasonably be expected to have a Material Adverse Effect; (F) any material change in accounting policies or financial reporting practice by Carpenter or any Subsidiary; and (G) of any announcement by Moody's or S&P of any change or possible change in the ratios assigned to Carpenter's Ratings. Each notice pursuant to this **Section 6.01(e)** shall (i) be accompanied by a statement of a Responsible Officer of Carpenter setting forth details of the occurrence referred to therein and stating what action Carpenter has taken and proposes to take with respect thereto and (ii) describe with particularity any and all provisions of this Agreement or other Loan Document that have been breached.

(f) Annual Business Plan and Budget. Prior to the 30th day after the beginning of each fiscal year of Carpenter, an annual business plan and budget of Carpenter and its Consolidated Subsidiaries.

(g) Eligible Investments. Carpenter shall deliver or cause to be delivered to the Administrative Agent a certificate of the chief financial officer of Carpenter, in the form of **Exhibit E** or otherwise in a form reasonably satisfactory to the Administrative Agent (which form may vary depending on the frequency of the delivery of such certificate and subject to the review and verification by the Administrative Agent), setting forth the value of the Eligible Investments by category and in the aggregate, and such other information as the Administrative Agent may reasonably request (such certificate, an "Eligible Investments Value Report"), (A) at the time of delivery of the financial statements provided for in **Sections 6.01(a)** and **6.01(b)** and (B) at and as of such other times as the Administrative Agent may reasonably request in its sole discretion.

(h) Other Information. With reasonable promptness upon request therefor, such other information regarding the business, properties or financial condition of Carpenter or any Subsidiary as the Administrative Agent or the Required Lenders may reasonably request.

Section 6.02 Payment of Obligations. Carpenter will, and will cause each of its Subsidiaries to, pay and discharge as the same shall become due and payable, all its obligations and liabilities, including: (i) all tax liabilities, assessments and governmental charges or levies

upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by Carpenter or such Subsidiary; and (ii) all lawful claims which, if unpaid, would by law become a Lien (other than a Permitted Lien) upon its property, which could reasonably be expected to have a Material Adverse Effect.

Section 6.03 **Preservation of Existence, Etc.** Carpenter will, and will cause each of its Subsidiaries to, preserve, renew and maintain in full force and effect its legal existence and good standing under the Laws of the jurisdiction of its organization; take all reasonable action to maintain all rights, privileges, permits licenses and franchises necessary or desirable in the normal conduct of its business, except in a transaction permitted by **Section 7.04** or **7.05**; and preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation or non-maintenance of which could reasonably be expected to have a Material Adverse Effect.

Section 6.04 **Maintenance of Properties.** Carpenter will, and will cause each of its Subsidiaries to, (i) subject to the provisions of clause (ii) of this **Section 6.04**, maintain, preserve and protect all of its material properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted; and (ii) make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

Section 6.05 **Maintenance of Insurance.** Carpenter will, and will cause each of its Subsidiaries to, maintain with financially sound and reputable insurance companies not Affiliates of Carpenter, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts as are customarily carried under similar circumstances by such other Persons.

Section 6.06 **Compliance with Laws.** Carpenter will, and will cause each of its Subsidiaries to, comply in all material respects with the requirements of all Laws applicable to it or to its business or property, except in such instances in which (i) such requirement of Law is being contested in good faith or a bona fide dispute exists with respect thereto or (ii) the failure to comply therewith could not be reasonably expected to have a Material Adverse Effect.

Section 6.07 **Books and Records.** Carpenter will, and will cause each of its Subsidiaries to, maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP shall be made of all financial transactions and matters involving the assets and business of Carpenter or such Subsidiary, as the case may be; and maintain such books of record and account in material conformity with all applicable requirements of any Governmental Authority having regulatory jurisdiction over Carpenter or such Subsidiary, as the case may be.

Section 6.08 **Inspection Rights.** Carpenter will, and will cause each of its Subsidiaries to, permit representatives and independent contractors of the Administrative Agent and, upon the occurrence and during the continuation of an Event of Default, each Lender to visit and inspect any of its properties, to examine its corporate, financial and operating records, and make copies

thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, all at the expense of Carpenter and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to Carpenter, provided, however, that when an Event of Default exists, the Administrative Agent or any Lender (or any of their respective representatives or independent contractors) may do any of the foregoing at the expense of Carpenter at any time during normal business hours and without advance notice.

Section 6.09 **Compliance with ERISA**. Carpenter will, and will cause each of its ERISA Affiliates to, (i) maintain each Plan in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state law; (ii) cause each Plan which is qualified under Section 401 (a) of the Code to maintain such qualification; and (iii) make all required contributions to any Plan subject to Section 412 of the Code.

Section 6.10 **Use of Proceeds**. Each Borrower will use the proceeds of the Credit Extensions for working capital and other general corporate purposes not in contravention of any Law or of any Loan Document, including, without limitation, making Investments permitted by this Agreement.

Section 6.11 **OFAC; PATRIOT Act Compliance**. Each Borrower will, and will cause each of its Subsidiaries to, (i) refrain from doing business in a Sanctioned Country or with a Sanctioned Person, in each case in violation of the economic sanctions of the United States administered by OFAC, and (ii) provide, to the extent commercially reasonable, such information and take such actions as are reasonably requested by the Administrative Agent or any Lender in order to assist the Administrative Agent and the Lenders in maintaining compliance with the PATRIOT Act.

ARTICLE VII

NEGATIVE COVENANTS

Each Borrower agrees that so long as any Lender has any Commitment hereunder, any Obligation or other amount payable hereunder or under any Note or other Loan Document or any LC Obligation remains unpaid or any Letter of Credit remains unexpired:

Section 7.01 **Limitation on Indebtedness**. Carpenter will not, nor will it cause or permit any Subsidiary to, directly or indirectly, incur, create, assume or permit to exist any Indebtedness except:

(i) Indebtedness of Carpenter and its Subsidiaries outstanding on the Closing Date and disclosed on **Schedule 7.01**, without giving effect to any subsequent extension, renewal or refinancing thereof (collectively, the “Existing Indebtedness”);

(ii) Indebtedness of the Borrowers under this Agreement and the other Loan Documents;

(iii) Indebtedness of Carpenter and its Subsidiaries not otherwise permitted by this **Section 7.01** incurred after the Closing Date in an aggregate principal amount not to

exceed \$300,000,000 at any time outstanding; provided that (A) up to \$20,000,000 aggregate principal amount of such Indebtedness may be secured, (B) no Default or Event of Default shall have occurred and be continuing immediately before and immediately after giving effect to such incurrence and (C) upon giving effect on a pro-forma basis to the incurrence of such Indebtedness and to the concurrent retirement of any other Indebtedness of Carpenter or any subsidiary, Carpenter shall be in compliance with the financial covenants set forth in **Section 7.12**;

(iv) Purchase Money Indebtedness of Carpenter and its Subsidiaries incurred after the Closing Date; provided that (A) such Indebtedness is issued and any Liens securing such Indebtedness are created concurrently with, or within 90 days after, the acquisition of the asset financed and (B) no Lien securing such Indebtedness shall extend to or cover any property or asset of Carpenter or any Subsidiary other than the asset so financed; and

(v) An asset securitization transaction of Carpenter or its Subsidiaries, on terms reasonably acceptable to the Administrative Agent and not in excess of \$75,000,000 in the aggregate.

Section 7.02 **Restriction on Liens**. Carpenter will not, and will not cause or permit any of its Subsidiaries to, create, incur, assume or permit to exist any Lien on any property or assets (including Equity Interests or other securities of any Person, including any Subsidiary of Carpenter) now owned or hereafter acquired by it or on any income or rights in respect thereof, except Liens described in any of the following clauses:

(i) Liens existing on the Closing Date and listed on **Schedule 7.02** hereto, provided that such Liens shall secure only those obligations which they secure on the date hereof (and permitted extensions, renewals and refinancings of such obligations) and shall not subsequently apply to any other property or assets of Carpenter and its Subsidiaries (other than accessions to and the proceeds of the property or assets subject to such Liens to the extent provided by the terms thereof on the date hereof);

(ii) existing and future Liens (other than any Liens imposed by ERISA or pursuant to any Environmental Law) for taxes, assessments or governmental charges or levies not yet due or being contested in good faith and by appropriate proceedings diligently pursued for which adequate reserves (in the good faith judgment of the management of Carpenter) have been established in accordance with GAAP (and as to which the property or assets subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof);

(iii) existing and future Liens imposed by law securing the charges, claims, demands or levies of landlords, carriers, warehousemen, mechanics, carriers and other like persons which were incurred in the ordinary course of business and which (A) do not, individually or in the aggregate, materially detract from the value of the property or assets which are the subject of such Lien or materially impair the use thereof in the operation of the business of Carpenter or any of its Subsidiaries or (B) which are being contested in good faith by appropriate proceedings diligently pursued, which proceedings

have the effect of preventing the forfeiture or sale of the property or assets subject to such Lien;

(iv) Liens arising from judgments, decrees or attachments (or securing of appeal bonds with respect thereto) in circumstances not constituting an Event of Default under **Section 8.01**;

(v) existing and future Liens (other than any Liens imposed by ERISA or pursuant to any Environmental Law) incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or to secure the performance of tenders, statutory obligations, surety bonds (other than appeal bonds), bids, leases, government contracts, performance and return-of-money bonds and other similar obligations incurred in the ordinary course of business;

(vi) existing and future zoning restrictions, easements, rights of way, licenses, reservations, covenants, conditions, waivers, restrictions on the use of property or other minor encumbrances or irregularities of title not securing Indebtedness which do not, individually or in the aggregate, materially impair the use of any property in the operation or business of Carpenter or any of its Subsidiaries or the value of such property for the purpose of such business;

(vii) Liens securing (A) the secured Indebtedness permitted to be incurred under **Section 7.01(iii)(A)** and (B) Purchase Money Indebtedness permitted to be incurred under **Section 7.01(iv)**;

(viii) any Lien existing on any asset of any Person at the time such Person becomes a Subsidiary of Carpenter and not created in contemplation of such event;

(ix) any Lien on any asset of any Person existing at the time such Person is merged or consolidated with or into Carpenter or a Subsidiary of Carpenter and not created in contemplation of such event;

(x) any Lien existing on any asset prior to the acquisition thereof by Carpenter or a Subsidiary of Carpenter and not created in contemplation of such acquisition;

(xi) existing and future Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of set-off or similar rights, in each case incurred in the ordinary course of business;

(xii) Liens on the property or assets of Carpenter or its Subsidiaries arising in connection with an asset securitization transaction permitted pursuant to **Section 7.01(v)**; and

(xiii) Liens other than those permitted by clause (i) through clause (xii) of this **Section 7.02** on property or assets of Carpenter and its Subsidiaries now owned or hereafter acquired by it, or on any income or rights in respect thereof, not in excess of 15% of Consolidated Tangible Net Worth.

Section 7.03 **Investments**. The Borrower will not, and will not cause or permit any of its Subsidiaries to, make or acquire, any Investment in any Person, except the following (such Investments described below being herein referred to as “Permitted Investments”):

- (i) Investments other than those permitted by **Sections 7.03(i)** through **(vii)** existing on the date hereof and listed on **Schedule 7.03**;
- (ii) Investments held by Carpenter or such Subsidiary in the form of Cash Equivalents;
- (iii) advances to officers, directors and employees of Carpenter and Subsidiaries in an aggregate amount not to exceed \$2,000,000 at any time outstanding, for travel, entertainment, relocation and analogous ordinary business purposes;
- (iv) Investments of any Subsidiary in Carpenter or another Subsidiary;
- (v) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the sale or lease of goods or services in the ordinary course of business, and Investments received in satisfaction or partial satisfaction thereof from financially troubled account debtors to the extent reasonably necessary in order to prevent or limit loss;
- (vi) Investments permitted by **Section 7.04**;
- (vii) Investments consisting of the acquisition by Carpenter or any of its Subsidiaries of assets or shares of Capital Stock of any other Person; provided, that (A) no Default or Event of Default shall have occurred and be continuing, (B) the Person whose assets or shares of Capital Stock are acquired pursuant to this clause (vii) shall be engaged in substantially the same or related line of business as Carpenter and its Subsidiaries are engaged in as of the Closing Date and (C) after giving effect to any such acquisition, Carpenter shall be in pro forma compliance with the covenants set forth in **Section 7.12** of this Agreement; and
- (viii) other Investments made in the ordinary course of business of Carpenter and its Subsidiaries.

Section 7.04 **Fundamental Changes**. Carpenter will not, and will not cause or permit any of its Subsidiaries to, merge, consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person, except that, so long as no Default or Event of Default exists or would result therefrom:

- (i) any Subsidiary of a Borrower may merge with (A) such Borrower or Carpenter, provided that such Borrower or Carpenter shall be the continuing or surviving Person, or (B) any one or more Subsidiaries of such Borrower, provided that when any Wholly-Owned Subsidiary is merging with another Subsidiary, the Wholly-Owned Subsidiary shall be the continuing or surviving Person; and

(ii) any Subsidiary of a Borrower may sell all or substantially all of its assets (upon voluntary liquidation or otherwise), to such Borrower or Carpenter or to another Subsidiary of such Borrower; provided that if the seller in such a transaction is a Wholly-Owned Subsidiary, then the purchaser must also be a Wholly-Owned Subsidiary.

Section 7.05 **Dispositions**. Carpenter will not, and will not cause or permit any of its Subsidiaries to, make any Disposition or enter into any agreement to make any Disposition, except:

(i) Dispositions of obsolete or worn out property, whether now owned or hereafter acquired, in the ordinary course of business;

(ii) Dispositions of inventory and other property in the ordinary course of business;

(iii) Dispositions of equipment or real property to the extent that (A) such property is exchanged for credit against the purchase price of similar replacement property, (B) the proceeds of such Disposition are reasonably promptly applied to the purchase price of such replacement property or (C) the Board of Directors or senior management of Carpenter or such Subsidiary has determined in good faith that the failure to replace such property will not be detrimental to the business of Carpenter or such Subsidiary;

(iv) Dispositions of property by Carpenter or any Subsidiary of Carpenter to Carpenter or to a Wholly-Owned Subsidiary of Carpenter;

(v) Dispositions permitted by **Section 7.04**;

(vi) Dispositions of assets of Carpenter or its Subsidiaries in connection with an asset securitization transaction on terms reasonably acceptable to the Administrative Agent and not in excess of \$75,000,000 in the aggregate; and

(vii) in addition to the Dispositions permitted by clause (i) through clause (vi) of this **Section 7.05**, Dispositions of all or substantially all of the property or all of the shares of Capital Stock of any Subsidiary of Carpenter, provided that such dispositions consummated during the term of this Agreement in the aggregate do not exceed 15% of the total assets of Carpenter and its Subsidiaries.

provided, however, that any Disposition pursuant to clauses (i) through (vi) of property having a book value in excess of \$25,000,000 shall be for fair market value.

Section 7.06 **Restricted Payments**. Carpenter will not, and will not cause or permit any of its Subsidiaries to, declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, except that:

(i) each Subsidiary may make Restricted Payments to Carpenter and to Wholly-Owned Subsidiaries (and, in the case of a Restricted Payment by a non-Wholly-Owned Subsidiary, to Carpenter and any Subsidiary and to each other owner of Equity

Interests of such Subsidiary on a pro-rata basis based on their relative ownership interests);

(ii) Carpenter and each Subsidiary may declare and make dividend payments or other distributions payable solely in the Equity Interests (exclusive of Disqualified Stock) of such Person;

(iii) Carpenter and each Subsidiary may purchase, redeem or otherwise acquire shares of its common stock; provided that, (A) any such purchase, redemption or other acquisition for value shall not have a Material Adverse Effect and (B) immediately prior to and after giving effect to any such proposed action, no Default or Event of Default shall have occurred and be continuing; and

(iv) Carpenter may declare or pay cash dividends to its stockholders; provided that, (A) any such declaration or payment shall not have a Material Adverse Effect and (B) immediately after giving effect to any such proposed action, no Default or Event of Default shall have occurred and be continuing.

Section 7.07 **ERISA**. Carpenter will not, nor will it cause or permit any Subsidiary to, at any time engage in a transaction which could be subject to Section 4069 or 4212(c) of ERISA, or permit any Plan to (i) engage in any non-exempt “prohibited transaction” (as defined in Section 4975 of the Code); (ii) fail to comply with ERISA or any other applicable Laws; or (iii) incur any material “accumulated funding deficiency” (as defined in Section 302 of ERISA), which, with respect to each event listed above, could be reasonably expected to have a Material Adverse Effect.

Section 7.08 **Change in Nature of Business**. Carpenter will not, nor will it cause or permit any Subsidiary to, at any time, engage in any material line of business substantially different from those lines of business conducted by Carpenter and its Subsidiaries on the Effective Date.

Section 7.09 **Transactions with Affiliates**. Carpenter will not, nor will it cause or permit any of its Subsidiaries to, enter into any transaction of any kind with any Affiliate of Carpenter, other than arm’s-length transactions with Affiliates that are otherwise permitted hereunder, provided that the foregoing restrictions shall not apply to transactions between or among Carpenter and any of its Wholly-Owned Subsidiaries or between and among any Wholly-Owned Subsidiaries.

Section 7.10 **Burdensome Agreements**. Carpenter will not, nor will it cause or permit any of its Subsidiaries to, enter into any Contractual Obligation that limits the ability (i) of any Subsidiary to make Restricted Payments to Carpenter or to otherwise transfer property to Carpenter or (ii) of Carpenter or any Subsidiary to create, incur, assume or suffer to exist Liens on property of such Person.

Section 7.11 **Use of Proceeds**. Carpenter will not, nor will it cause or permit any of its Subsidiaries to, use the proceeds of any Credit Extension, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U of the Board) or to extend credit to others for the purpose of

purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose.

Section 7.12 **Financial Covenants.**

(a) **Interest Coverage Ratio.** The Interest Coverage Ratio for any period of four consecutive fiscal quarters of Carpenter, in each case taken as a single accounting period, will not be less than 3.00:1.00 on the last day of any fiscal quarter.

(b) **Debt to Capital Ratio.** The Debt to Capital Ratio shall not exceed 55% as of the last day of any fiscal quarter.

ARTICLE VIII

DEFAULTS

Section 8.01 **Events of Default.** An Event of Default shall exist upon the occurrence of any of the following specified events or conditions (each an “Event of Default”):

(a) **Payment.** Any Borrower shall fail to pay: (i) as and when due and in the currency required hereunder (whether by scheduled maturity, mandatory prepayment, acceleration or otherwise) any amount of principal of any Loan, any amount of interest on any Competitive Bid Loan or any LC Obligation; (ii) within three Business Days of when due (whether by scheduled maturity, mandatory prepayment, acceleration or otherwise) any interest on any Committed Loan or LC Obligation, or any fee due hereunder; or (iii) within five days after the same become due, any other amount payable hereunder or under any other Loan Document.

(b) **Representation and Warranties.** Any representation, warranty or statement made or deemed to be made by any Borrower herein, in any of the other Loan Documents or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto shall prove untrue in any material respect on the date as of which it was made or deemed to have been made.

(c) **Covenants.** Any Borrower shall:

(i) default in the due performance or observance of any term, covenant or agreement contained in **Sections 6.01, 6.02, 6.03, 6.05 or 6.10**, or in **Article VII** or **Article X**; or

(ii) default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in **Sections 8.01(a), (b)** or **(c)(i)**) contained in this Agreement and such default shall continue unremedied for a period of at least 30 days after the earlier of an executive officer of such Borrower becoming aware of such default or notice thereof given by the Administrative Agent.

(d) **Other Loan Documents.** Any Borrower shall default in the due performance or observance of any term, covenant or agreement in any of the other Loan Documents and such

default shall continue unremedied for a period of at least 30 days after the earlier of an executive officer of such Borrower becoming aware of such default or notice thereof given by the Administrative Agent.

(e) Bankruptcy, etc. A Bankruptcy Event shall occur with respect to Carpenter or any of its Subsidiaries.

(f) Cross-Default. Carpenter or any Subsidiary (A) fails to make payment when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), in respect of any Indebtedness or Guaranty Obligation (other than in respect of Indebtedness outstanding under the Loan Documents) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than \$15,000,000, (B) fails to perform or observe any other condition or covenant, or any other event shall occur or condition shall exist, under any agreement or instrument relating to any such Indebtedness or Guaranty Obligation, if the effect of such failure, event or condition is to cause or permit such Indebtedness to be declared to be due and payable prior to its stated maturity, or such Guaranty Obligation to become payable, or cash collateral in respect thereof to be demanded or (C) shall be required by the terms of such Indebtedness or Guaranty Obligation to offer to prepay or repurchase such Indebtedness or the primary Indebtedness underlying such Guaranty Obligation (or any portion thereof) prior to the stated maturity thereof.

(g) Judgments. One or more judgments, orders, decrees or arbitration awards is entered against Carpenter or any Subsidiary involving in the aggregate a liability (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage), as to any single or related series of transactions, incidents or conditions, of \$15,000,000 or more, and the same shall remain undischarged, unvacated and unstayed pending appeal for a period of 30 days after the entry thereof, or Carpenter or any Subsidiary shall enter into any agreement to settle or compromise any pending or threatened litigation, as to any single or related series of claims, involving payment by Carpenter or such Subsidiary of \$15,000,000 or more, or any non-monetary judgment, order or decree is entered against Carpenter or such Subsidiary which has or would reasonably be expected to have a Material Adverse Effect, and there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect.

(h) ERISA. (i) An ERISA Event occurs when respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of Carpenter under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of \$15,000,000, (ii) Carpenter or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of \$15,000,000, (iii) institution of any steps by a Foreign Obligor or any other Person to terminate a Foreign Benefit Plan if as a result of such termination, a Foreign Obligor or any of their respective Subsidiaries could be required to make a contribution to such Foreign Benefit Plan or could incur a liability or obligation to such Foreign Benefit Plan, in excess of \$15,000,000 or (iv) a contribution failure with respect to any Foreign Benefit Plan

sufficient to give rise to a Lien under applicable Law occurs which has or could reasonably be expected to have a Material Adverse Effect.

(i) Invalidity of Loan Documents. Any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or satisfaction in full of all the Obligations, ceases to be in full force and effect, or is declared by a court of competent jurisdiction to be null and void, invalid or unenforceable in any respect; any Borrower denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any Loan Document; or any provision of **Article X** of this Agreement shall for any reason cease to be valid and binding on or enforceable against Carpenter or Carpenter shall so state in writing.

(j) Ownership. There shall occur a Change of Control.

Section 8.02 **Acceleration; Remedies**. Upon the occurrence of an Event of Default, and at any time thereafter unless and until such Event of Default has been waived in writing by the Required Lenders (or all Lenders as may be required pursuant to **Section 11.01**), the Administrative Agent shall, upon the request and direction of the Required Lenders, by written notice to Carpenter, take any of the following actions without prejudice to the rights of the Administrative Agent or any Lender to enforce its claims against any Borrower except as otherwise specifically provided for herein:

(a) Termination of Commitments. Declare the Commitments terminated whereupon the Commitments shall be immediately terminated.

(b) Acceleration of Loans. Declare the unpaid principal of and any accrued interest in respect of all Loans, any reimbursement obligations arising from drawings under Letters of Credit and any and all other indebtedness or obligations of any and every kind owing by any Borrower to any of the Lenders hereunder to be due whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers.

(c) Cash Collateral. Direct Carpenter to pay (and Carpenter agrees that upon receipt of such notice, or upon the occurrence of an Event of Default under **Section 8.01(e)**, it will immediately pay) to the Administrative Agent additional cash, to be held by the Administrative Agent, for the benefit of the Lenders, in a cash collateral account as additional security for the LC Obligations in respect of subsequent drawings under all then outstanding Letters of Credit in an amount equal to the maximum aggregate Dollar Amount which may be drawn under all Letters of Credits then outstanding.

(d) Enforcement of Rights. Enforce any and all rights and interests created and existing under the Loan Documents, including, without limitation, all rights of set-off, or applicable Law.

Notwithstanding the foregoing, if an Event of Default specified in **Section 8.01(e)** shall occur, then the Commitments shall automatically terminate and all Loans, all reimbursement obligations under Letters of Credit, all accrued interest in respect thereof and all accrued and unpaid fees and other indebtedness or obligations owing to the Lenders hereunder and under the

other Loan Documents shall immediately become due and payable without the giving of any notice or other action by the Administrative Agent or the Lenders, which notice or other action is expressly waived by any Borrower.

In case any one or more of the covenants and/or agreements set forth in this Agreement or any other Loan Document shall have been breached by any Borrower, then the Administrative Agent may proceed to protect and enforce the Lenders' rights either by suit in equity and/or by action at law, including an action for damages as a result of any such breach and/or an action for specific performance of any such covenant or agreement contained in this Agreement or such other Loan Document. Without limitation of the foregoing, the Borrowers agree that failure to comply with any of the covenants contained herein will cause irreparable harm and that specific performance shall be available in the event of any breach thereof.

Section 8.03 **Application of Funds**. Notwithstanding any other provision of this Agreement or any other Credit Document to the contrary, all amounts collected or received by the Administrative Agent or any Lender after acceleration of the Loans pursuant to **Section 8.02** or in respect of any sale of, collection from or other realization upon all or any part of any collateral pursuant to the exercise by the Administrative Agent of its remedies shall be applied by the Administrative Agent as follows:

(i) first, to the payment of all reasonable out-of-pocket costs and expenses (including, without limitation, reasonable attorneys' and consultants' fees irrespective of whether such fees are allowed as a claim after the occurrence of a Bankruptcy Event) of the Administrative Agent in connection with enforcing the rights of the Lenders under the Loan Documents;

(ii) second, to the payment of any fees owed to the Administrative Agent hereunder or under any other Loan Document;

(iii) third, to the payment of all reasonable and documented out-of-pocket costs and expenses (including, without limitation, reasonable attorneys' and consultants' fees irrespective of whether such fees are allowed as a claim after the occurrence of a Bankruptcy Event) of each of the Lenders in connection with enforcing its rights under the Loan Documents or otherwise with respect to the Obligations owing to such Lender;

(iv) fourth, to the payment of all of the Obligations consisting of accrued fees and interest (including, without limitation, fees incurred and interest accruing at the then applicable rate after the occurrence of a Bankruptcy Event irrespective of whether a claim for such fees incurred and interest accruing is allowed in such proceeding);

(v) fifth, to the payment of the outstanding principal amount of the Obligations (including the payment of any outstanding LC Obligations and the obligation to Cash Collateralize that portion of LC Obligations comprised of the aggregate undrawn amount of Letters of Credit);

(vi) sixth, to the payment of all other Obligations and other obligations that shall have become due and payable under the Loan Documents or otherwise and not repaid; and

(vii) seventh, to the payment of the surplus (if any) to whomever may be lawfully entitled to receive such surplus.

In carrying out the foregoing, (x) amounts received shall be applied in the numerical order provided until exhausted prior to application to the next succeeding category, (y) all amounts shall be apportioned ratably among the Lenders in proportion to the amounts of such principal, interest, fees or other Obligations owed to them respectively pursuant to clauses (iii) through (vii) above, and (z) to the extent that any amounts available for distribution pursuant to clause (v) above are attributable to the issued but undrawn amount of outstanding Letters of Credit, such amounts shall be held by the Administrative Agent to Cash Collateralize Letters of Credit Exposure pursuant to **Section 2.06(r)**.

ARTICLE IX

AGENCY PROVISIONS

Section 9.01 **Appointment; Authorization**. Each Lender hereby designates and appoints Wachovia as Administrative Agent to act as specified herein and in the other Loan Documents, and each such Lender hereby authorizes the Administrative Agent, as the agent for such Lender, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated by the terms hereof and of the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere herein and in the other Loan Documents, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein and therein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any of the other Loan Documents, or shall otherwise exist against the Administrative Agent. In performing its functions and duties under this Agreement and the other Loan Documents, the Administrative Agent shall act solely as an agent of the Lenders and does not assume and shall not be deemed to have assumed any obligation or relationship of agency or trust with or for any Borrower. Without limiting the generality of the foregoing two sentences, the use of the term “agent” herein and in the other Loan Documents with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties. The provisions of this **Article IX** (other than **Section 9.09**) are solely for the benefit of the Administrative Agent and the Lenders and no Borrower shall have any rights as a third party beneficiary of the provisions hereof (other than **Section 9.09**).

Section 9.02 **Delegation of Duties**. The Administrative Agent may execute any of its duties hereunder or under the other Loan Documents by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel and other consultants or experts concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it in the absence of gross negligence or willful misconduct.

Section 9.03 **Exculpatory Provisions.** No Agent-Related Person shall be (i) liable for any action lawfully taken or omitted to be taken by any of them under or in connection herewith or in connection with any of the other Loan Documents or the transactions contemplated hereby or thereby (except for its own gross negligence or willful misconduct in connection with its duties expressly set forth herein) or (ii) responsible in any manner to any of the Lenders or participants for any recitals, statements, representations or warranties made by any Borrower contained herein or in any of the other Loan Documents or in any certificate, report, document, financial statement or other written or oral statement referred to or provided for in, or received by the Administrative Agent under or in connection herewith or in connection with the other Loan Documents, or enforceability or sufficiency therefor of any of the other Loan Documents, or for any failure of any Borrower to perform its obligations hereunder or thereunder or be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained herein or therein or as to the use of the proceeds of the Loans or the use of the Letters of Credit or of the existence or possible existence of any Default or Event of Default or to inspect the properties, books or records of any Borrower.

Section 9.04 **Reliance on Communications.** The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, teletype or e-mail message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to any Borrower, independent accountants and other experts selected by the Administrative Agent). The Administrative Agent may deem and treat each Lender as the owner of its interests hereunder for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent in accordance with **Section 11.05(b)**. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or under any of the other Loan Documents unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder or under any of the other Loan Documents in accordance with a request of the Required Lenders (or to the extent specifically provided in **Section 11.01**, all the Lenders) and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders (including their successors and assigns). Where this Agreement expressly permits or prohibits an action unless the Required Lenders otherwise determine, the Administrative Agent shall, and in all other instances the Administrative Agent may, but shall not be required to, initiate any solicitation for the consent or vote of the Lenders.

Section 9.05 **Notice of Default.** The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder, unless it has received written notice from a Lender or a Borrower referring to the Agreement, describing such Default or Event of Default and stating that such notice is a “**notice of default**”. If the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to the Lenders. The Administrative Agent shall (subject to **Section 9.04** and **11.01**) take such action with respect to such Default or Event of Default as shall be reasonably directed by

the Required Lenders (or when expressly required by this Agreement, the Lenders); provided, however, that unless and until the Administrative Agent has received any such direction, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default or it shall deem advisable or in the best interest of the Lenders, except to the extent that the other provisions of this Agreement expressly require that any such action be taken or not be taken only with the consent or at the request of the Lenders or the Required Lenders, as applicable.

Section 9.06 **Credit Decision: Disclosure of Information by Administrative Agent**. Each Lender expressly acknowledges that no Agent-Related Person has made any representations or warranties to it and that no act by any Agent-Related Person hereinafter taken, including any consent to and acceptance of any assignment or review of the affairs of any Borrower or any Affiliate thereof, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender as to any matter, including whether any Agent-Related Person has disclosed material information in its possession. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon any Agent-Related Person or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, assets, operations, property, financial and other condition, prospects and creditworthiness of the Borrowers, and all requirements of Law pertaining to the transactions contemplated hereby, and made its own decision to extend credit hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, assets, operations, property, financial and other conditions, prospects and creditworthiness of the Borrowers. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, assets, property, financial or other conditions, prospects or creditworthiness of any Borrower or their respective Affiliates which may come into the possession of any Agent-Related Person.

Section 9.07 **Indemnification**. Whether or not the transactions contemplated hereby are consummated, the Lenders agree to indemnify each Agent-Related Person (to the extent not reimbursed by the Borrowers and without limiting the obligation of the Borrowers to do so), ratably according to their respective Commitments (or if the Commitments have expired or been terminated, in accordance with the respective principal amounts of outstanding Loans and Participation Interests of the Lenders), from and against any and all Indemnified Liabilities which may at any time (including, without limitation, at any time following payment in full of the Obligations) be imposed on, incurred by or asserted against any Agent-Related Person in its capacity as such in any way relating to or arising out of this Credit Agreement or the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by any Agent-Related Person under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment to any Agent-Related Person of any portion of such Indemnified Liabilities resulting

from such Person's gross negligence or willful misconduct; provided, however, that no action taken in accordance with the directions of the Required Lenders or the Lenders, as the case may be, shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section. If any indemnity furnished to any Agent-Related Person for any purpose shall, in the opinion of such Agent-Related Person, be insufficient or become impaired, such Agent-Related Person may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished. Without limitation of the foregoing, each Lender shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Borrowers. The agreements in this Section shall survive the payment of the Obligations and all other obligations and amounts payable hereunder and under the other Loan Documents.

Section 9.08 **Agents in Their Individual Capacity**. The Administrative Agent and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire Equity Interests in, and generally engage in any kind of banking, trust, financial advisory, underwriting and other business with any Borrower as though the Administrative Agent were not the Administrative Agent hereunder or under another Loan Document. The Lenders acknowledge that, pursuant to any such activities, the Administrative Agent or its Affiliates may receive information regarding the Borrowers or their respective Affiliates (including information that may be subject to confidentiality obligations in favor of any such Borrower or such Affiliate) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them. With respect to the Loans made and Letters of Credit issued and all Obligations owing to it, the Administrative Agent shall have the same rights and powers under this Agreement as any Lender and may exercise the same as though it was not the Administrative Agent, and the terms "Lender" and "Lenders" shall include the Administrative Agent in its individual capacity.

Section 9.09 **Successor Agents**. The Administrative Agent may, at any time, resign upon 30 days' written notice to the Lenders. If the Administrative Agent resigns under a Loan Document, the Required Lenders shall appoint from among the Lenders a successor Administrative Agent, which successor Administrative Agent shall be consented to by Carpenter at all times other than during the existence of an Event of Default (which consent of Carpenter shall not be unreasonably withheld or delayed). If no successor Administrative Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment prior to the effective date of the resignation of the resigning Administrative Agent, then the resigning Administrative Agent shall have the right, after consulting with the Lenders and Carpenter, to appoint a successor Administrative Agent; provided such successor is a Lender hereunder or a commercial bank organized under the laws of the United States of America or of any State thereof and has a rating of not less than "A" by S&P and combined capital and surplus of at least \$500,000,000. If no successor Administrative Agent is appointed prior to the effective date of the resignation of the resigning Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders and Carpenter, a successor Administrative Agent from among

the Lenders. Upon the acceptance of any appointment as the Administrative Agent hereunder by a successor, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations as the Administrative Agent, as appropriate, under this Agreement and the other Loan Documents and the provisions of this **Section 9.09** shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Administrative Agent under this Agreement. If no successor Administrative Agent has accepted appointment as Administrative Agent within sixty days after the retiring Administrative Agent's giving notice of resignation, the retiring Administrative Agent's resignation shall nevertheless become effective and the Lenders shall perform all duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided for above.

Section 9.10 **Certain Other Agents**. None of the Lenders identified on the facing page or signature pages of this Agreement as a "syndication agent", "co-agent", "book runner" or "lead manager" shall have any right, power, obligation, liability, responsibility or duty under the Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders or any such Person so identified shall have or be deemed to have any fiduciary relationship to any Lender or any Borrower. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders or other Persons so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

Section 9.11 **Administrative Agent's Fees**. Carpenter shall pay to the Administrative Agent for its own account fees in the amounts and at the times previously agreed upon between Carpenter and the Administrative Agent in the Fee Letter.

ARTICLE X

GUARANTEE

Section 10.01 **Unconditional Guarantee**. For valuable consideration, receipt whereof is hereby acknowledged, and to induce each Lender to make Loans and the Issuing Lenders to issue Letters of Credit to the Borrowers and to induce the Administrative Agent to act hereunder, Carpenter hereby unconditionally and irrevocably guarantees to each Lender and the Administrative Agent the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all of the Obligations with respect to the Subsidiary Borrowers (the "Guaranteed Obligations"). Without limiting the generality of the foregoing, Carpenter's liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by any of the Subsidiary Borrowers to the Administrative Agent or any Lender under this Agreement but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving any Subsidiary Borrower. This is a guaranty of payment.

Section 10.02 **Guarantee Absolute**. Carpenter guarantees that the Guaranteed Obligations will be paid strictly in accordance with the terms of this Agreement, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of any Lender or any Agent with respect thereto. The obligations of

Carpenter under this **Article X** are independent of the Guaranteed Obligations, and a separate action or actions may be brought and prosecuted against Carpenter to enforce this **Article X**, irrespective of whether any action is brought against any other Borrower or whether any other Borrower is joined in any such action or actions. The liability of Carpenter under this guarantee shall be irrevocable, absolute and unconditional irrespective of, and Carpenter hereby irrevocably waives any defenses it may now or hereafter have in any way relating to, any or all of the following:

- (a) any lack of validity or enforceability of this Agreement or any other agreement or instrument relating thereto;
- (b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations, or any other amendment or waiver of or any consent to departure from this Agreement;
- (c) any taking, exchange, release or non-perfection of any collateral or any taking, release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Guaranteed Obligations;
- (d) any change, restructuring or termination of the corporate structure or existence of any Borrower; or
- (e) any other circumstance, (including, without limitation, any statute of limitations to the fullest extent permitted by applicable law) which might otherwise constitute a defense available to, or a discharge of, Carpenter, the other Borrowers or any other guarantor.
- (f) This guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by any of the Lenders or the Administrative Agent upon the insolvency, bankruptcy or reorganization of any Borrower or otherwise, all as though such payment had not been made.

Section 10.03 **Waivers**. Carpenter hereby expressly waives promptness, diligence, notice of acceptance, presentment, demand for payment, protest, any requirement that any right or power be exhausted or any action be taken against any Borrower or against any other guarantor of all or any portion of the Guaranteed Obligations, and all other notices and demands whatsoever.

- (a) Carpenter hereby waives any right to revoke this guaranty, and acknowledges that this guaranty is continuing in nature and applies to all Guaranteed Obligations, whether existing now or in the future and regardless of whether the Guaranteed Obligations is reduced to zero at any time or from time to time.
- (b) Carpenter acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated herein and that the waivers set forth in this **Article X** are knowingly made in contemplation of such benefits.
- (c) Carpenter agrees that payments made by it pursuant to this **Article X** will be subject to the provisions of **Section 3.01** as if such payments were made by the other Borrowers.

Section 10.04 **Subrogation**. Carpenter will not exercise any rights that it may now or hereafter acquire against any other Borrower or any other insider guarantor that arise from the existence, payment, performance or enforcement of the Guaranteed Obligations under this Agreement, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of the Administrative Agent or any Lender against any such Borrower or any other insider guarantor or any collateral, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from any such Borrower or any other insider guarantor, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, unless and until all of the Guaranteed Obligations and all other amounts payable under this guaranty shall have been paid in full in cash and the Commitments shall have expired or terminated. If any amount shall be paid to Carpenter in violation of the preceding sentence at any time prior to the later of the payments in full in cash or immediately available funds of the Guaranteed Obligations and all other amounts payable under this guaranty and the Maturity Date, such amount shall be held in trust for the benefit of the Administrative Agent and the Lenders and shall forthwith be paid to the Administrative Agent to be credited and applied to the Guaranteed Obligations and all other amounts payable under this guaranty, whether matured or unmatured, in accordance with the terms of this Agreement, or to be held as collateral for any Guaranteed Obligations or other amounts payable under this guaranty thereafter arising. If (i) Carpenter shall make payment to the Administrative Agent or any other Lender of all or any part of the Guaranteed Obligations and the termination of the Commitments and the expiration or cancellation of all Letters of Credit shall have occurred, (ii) all the Guaranteed Obligations and all other amounts payable under this guaranty shall be paid in full in cash and (iii) the Maturity Date shall have occurred, the Administrative Agent and the Lenders will, at Carpenter's request and expense, execute and deliver to Carpenter appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to Carpenter of an interest in the Guaranteed Obligations resulting from such payment by Carpenter. Carpenter acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by this Agreement and that the waiver set forth in this section is knowingly made in contemplation of such benefits.

Section 10.05 **Survival**. This guaranty is a continuing guarantee and shall (a) remain in full force and effect until payment in full (after the Maturity Date) of the Guaranteed Obligations and all other amounts payable under this guaranty and the termination of the Commitments and the expiration or cancellation of all Letters of Credit, (b) be binding upon Carpenter, its successors and assigns, (c) inure to the benefit of and be enforceable by each Lender (including each assignee Lender pursuant to **Section 11.06**) and the Administrative Agent and its respective successors, transferees, and assigns and (d) shall be reinstated if at any time any payment to a Lender or the Administrative Agent hereunder is required to be restored by such Lender or the Administrative Agent. Without limiting the generality of the foregoing clause (c), each Lender may assign or otherwise transfer its interest in any Loan or Letter of Credit to any other Person, and such other Person shall thereupon become vested with all the rights in respect thereof granted to such Lender herein or otherwise.

ARTICLE XI

MISCELLANEOUS

Section 11.01 **Amendments, Waivers and Consents**. Neither this Agreement nor any other Loan Document nor any of the terms hereof or thereof may be amended, changed, waived, discharged or terminated except, in the case of this Agreement, pursuant to an agreement or agreements in writing entered into by the Borrowers, the Administrative Agent, and the Required Lenders or, in the case of any other Loan Document, pursuant to an agreement or agreements in writing entered into by the Borrowers and the Administrative Agent party thereto; provided that the foregoing shall not restrict the ability of the Required Lenders to waive any Event of Default prior to the time the Administrative Agent shall have declared, or the Required Lenders shall have requested the Administrative Agent to declare, the Loans immediately due and payable pursuant to **Article VIII**; provided, however, that:

(i) no such amendment, change, waiver, discharge or termination shall, without the consent of each Lender affected thereby:

(A) extend the final maturity of any Loan or the time of payment of any reimbursement obligation, or any portion thereof, arising from drawings under Letters of Credit, provided that this clause (A) shall not restrict the ability of the Required Lenders to waive any Event of Default (other than an Event of Default the waiver of which would effectively result in any such extension or waiver), prior to the time the Administrative Agent shall have declared, or the Required Lenders shall have requested the Administrative Agent to declare, the Loans immediately due and payable pursuant to **Article VIII**;

(B) reduce the rate, or extend the time of payment, of interest or change the manner of computation of any financial covenant used in determining the Applicable Percentage that could result in the reduction of the rate of interest on any Loan (other than as a result of waiving the applicability of any post– default increase in interest rates) thereon or fees hereunder;

(C) reduce or waive the principal amount of any Loan or any LC Disbursement;

(D) increase the Commitment of a Lender over the amount thereof in effect (it being understood and agreed that a waiver of any Default or Event of Default or a mandatory reduction in the Commitments shall not constitute a change in the terms of any Commitment of any Lender);

(E) release any Borrower from its respective obligations under the Loan Documents, including, without limitation, Carpenter with respect to its obligations under **Article X** of this Agreement;

(F) amend, modify or waive any provision of this **Section 11.01** or reduce any percentage specified in, or otherwise modify, the definition of Required Lenders; or

(G) consent to the assignment or transfer by any Borrower of any of its respective rights and obligations under (or in respect of) the Loan Documents, except as permitted thereby;

(ii) no provision of **Article IX** may be amended without the consent of the Administrative Agent, no provision of **Section 2.06** may be amended without the consent of each Issuing Lender and no provision of **Section 2.03(d)** may be amended without the consent of the Swingline Lender.

Notwithstanding the fact that the consent of all the Lenders is required in certain circumstances as set forth above, (i) each Lender is entitled to vote as such Lender sees fit on any bankruptcy reorganization plan that affects the Loans or the Letters of Credit, and each Lender acknowledges that the provisions of Section 1126(c) of the Bankruptcy Code supersede the unanimous consent provisions set forth herein and (ii) the Required Lenders may consent to allow any Borrower to use cash collateral in the context of a bankruptcy or insolvency proceeding.

Section 11.02 Notices and Other Communications; Facsimile Copies.

(a) General. Unless otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including by facsimile transmission) and mailed, faxed or delivered, to the address, facsimile number or (subject to **Section 11.02(c)** below) electronic mail address as follows:

(i) if to the Borrower, the Administrative Agent, the Issuing Lender or the Swingline Lender, to it at the address (or telecopier number) specified for such person on **Schedule 11.02**; and

(ii) if to any Lender, to it at its address (or telecopier number) set forth in its Administrative Questionnaire,

or to such other address as shall be designated by such party in a notice to the other parties, and in the case of any other party, to such other address as shall be designated by such party in a notice to the Borrowers, the Administrative Agent, any Issuing Lender and the Swingline Lender. All such notices and other communications shall be deemed to be given or made upon the earlier to occur of (i) actual receipt by the intended recipient and (ii) (A) if delivered by hand or by courier, when signed for by the intended recipient; (B) if delivered by mail, four Business Days after deposit in the mails, postage prepaid; (C) if delivered by facsimile, when sent and receipt has been confirmed by telephone; and (D) if delivered by electronic mail (which form of delivery is subject to the provisions of **Section 11.02(c)** below), when delivered; provided, however, that notices and other communications to the Administrative Agent, any Issuing Lender and the Swingline Lender pursuant to **Article II** shall not be effective until actually received by such Person. Any notice or other communication permitted to be given, made or confirmed by telephone hereunder shall be given, made or confirmed by means of a telephone call to the intended recipient at the number specified on **Schedule 11.02**, it being understood and agreed that a voicemail message shall in no event be effective as a notice, communication or confirmation hereunder.

(b) Effectiveness of Facsimile Documents and Signatures. Loan Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to requirements of Law, have the same force and effect as manually–signed originals and shall be binding on the Borrowers, the Administrative Agent and the Lenders. The Administrative Agent may also require that any such documents and signatures be confirmed by a manually–signed original thereof; provided, however, that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

(c) Limited Use of Electronic Mail. Electronic mail and internet and intranet websites may be used only to distribute routine communications, such as financial statements and other information, and to distribute Loan Documents for execution by the parties thereto, and may not be used for any other purpose.

(d) Reliance by Administrative Agent and Lenders. The Administrative Agent and the Lenders shall be entitled to rely and act upon any notices purportedly given by or on behalf of the Borrowers even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrowers shall indemnify, jointly and severally, each Agent–Related Person and each Lender from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of any Borrower. All telephonic notices to and other communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

Section 11.03 No Waiver; Cumulative Remedies. No failure or delay on the part of an Agent or any Lender in exercising any right, power or privilege hereunder or under any other Loan Document and no course of dealing between the Administrative Agent or any Lender and any Borrower shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Loan Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies provided herein are cumulative and not exclusive of any rights or remedies which the Administrative Agent or any Lender would otherwise have. No notice to or demand on any Borrower in any case shall entitle any Borrower to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Administrative Agent or the Lenders to any other or further action in any circumstances without notice or demand.

Section 11.04 Attorney Costs, Expenses and Taxes. Carpenter agrees (i) to pay or reimburse the Administrative Agent for all costs and expenses incurred in connection with the preparation, negotiation and execution of this Agreement and the other Loan Documents and any amendment, waiver, consent or other modification of the provisions hereof and thereof (whether or not the transactions contemplated hereby or thereby are consummated), and the consummation and administration of the transactions contemplated hereby and thereby, including all Attorney Costs, and (ii) to pay or reimburse the Administrative Agent for all costs and expenses incurred in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or the other Loan Documents (including all such costs and expenses incurred during any “workout” or restructuring in respect of the Obligations and during

any legal proceeding, including any proceeding under any Debtor Relief Law), including all Attorney Costs. The foregoing costs and expenses shall include all search, filing, recording, title insurance and appraisal charges and fees and taxes related thereto, and other out-of-pocket expenses incurred by the Administrative Agent and the cost of independent public accountants and other outside experts retained by the Administrative Agent. The agreements in this **Section 11.04** shall survive the termination of the Commitments and repayment of all the other Obligations.

Section 11.05 **Indemnification**. Whether or not the transactions contemplated hereby are consummated, the Borrowers agree to indemnify, save and hold harmless each Agent-Related Person, on a joint and several basis, each Lender and their respective Affiliates, directors, officers, employees, counsel, agents and attorneys-in-fact (collectively the “Indemnitees”) from and against: (i) any and all claims, demands, actions or causes of action that are asserted against any Indemnitee by any Person (other than the Administrative Agent or any Lender) relating directly or indirectly to a claim, demand, action or cause of action that such Person asserts or may assert against any Borrower, any Affiliate of any Borrower or any of their respective officers or directors; (ii) any and all claims, demands, actions or causes of action that may at any time (including at any time following repayment of the Obligations and the resignation or removal of any Administrative Agent or the replacement of any Lender) be asserted or imposed against any Indemnitee, arising out of or relating to, the Loan Documents, any predecessor loan documents, the Commitments, the use of or contemplated use of the proceeds of any Credit Extension, or the relationship of any Borrower, any Administrative Agent and the Lenders under this Agreement or any other Loan Document; (iii) any administrative or investigative proceeding by any Governmental Authority arising out of or related to a claim, demand, action or cause of action described in clause (i) or (ii) above; and (iv) any and all liabilities (including liabilities under indemnities), losses, costs or expenses (including Attorney Costs) that any Indemnitee suffers or incurs as a result of the assertion of any foregoing claim, demand, action, cause of action or proceeding, or as a result of the preparation of any defense in connection with any foregoing claim, demand, action, cause of action or proceeding, in all cases, and whether or not an Indemnitee is a party to such claim, demand, action, cause of action, or Proceeding (all the foregoing, collectively; the “Indemnified Liabilities”): provided that no Indemnitee shall be entitled to indemnification for any claim caused by its own gross negligence or willful misconduct. In the case of an investigation, litigation or other proceeding to which the indemnity in this **Section 11.05** applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by any Borrower, their respective directors, shareholders or creditors or an Indemnitee or any other Person or any Indemnitee is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated. The Borrowers agree not to assert any claim against any Administrative Agent, any Lender, any other Creditor, any of their Affiliates or any of their respective directors, officers, employees, attorneys, agents and advisers, on any theory of liability, for special, indirect, consequential or punitive damages arising out of or otherwise relating to the Loan Documents, any of the transactions contemplated herein or therein or the actual or proposed use of the proceeds of the Loans or of the Letters of Credit. Without prejudice to the survival of any other agreement of any Borrower hereunder and under the other Loan Documents, the agreements and obligations of the Borrowers contained in this **Section 11.05** shall survive the repayment of the Loans, LC Obligations and other obligations under the Loan Documents and the termination of the Commitments hereunder.

Section 11.06 **Successors and Assigns.**

(a) Generally. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided that no Borrower may assign or transfer any of its respective interests and obligations without the prior written consent of either the Required Lenders or the Lenders, as the terms set forth in **Section 11.01** may require;

(b) Assignments. Any Lender may assign all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Loans, its Notes, its Commitments and any Participation Interest in Letters of Credit and Swingline Loans held by it); provided, however, that:

(i) each such assignment shall be to an Eligible Assignee;

(ii) except in the case of an assignment to another Lender, an Affiliate of an existing Lender or any Approved Fund (A) the aggregate amount of the Revolving Commitment of the assigning Lender subject to such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not, without the consent of Carpenter and the Administrative Agent, be less than \$5,000,000 and an integral multiple of \$1,000,000 (or such lesser amount as shall equal the assigning Lender's entire Revolving Commitment) and (B) after giving effect to such assignment, unless otherwise consented to by Carpenter, the aggregate amount of the Revolving Commitment to the assigning Lender shall not be less than \$2,500,000 (unless the assigning Lender shall have assigned its entire Revolving Commitment pursuant to such assignment or assignments otherwise complying with this Section executed substantially simultaneously with such assignment);

(iii) each such assignment by a Lender shall be of a constant, and not varying, percentage of all rights and obligations in respect of a particular Class of Commitments under this Agreement and the other Loan Documents; and

(iv) the parties to such assignment shall execute and deliver to the Administrative Agent and, only with respect to any assignment of all or a portion of the Revolving Committed Amount, the Issuing Lenders for their acceptance an Assignment and Acceptance in the form of **Exhibit C**, together with any Note subject to such assignment and a processing fee of \$3,500 for each assignment.

(c) Assignment and Acceptance. By executing and delivering an Assignment and Acceptance in accordance with this **Section 11.06**, the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (i) such assigning Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim and the assignee warrants that it is an Eligible Assignee; (ii) except as set forth in clause (i) above, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, any of the other Loan Documents or any other instrument or document furnished pursuant hereto or

thereto, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any of the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto or the financial condition of any Borrower or the performance or observance by any Borrower of any of its obligations under this Agreement, any of the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto; (iii) such assignee represents and warrants that it is legally authorized to enter into such assignment agreement; (iv) such assignee confirms that it has received a copy of this Agreement, the other Loan Documents, together with copies of the most recent financial statements delivered pursuant to **Section 6.01** and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (v) such assignee will independently and without reliance upon the Administrative Agent, any Issuing Lender, the Swingline Lender, such assigning Lender 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; (vi) such assignee appoints and authorizes the Administrative Agent to take such action on its behalf and to exercise such powers under this Agreement or any other Loan Document as are delegated to the Administrative Agent by the terms hereof or thereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Agreement and the other Loan Documents are required to be performed by it as a Lender. Upon execution, delivery, and acceptance of such Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of such assignment, have the obligations, rights, and benefits of a Lender hereunder and the assigning Lender shall, to the extent of such assignment, relinquish its rights and be released from its obligations under this Agreement. Upon the consummation of any assignment pursuant to this **Section 11.06**, the assignor, the Administrative Agent and the Borrowers shall make appropriate arrangements so that, if required, new Notes are issued to the assignor and the assignee. If the assignee is not a United States person under Section 7701(a)(30) of the Code, it shall deliver to Carpenter and the Administrative Agent certification as to exemption from deduction or withholding of Taxes in accordance with **Section 3.01**.

(d) Register. The Borrowers hereby designate the Administrative Agent to serve as the Borrowers' agent, solely for purposes of this **Section 11.06(d)**, to (i) maintain a register (the "Register") on which the Administrative Agent will record the Commitments from time to time of each Lender, the Loans made by each Lender and each repayment in respect of the principal amount of the Loans of each Lender and to (ii) retain a copy of each Assignment and Acceptance delivered to the Administrative Agent pursuant to this Section. Failure to make any such recordation, or any error in such recordation, shall not affect the Borrowers' obligation in respect of such Loans. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrowers, the Administrative Agent, the Issuing Lenders and the Lenders shall treat each Person in whose name a Loan and the Note evidencing the same is registered as the owner thereof for all purposes of this Agreement, notwithstanding notice or any provision herein to the contrary. With respect to any Lender, the assignment or other transfer of the Commitments of such Lender and the rights to the principal of, and interest on, any Loan made and any Note issued pursuant to this Agreement shall not be effective until such assignment or other transfer is recorded on the Register and, except to the extent provided in this **Section 11.06(d)**, otherwise complies with **Section 11.06**, and prior to such recordation all amounts owing to the transferring Lender with respect to such Commitments, Loans and Notes shall remain owing to the

transferring Lender. The registration of assignment or other transfer of all or part of any Commitments, Loans and Notes for a Lender shall be recorded by the Administrative Agent on the Register only upon the acceptance by the Administrative Agent of a properly executed and delivered Assignment and Acceptance and payment of the administrative fee referred to in **Section 11.06(b)(iv)**. The Register shall be available at the offices where kept by the Administrative Agent for inspection by Carpenter and any Lender at any reasonable time upon reasonable prior notice to the Administrative Agent.

(e) **Participations.** Each Lender may, without the consent of Carpenter, the Issuing Lenders, the Swingline Lender or the Administrative Agent, sell participations to one or more Persons in all or a portion of its rights, obligations or rights and obligations under this Agreement (including all or a portion of its Commitment or the Loans owing to it and any participations in Letters of Credit and Swingline Loans held by it); provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participant shall be entitled to the benefit of the right of setoff contained in **Section 11.08** and the yield protection provisions contained in **Sections 3.01, 3.04 and 3.05** and to the same extent that the Lender from which such participant acquired its participation would be entitled to the benefits of such yield protections; provided that no Borrower shall be required to reimburse any participant pursuant to **Sections 3.01, 3.04 or 3.05** in an amount which exceeds the amount that would have been payable thereunder to such Lender had such Lender not sold such participation and (iv) the Borrowers, the Administrative Agent, the Issuing Lenders, the Swingline Lenders and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right to enforce the obligations of the Borrowers relating to the Obligations owing to such Lender and to approve any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications or waivers decreasing the amount of principal of or the rate at which interest is payable on such Loans or Notes, extending any scheduled principal payment date or date fixed for the payment of interest on such Loans or Notes or extending its Commitment).

(f) **Other Assignments.** Any Lender may at any time (i) assign all or any portion of its rights under this Agreement and any Notes to a Federal Reserve Bank, (ii) pledge or assign a security interest in all or any portion of its interest and rights under this Agreement (including all or any portion of its Notes, if any) to secure obligations of such Lender and (iii) grant to an SPC referred to in **Section 11.06(h)** below identified as such in writing from time to time by such Lender to the Administrative Agent and Carpenter the option to provide to the Borrowers all or any part of any Loans that such Lender would otherwise be obligated to make to the Borrowers pursuant to the Agreement; provided that no such assignment, option, pledge or security interest shall release a Lender from any of its obligations hereunder or substitute any such Federal Reserve Bank or other person to which such option, pledge or assignment has been made for such Lender as a party hereto.

(g) **Information.** Any Lender may furnish any information concerning any Borrower or any of its Subsidiaries in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants), subject, however, to the provisions of **Section 11.07**.

(h) **Other Funding Vehicles.** Notwithstanding anything to the contrary contained herein, any Lender (a “**Granting Lender**”) may grant to a special purpose funding vehicle (a “**SPC**”), identified as such in writing from time to time by the Granting Lender to the Administrative Agent and Carpenter, the option to provide to any Borrower all or any part of any Loan that such Granting Lender would otherwise be obligated to make to any such Borrower pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to make any Loan or shall reduce the Commitment of any Granting Lender, (ii) if any SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms of this Agreement. The making of a Loan by any SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. Each party to this Agreement hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Lender pursuant to the terms of this Agreement and the other Loan Documents). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this **Section 11.06(h)**, any SPC may (i) with notice to, but without the prior written consent of, Carpenter and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to the Granting Lender or to any financial institutions (consented to in writing by Carpenter and Administrative Agent) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Loans and (ii) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC. This **Section 11.06(h)** may not be amended without the written consent of each SPC that has made a Loan which is outstanding at the time of any such amendment.

Section 11.07 **Confidentiality.** Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (i) to its and its Affiliates’ directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential); (ii) to the extent requested by any regulatory authority; (iii) to the extent required by applicable Laws or regulations or by any subpoena or similar legal process; (iv) to any other party to this Agreement; (v) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder; (vi) subject to an agreement containing provisions substantially the same as those of this Section, to (A) any Eligible Assignee of or participant in, or any prospective Eligible Assignee of or participant in, any of its rights or obligations under this Agreement or (B) any direct or indirect contractual counterparty or prospective counterparty (or such contractual counterparty’s or prospective counterparty’s professional advisor) to any credit derivative transaction relating to obligations of any Borrower; (vii) with the consent of Carpenter; (viii) to the extent such information (A) becomes publicly available other than as a

result of a breach of this Section or (B) becomes available to an Agent or any Lender on a nonconfidential basis from a source other than any Borrower; or (ix) to any other similar organization or any nationally recognized rating agency that requires access to information about a Lender's or its Affiliates' investment portfolio in connection with ratings issued with respect to such Lender or its Affiliates. For the purposes of this Section, "Information" means all information received from any Borrower relating to any such Borrower or its respective business, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by any Borrower; provided that, in the case of information received from any Borrower after the date hereof, such information is clearly identified in writing at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. Notwithstanding anything herein to the contrary, "Information" shall not include, and the Administrative Agent and each Lender may disclose without limitation of any kind, any information with respect to the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to the Administrative Agent or such Lender relating to such tax treatment and tax structure; provided that with respect to any document or similar item that in either case contains information concerning the tax treatment or tax structure of the transaction as well as other information, this sentence shall only apply to such portions of the document or similar item that relate to the tax treatment or tax structure of the Loans, Letters of Credit and transactions contemplated hereby.

Section 11.08 **Set-off**. In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, upon the occurrence and during the continuance of an Event of Default, each Lender (and each of its Affiliates) is authorized at any time and from time to time, without presentment, demand, protest or other notice of any kind (all of such rights being hereby expressly waived), to set-off and to appropriate and apply any and all deposits (general or specific) and any other indebtedness at any time held or owing by such Lender (including, without limitation, branches, agencies or Affiliates of such Lender wherever located) to or for the credit or the account of any Borrower against obligations and liabilities of any Borrower to the Lenders hereunder, under the Notes, under the other Loan Documents or otherwise, irrespective of whether the Administrative Agent or the Lenders shall have made any demand hereunder and although such obligations, liabilities or claims, or any of them, may be contingent or unmatured, and any such set-off shall be deemed to have been made immediately upon the occurrence of an Event of Default even though such charge is made or entered on the books of such Lender subsequent thereto. The Borrowers hereby agree that to the extent permitted by Law any Person purchasing a participation in the Loans, Commitments and LC Obligations hereunder pursuant to **Section 2.01(b), 2.06(a) or (e), 2.14 or 11.06(e)** may exercise all rights of set-off with respect to its participation interest as fully as if such Person were a Lender hereunder and any such set-off shall reduce the amount owed by any such Borrower to the Lender.

Section 11.09 **Interest Rate Limitation**. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable

Law (the "Maximum Rate"). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to any Borrower. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (i) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (ii) exclude voluntary prepayments and the effects thereof, and (iii) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations.

Section 11.10 **Counterparts**. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. It shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart. Delivery of an executed counterpart by facsimile shall be effective as an original executed counterpart and shall be deemed a representation that the original executed counterpart will be delivered.

Section 11.11 **Integration**. This Agreement, together with the other Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control; provided that the inclusion of supplemental rights or remedies in favor of the Administrative Agent or the Lenders in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, put rather in accordance with the fair meaning thereof.

Section 11.12 **Survival of Representations and Warranties**. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or Event of Default at the time of any Credit Extension, and shall continue in full force and effect as long as any Loan or any other Obligation shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

Section 11.13 **Severability**. Any provision of this Agreement and the other Loan Documents to which any Borrower is a party that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 11.14 **Headings.** The headings and captions of the sections and subsections hereof are provided for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

Section 11.15 **Defaulting Lenders.** Each Lender understands and agrees that if such Lender is a Defaulting Lender then, notwithstanding the provisions of **Section 11.01**, it shall not be entitled to vote on any matter requiring the consent of the Required Lenders or to object to any matter requiring the consent of all the Lenders adversely affected thereby; provided, however, that all other benefits and obligations under the Loan Documents shall apply to such Defaulting Lender, except as provided in **Section 2.04(e)**.

Section 11.16 **Governing Law; Submission to Jurisdiction.**

(a) THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL (EXCEPT AS MAY BE EXPRESSLY OTHERWISE PROVIDED IN ANY LOAN DOCUMENT) BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BUT EXCLUDING ALL OTHER CHOICE OF LAW AND CONFLICTS OF LAW RULES); PROVIDED THAT EACH LETTER OF CREDIT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OR RULES DESIGNATED IN SUCH LETTER OF CREDIT OR, IF NO SUCH LAWS OR RULES ARE DESIGNATED, THE INTERNATIONAL STANDBY PRACTICES OF THE INTERNATIONAL CHAMBER OF COMMERCE, AS IN EFFECT FROM TIME TO TIME (THE "ISP"), AND, AS TO MATTERS NOT GOVERNED BY THE ISP, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BUT EXCLUDING ALL OTHER CHOICE OF LAW AND CONFLICTS OF LAW RULES). EACH OF THE BORROWERS HEREBY CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF ANY STATE COURT WITHIN MECKLENBURG COUNTY, NORTH CAROLINA, OR ANY FEDERAL COURT LOCATED WITHIN THE WESTERN DISTRICT OF THE STATE OF NORTH CAROLINA FOR ANY PROCEEDING INSTITUTED HEREUNDER OR UNDER ANY OF THE OTHER LOAN DOCUMENTS, OR ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, OR ANY PROCEEDING TO WHICH THE ADMINISTRATIVE AGENT, THE ARRANGER OR ANY LENDER, OR ANY BORROWER IS A PARTY, INCLUDING ANY ACTIONS BASED UPON, ARISING OUT OF, OR IN CONNECTION WITH ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE ADMINISTRATIVE AGENT, THE ARRANGER OR ANY LENDER, OR ANY BORROWER. EACH OF THE BORROWERS IRREVOCABLY AGREES TO BE BOUND (SUBJECT TO ANY AVAILABLE RIGHT OF APPEAL) BY ANY JUDGMENT RENDERED OR RELIEF GRANTED THEREBY AND FURTHER WAIVES ANY OBJECTION THAT IT MAY HAVE BASED ON LACK OF JURISDICTION OR IMPROPER VENUE OR FORUM NON CONVENIENS TO THE CONDUCT OF ANY SUCH PROCEEDING. NOTHING IN THIS SECTION SHALL AFFECT THE RIGHT TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AFFECT THE RIGHT OF THE ADMINISTRATIVE AGENT, THE ARRANGER OR ANY LENDER TO BRING ANY

ACTION OR PROCEEDING AGAINST ANY BORROWER IN THE COURTS OF ANY OTHER JURISDICTION.

(b) The Borrowers hereby irrevocably appoint C.T. Corporation System its authorized agent to accept and acknowledge service of any and all process which may be served in any suit, action or proceeding of the nature referred to in this **Section 11.06** and consents to process being served in any such suit, action or proceeding upon C.T. Corporation System in any manner or by the mailing of a copy thereof by registered or certified mail, postage prepaid, return receipt requested, to the Borrowers' address referred to in **Section 11.02**. The Borrower agree that such service (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by law, be taken and held to be valid personal service upon and personal delivery to it. Nothing in this **Section 11.16** shall affect the right of any Lender to serve process in any manner permitted by law or limit the right of any Lender to bring proceedings against any Borrower in the courts of any jurisdiction or jurisdictions.

Section 11.17 Waiver of Jury Trial. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

Section 11.18 Binding Effect. This Agreement shall become effective at such time when it shall have been executed by the Borrowers, and the Administrative Agent, and the Administrative Agent shall have received copies hereof (telefaxed or otherwise) which, when taken together, bear the signatures of each Lender, and thereafter this Agreement shall be binding upon and inure to the benefit of the Borrowers, the Administrative Agent and each Lender and their respective successors and assigns.

Section 11.19 Conflict. To the extent that there is a conflict or inconsistency between any provision hereof, on the one hand, and any provision of any other Loan Document, on the other hand, this Agreement shall control.

Section 11.20 USA PATRIOT Act Notice. Each Lender that is subject to the PATRIOT Act and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrowers that pursuant to the requirements of the PATRIOT Act, it is required to obtain, verify and record information that identifies the Borrowers, which information includes the names and addresses of the Borrowers and other information that will allow such Lender or

the Administrative Agent, as applicable, to identify the Borrowers in accordance with the PATRIOT Act.

[Signature Pages Follow]

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

CARPENTER TECHNOLOGY CORPORATION,
as a Borrower and as Guarantor

By: /s/ Jaime Vasquez

Name: Jaime Vasquez

Title: V. P. and Treasurer

SIGNATURE PAGE TO CARPENTER TECHNOLOGY CORPORATION
CREDIT AGREEMENT

WACHOVIA BANK, NATIONAL ASSOCIATION, as
Administrative Agent, Issuing Lender and as a Lender

By: /s/ Michael A. McDiffie

Name: Michael A. McDiffie

Title: Vice President

SIGNATURE PAGE TO CARPENTER TECHNOLOGY CORPORATION
CREDIT AGREEMENT

JPMORGAN CHASE BANK, N.A., as a Lender

By: /s/ Peter S. Predun

Name: Peter S. Predun

Title: Vice President

SIGNATURE PAGE TO CARPENTER TECHNOLOGY CORPORATION
CREDIT AGREEMENT

BANK OF AMERICA, N.A., as a Lender

By: /s/ Mary K. Giermek

Name: Mary K. Giermek

Title: Senior Vice President

SIGNATURE PAGE TO CARPENTER TECHNOLOGY CORPORATION
CREDIT AGREEMENT

PNC BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Richard C. Munsick

Name: Richard C. Munsick

Title: Senior Vice President

SIGNATURE PAGE TO CARPENTER TECHNOLOGY CORPORATION
CREDIT AGREEMENT

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**MANUFACTURERS AND TRADERS TRUST
COMPANY, as a Lender**

By: /s/ Brian J. Sohocki

Name: Brian J. Sohocki

Title: Asst. Vice President

SIGNATURE PAGE TO CARPENTER TECHNOLOGY CORPORATION
CREDIT AGREEMENT

THE GOVERNOR AND COMPANY OF THE BANK OF IRELAND, as a Lender

By: /s/ Niamh O'Flynn
Name: Niamh O'Flynn
Title: Senior Manager

/s/ David Hickey
David Hickey
Authorised Signatory

SIGNATURE PAGE TO CARPENTER TECHNOLOGY CORPORATION
CREDIT AGREEMENT

BANK OF TOKYO – MITSUBISHI TRUST COMPANY,
as a Lender

By: /s/ K. Ossolinski

Name: K. Ossolinski

Title: Vice President

SIGNATURE PAGE TO CARPENTER TECHNOLOGY CORPORATION
CREDIT AGREEMENT

CITIZENS BANK OF PENNSYLVANIA, as a Lender

By: /s/ Nancy S. Krewson

Name: Nancy S. Krewson

Title: Senior Vice President

SIGNATURE PAGE TO CARPENTER TECHNOLOGY CORPORATION
CREDIT AGREEMENT

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CREDIT SUISSE, CAYMAN ISLANDS BRANCH, as a
Lender

By: /s/ Alain Daoust

Name: Alain Daoust

Title: Director

By: /s/ Denise L. Alvarez

Name: Denise L. Alvarez

Title: Associate

SIGNATURE PAGE TO CARPENTER TECHNOLOGY CORPORATION
CREDIT AGREEMENT

KEYBANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Suzannah Harris

Name: Suzannah Harris

Title: Vice President

SIGNATURE PAGE TO CARPENTER TECHNOLOGY CORPORATION
CREDIT AGREEMENT

S-11

MANDATORY COST FORMULAE

1. The Mandatory Cost (to the extent applicable) is an addition to the interest rate to compensate Lenders for the cost of compliance with:
 - (a) the requirements of the Bank of England and/or the Financial Services Authority (or, in either case, any other authority which replaces all or any of its functions); or
 - (b) the requirements of the European Central Bank.
2. On the first day of each Interest Period (or as soon as practicable thereafter) the Administrative Agent shall calculate, as a percentage rate, a rate (the "Additional Cost Rate") for each Lender, in accordance with the paragraphs set out below. The Mandatory Cost will be calculated by the Administrative Agent as a weighted average of the Lenders' additional Cost Rates (weighted in proportion to the percentage participation of each Lender in the relevant Loan) and will be expressed as a percentage rate per annum. The Administrative Agent will, at the request of Carpenter or any Lender, deliver to Carpenter or such Lender as the case may be, a statement setting forth the calculation of any Mandatory Cost.
3. The Additional Cost rate for any Lender lending from a Lending Office in a Participating Member State will be the percentage notified by that Lender to the Administrative Agent. This percentage will be certified by such Lender in its notice to the Administrative Agent as the cost (expressed as a percentage of such Lender's participation in all Loans made from such Lending Office) of complying with the minimum reserve requirements of the European Central Bank in respect of Loans made from that Lending Office.
4. The Additional Cost Rate for any Lender lending from a Lending Office in the United Kingdom will be calculated by the Administrative Agent as follows:
 - (a) in relation to any Loan in Sterling:

$$\frac{AB+C(B-D)+E \times 0.01}{100 - (A+C)} \text{ percent per annum}$$
 - (b) in relation to any Loan in any currency other than Sterling or Dollars:

$$\frac{E \times 0.01}{300} \text{ percent per annum}$$

Where:

"A" is the percentage of Eligible Liabilities (assuming these to be in excess of any stated minimum) which that Lender is from time to time required to maintain as an interest free cash ratio deposit with the Bank of England to comply with cash ratio requirements.

-
- “B” is the percentage rate of interest (excluding the Applicable Rate, the Mandatory Cost and any interest charged on overdue amounts pursuant to the first sentence of [Section 2.08\(b\)](#) and, in the case of interest (other than on overdue amounts) charged at the Default Rate, without counting any increase in interest rate effected by the charging of the Default Rate) payable for the relevant Interest Period of such Loan.
- “C” is the percentage (if any) of Eligible Liabilities which that Lender is required from time to time to maintain as interest bearing Special Deposits with the Bank of England.
- “D” is the percentage rate per annum payable by the Bank of England to the Administrative Agent on interest bearing Special Deposits.
- “E” is designed to compensate Lenders for amounts payable under the Fees Regulations and is calculated by the Administrative Agent as being the average of the most recent rates of charge supplied by the Lenders to the Administrative Agent pursuant to [paragraph 7](#) below and expressed in pounds per £1,000,000.
5. For the purposes of this Schedule:
- (a) “[Eligible Investments](#)” and “[Special Deposits](#)” have the meanings given to them from time to time under or pursuant to the Bank of England Act 1998 or (as may be appropriate) by the Bank of England;
 - (b) “[Fees Regulations](#)” means the FSA Supervision Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits;
 - (c) “[Fee Tariffs](#)” means the fee tariffs specified in the Fees Regulations under the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Regulations but taking into account any applicable discount rate); and
 - (d) “[Tariff Base](#)” has the meaning given to it in, and will be calculated in accordance with, the Fees Regulations.
6. In application of the above formulae, A, B, C and D will be included in the formulae as percentages (*i.e.* 5% will be included in the formula as 5 and not as 0.05). A negative result obtained by subtracting D from B shall be taken as zero. The resulting figures shall be rounded to four decimal places.
7. If requested by the Administrative Agent or Carpenter, each Lender with a Lending Office in the United Kingdom or a Participating Member State shall, as soon as practicable after publication by the Financial Services Authority, supply to the Administrative Agent and the Company, the rate of charge payable by such Lender to the Financial Services Authority pursuant to the Fees Regulations in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose by such Lender as being the average of the Fee Tariffs applicable to such Lender for that

financial year) and expressed in pounds per £1,000,000 of the Tariff Base of such Lender.

8. Each Lender shall supply any information required by the Administrative Agent for the purpose of calculating its Additional Cost Rate. In particular, but without limitation, each Lender shall supply the following information in writing on or prior to the date on which it becomes a Lender:
 - (a) its jurisdiction of incorporation and the jurisdiction of the Lending Office out of which it is making available its participation in the relevant Loan; and
 - (b) any other information that the Administrative Agent may reasonably require for such purpose.

Each Lender shall promptly notify the Administrative Agent in writing of any change to the information provided by it pursuant to this paragraph.

9. The percentages or rates of charge of each Lender for the purpose of A, C and E above shall be determined by the Administrative Agent based upon the information supplied to it pursuant to paragraphs 7 and 8 above and on the assumption that, unless a Lender notifies the Administrative Agent to the contrary, each Lender's obligations in relation to cash ratio deposits, Special Deposits and the Fees Regulations are the same as those of a typical bank from its jurisdiction of incorporation with a Lending Office in the same jurisdiction as such Lender's Lending Office.
10. The Administrative Agent shall have no liability to any Person if such determination results in an Additional Cost Rate which over- or under-compensates any Lender and shall be entitled to assume that the information provided by each Lender pursuant to paragraphs 3, 7 and 8 above is true and correct in all respects.
11. The Administrative Agent shall distribute the additional amounts received as a result of the Mandatory Cost to the Lenders on the basis of the Additional Cost Rate for each Lender based on the information provided by each Lender pursuant to paragraphs 3, 7 and 8 above.
12. Any determination by the Administrative Agent pursuant to this Schedule in relation to a formula, the Mandatory Cost, an Additional Cost Rate or any amount payable to a Lender shall, in the absence of manifest error, be conclusive and binding on all parties hereto.
13. The Administrative Agent may from time to time, after consultation with Carpenter and the Lenders, determine and notify to all parties any amendments which are required to be made to this Schedule in order to comply with any change in law, regulation or any requirements from time to time imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on all parties hereto.

LENDERS AND COMMITMENTS

<u>Lender</u>	<u>Revolving Commitment</u>	<u>Revolving Commitment Percentage</u>
Wachovia Bank, National Association	\$ 24,000,000.00	16.000000003%
JPMorgan Chase Bank, N.A.	\$ 17,000,000.00	11.333333333%
PNC Bank, N.A.	\$ 17,000,000.00	11.333333333%
Manufacturers and Traders Trust Company	\$ 17,000,000.00	11.333333333%
Bank of America, N.A.	\$ 12,500,000.00	8.333333333%
Bank of Ireland	\$ 12,500,000.00	8.333333333%
The Bank of Tokyo-Mitsubishi, Ltd.	\$ 12,500,000.00	8.333333333%
Citizens Bank	\$ 12,500,000.00	8.333333333%
Credit Suisse First Boston	\$ 12,500,000.00	8.333333333%
KeyBank, N.A.	\$ 12,500,000.00	8.333333333%
Total	\$ 150,000,000.00	100%

<u>Issuing Lender</u>	<u>LC Commitment</u>
Wachovia Bank, National Association	\$ 50,000,000.00
<u>Swingline Lender</u>	<u>Swingline Commitment</u>
Wachovia Bank, National Association	\$ 24,000,000.00

EXISTING LETTERS OF CREDIT

Applicant	Beneficiary	LC Number	Issue Date	Expiry Date	Amount
Dynamet, Inc.	Liberty Mutual Insurance Company	SM420034C	2/15/02	3/13/03 (evergreen)	\$ 100,000.00
Carpenter Technology Corporation	Lumbermens Mutual Casualty Company; American Motorists Insurance Company; American Manufacturers Mutual Insurance Company; American Protection Insurance Company; NATLSCO, Inc.	SM419184C	11/30/01	11/21/02 (evergreen)	\$ 1,523,000.00
Carpenter Technology Corporation	National Union Fire Insurance Company of Pittsburgh, PA, et al.	SM419123C	11/28/01	11/21/02 (evergreen)	\$ 1,196,549.00
Carpenter Technology Corporation	Commonwealth of Pennsylvania	SM419125C	11/28/01	11/21/02 (evergreen)	\$ 6,300,000.00
Carpenter Technology Corporation	The Travelers Indemnity Company	SM419183C	11/30/01	11/21/02 (evergreen)	\$ 2,255,821.00

SUBSIDIARIES

Attached hereto as **Exhibit "A"** is a list of all of Carpenter's Subsidiaries in existence as of the date hereof and all of the other information required to be listed in this **Schedule 5.13** pursuant to **Section 5.13**.

Exhibit "A"

Data Sheet Report

Monday, August 29, 2005

Aceromex Atlas, S.A. de C.V.

Incorporation: Mexico
Entity Type: Corporation

Primary Address:
Av. Lic. Juan Fernandez Albarran No. 31
Frac. Ind. San Pablo Xalpa
Tlalnepantla 54090 Edo. de Mexico

Registered Address:
Av. Lic. Juan Fernandez Albarran No. 31
Frac. Ind. San Pablo Xalpa
Tlalnepantla, 54090 Edo. de Mexico

STOCKS:

Minimum Fixed Capital

Price/Par Value: Date Authorized: Wednesday, July 09, 1997
CUSIP: Authorized: 4,000
SYMBOL: Outstanding: 4,000
Issued: 4,000
in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
Grupo Carpenter Technology, S.A. de C.V. Consideration:	1	100	4,000	Wednesday, July 09, 1997

Variable Fixed Capital

Price/Par Value: Date Authorized: Wednesday, July 09, 1997
CUSIP: Authorized: 1,462
SYMBOL: Outstanding:
Issued: 1,462
in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
Grupo Carpenter Technology, S.A. de C.V. Consideration:	2		1,461	Wednesday, July 09, 1997
Aceros Fortuna, S.A. de C.V. Consideration:	3		1	Wednesday, July 09, 1997

DIRECT SUBSIDIARIES:

Data Sheet Report

Monday, August 29, 2005

Aceros Fortuna, S.A. de C.V.

Incorporation: Mexico
 Entity Type: Corporation
 Federal ID #: AFO8311086M2

Primary Address:
 Av. Lic. Juan Fernandez Albarran No. 31
 Frac. Ind. San Pablo Xalpa
 54090 Tlalnepantla, Edo. de

Registered Address:
 Av. Lic. Juan Fernandez Albarran No. 31
 Frac. Ind. San Pablo Xalpa
 54090 Tlalnepantla, Edo. de

STOCKS:

Minimum Fixed Capital Stock - New Pesos

Price/Par Value: 1,000 Pesos
 CUSIP:
 SYMBOL:
 Date Authorized: Friday, February 07, 1997
 Authorized: 150
 Outstanding: 150
 Issued: 150
 # in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
Grapo Carpenter Technology, S.A. de C.V. Consideration:	1	100	150	Friday, February 07, 1997

Variable Capital Stock - New Pesos

Price/Par Value: 1,000 Pesos
 CUSIP:
 SYMBOL:
 Date Authorized: Friday, February 07, 1997
 Authorized: 9,100
 Outstanding: 9,100
 Issued: 9,100
 # in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
Grupo Carpenter Technology, S.A. de C.V. Consideration:	2	99.99	9,099	Friday, February 07, 1997
Temple y Forja Fortuna, S.A. de C.V. Consideration:	3	.01	1	Friday, February 07, 1997

DIRECT SUBSIDIARIES:

	<u>Incorp/Formed in</u>	<u>%Ownership</u>	<u>Shares</u>
Aceromex Atlas, S.A. de C.V.	Mexico		1
Carpenter Servicios, S.A. de C.V.	Mexico		1
Ceramicas Carpenter, S.A. de C.V.	Mexico	%	1

Aceros Fortuna, S.A. de C.V.

Movilidad Moderna, S.A. de C.V.

Temple y Foija Fortuna, S.A. de C.V.

Mexico

%

1

Mexico

96%

24

Carpenter Advanced Ceramics Ltd.

Incorporation: United Kingdom

Entity Type: Corporation

Primary Address:

Carpenter Advanced Ceramics Ltd.
92 c&d Brunel Road
Earlstrees Industrial Estate
Corby, Northants NN17 4JW England

Registered Address:

100 New Bridge Street
London, England EC4V6JA England

STOCKS:

Ordinary Shares

Price/Par Value: 1 pound

CUSIP:

SYMBOL:

Date Authorized: Tuesday, September 30, 1997

Authorized: 1,000

Outstanding: 1,000

Issued: 1,000

in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
CARPENTER TECHNOLOGY CORPORATION Consideration:	1	100	1,000	Tuesday, September 30, 1997

DIRECT SUBSIDIARIES:

Carpenter Advanced Ceramics Pty. Ltd.

Incorporation: Australia
 Entity Type: Corporation

Primary Address:
 Carpenter Advanced Ceramics Pty. Ltd.
 4 Redwood Drive
 Monash Business Park
 Clayton, Victoria 3168 Australia

Registered Address:
 Freehill Hollingdale & Page
 3rd Floor, London Court
 Canberra, ACT 2601 Australia

STOCKS:

Capital Stock

Price/Par Value:	\$1.00	Date Authorized:	Monday, September 15, 1997
CUSIP:		Authorized:	10,000,000
SYMBOL:		Outstanding:	3,889,486
		Issued:	3,889,486
		# in Treasury:	

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
CRS Holdings Inc.	3	100	3,889,474	Thursday, August 20, 1998
Consideration: CRS Holdings Inc.	1		12	Monday, September 15, 1997

Consideration:

DIRECT SUBSIDIARIES:

Data Sheet Report

Monday, August 29, 2005

Carpenter Advanced Ceramics, Inc.

Incorporation: Delaware
Entity Type: Corporation
Federal ID #: 95-4109860

Primary Address:
13395 New Airport Road
Auburn, CA 95602 U.S.A.

Registered Address:
CT Corporation System
Corporation Trust Center
1209 Orange Street
Wilmington, DE 19801

STOCKS:

Capital Stock

Price/Par Value: 0
CUSIP:
SYMBOL:
Date Authorized: Wednesday, December 18, 1985
Authorized: 1,000
Outstanding: 500
Issued: 500
in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
CRS Holdings Inc.	6	100	500	Tuesday, September 30, 1997

Consideration:

DIRECT SUBSIDIARIES:

Data Sheet Report

Monday, August 29, 2005

Carpenter Investments, Inc.

Incorporation: Delaware
 Entity Type: Corporation
 Federal ID #: 51-0321769

Primary Address:
 209F Baynard Building, Second Floor
 Concord Plaza
 3411 Silverside Plaza
 Wilmington, DE 19810

Registered Address:
 103 Springer Building
 3411 Silverside Road
 Wilmington, DE 19810

STOCKS:Common Stock

Price/Par Value: \$5 per share
 CUSIP:
 SYMBOL:

Date Authorized: Wednesday, December 06, 1989
 Authorized: 1,000
 Outstanding: 1,000
 Issued: 1,000
 # in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
CARPENTER TECHNOLOGY CORPORATION Consideration:	1	100	1,000	Wednesday, December 06, 1989

DIRECT SUBSIDIARIES:

	<u>Incorp/formed in</u>	<u>%Ownership</u>	<u>Shares</u>
Carpenter Technology (Canada) Limited	Canada	100%	100
Carpenter Technology (Europe) S.A.	Belgium	1%	1
Carpenter Technology (France) SA	France	1%	1
Carpenter Technology (Italy) s.r.l.		1%	1
Carpenter Technology (Taiwan) Corporation	Taiwan	1%	1
Carpenter Technology (UK) Limited	United Kingdom	1%	1
Carpenter Technology International Corporation	Virgin Islands of the US	100%	100
Distributed Systems Services, Inc.	Pennsylvania	33%	250,000
Grupo Carpenter Technology, S.A. de C.V.	Mexico	1%	1
Temple y Forja Fortuna, S.A. de C.V.	Mexico	4%	1

Carpenter Powder Products AB

Incorporation: Sweden
Entity Type: Corporation

Primary Address:
Anval Nyby Powder AB
Box 45
S-644 21
Torshalla Sweden

Registered Address:
Anval Nyby Powder AB
Box 45
S-644 21
Torshalla Sweden

STOCKS:

Capital Shares

Price/Par Value: SEK 100
CUSIP:
SYMBOL:

Date Authorized: Tuesday, February 01, 2000
Authorized: 250,000
Outstanding: 250,000
Issued: 250,000
in Treasury:

DIRECT SUBSIDIARIES:

	<u>Incorp/formed in</u>	<u>%Ownership</u>	<u>Shares</u>
Carpenter Powder Products GmbH	Germany	100%	200,000

Carpenter Powder Products GmbH

Incorporation: Germany
Entity Type: Corporation

Primary Address:
Anval Nyby Powder GmbH
Dusselthaler Str. 9-D-40211
Dusseldorf Germany

Registered Address:

STOCKS:

Capital Shares

Price/Par Value:
CUSIP:
SYMBOL:

Date Authorized: Monday, April 15, 1991
Authorized: 200,000
Outstanding: 200,000
Issued: 200,000
in Treasury:

DIRECT SUBSIDIARIES:

Data Sheet Report

Monday, August 29, 2005

Carpenter Powder Products GmbH

Incorporation: Germany

Entity Type: Corporation

Primary Address:

Anval Nyby Powder GmbH
Dusselthaler Str. 9-D-40211
Dusseldorf Germany

Registered Address:

STOCKS:

Capital Shares

Price/Par Value:
CUSIP:
SYMBOL:

Date Authorized: Monday, April 15, 1991
Authorized: 200,000
Outstanding: 200,000
Issued: 200,000
in Treasury:

DIRECT SUBSIDIARIES:

Data Sheet Report

Monday, August 29, 2005

Carpenter Powder Products Inc.

Incorporation: Delaware
Entity Type: Corporation
Federal ID #: 25-1883092

Primary Address:
Carpenter Powder Products Inc.
600 Mayer Street
Bridgeville, PA 15017 U.S.A.

Registered Address:
1209 Orange Street
Wilmington, DE 19810 U.S.A.

STOCKS:

Common Stock

Price/Par Value: \$ 5
CUSIP:
SYMBOL:

Date Authorized: Friday, March 09, 2001
Authorized: 1,000
Outstanding: 1,000
Issued: 1,000
in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
CRS Holdings Inc.	1	100	1,000	Friday, March 09, 2001

Consideration:

DIRECT SUBSIDIARIES:

Data Sheet Report

Monday, August 29, 2005

Carpenter Servicios, S.A. de C.V.

Incorporation: Mexico
Entity Type: Corporation

Primary Address:

Av. Lic. Jua Fernadez Albarran No. 31
Frac. Ind. San Pablo Xalpa
54090 Tlalnepantla, Edo. de

Registered Address:

Av. Lic. Juan Fernadez Albarran No. 31
Frac. Ind. San Pablo Xalpa
54090 Tlalnepantla, Edo. de

STOCKS:Minimum Fixed Capital - Series A

Price/Par Value: 1,000 Pesos
Date Authorized: Friday, February 07, 1997
CUSIP: Authorized: 50
SYMBOL: Outstanding: 50
Issued: 50
in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
Grupo Carpenter	1	98	49	Friday, February 07, 1997
Technology, S.A. de C.V. Consideration: Aceros Fortuna, S.A. de C.V.	2	2	1	Friday, February 07, 1997

Consideration:

DIRECT SUBSIDIARIES:

Carpenter Technology (Canada) Limited

Incorporation: Canada

Primary Address:

Scotia Plaza, 40 King Street West, Toronto, Ontario Canada
Mississauga, Ontario L5S 1K4

Registered Address:

Scotia Plaza, 40 King Street West, Toronto, Ontario, Canada
Mississauga, Ontario L5S 1K4

DIRECT SUBSIDIARIES:

Carpenter Technology (Deutschland) GmbH

Incorporation: Germany
Entity Type: Corporation

Primary Address:
Waldenbucher Strasse 22
71065 Sindelfingen, Germany

Registered Address:
Waldenbucher Strasse 22
71065 Sindelfingen, Germany

STOCKS:

Notarial Deed

Price/Par Value:
CUSIP:
SYMBOL:

Date Authorized:
Authorized:
Outstanding:
Issued:
in Treasury:

DIRECT SUBSIDIARIES:

Data Sheet Report

Monday, August 29, 2005

Carpenter Technology (Europe) S.A.

Incorporation: Belgium
 Entity Type: Corporation

Primary Address:
 Chaussee de Haecht 1465
 1130 Brussels
 Belgium

Registered Address:
 Chaussee de Haecht 1465
 1130 Brussels
 Belgium

STOCKS:Capital

Price/Par Value: 62 Euro
 CUSIP:
 SYMBOL:
 Date Authorized: Tuesday, July 03, 1990
 Authorized: 1,000
 Outstanding: 1,000
 Issued: 1,000
 # in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
CRS Holdings Inc.	No Cert.	99.9	999	Thursday, July 12, 1990
Consideration: Carpenter Investments, Inc.	None	.1	1	Thursday, July 12, 1990
Consideration:				

DIRECT SUBSIDIARIES:

Data Sheet Report

Monday, August 29, 2005

Carpenter Technology (France) SA

Incorporation: France

Entity Type: Corporation

Primary Address:76 Avenue des Champs Elysees
75008 Paris
FranceRegistered Address:76 Avenue des Champs Elysees
75008 Paris
FranceSTOCKS:Capital

Price/Par Value: 100 FRF/share

CUSIP:

SYMBOL:

Date Authorized: Monday, March 15, 1993

Authorized: 500

Outstanding: 500

Issued: 500

in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
CRS Holdings Inc.	NONE	99.8	499	Monday, March 15, 1993
Consideration: Carpenter Investments, Inc.	Book-entry	.2	1	Monday, March 15, 1993
Consideration:				

DIRECT SUBSIDIARIES:

Carpenter Technology (Taiwan) Corporation

Incorporation: Taiwan

Entity Type: Corporation

Primary Address:

Far Glory Business Center
 17th Floor, No. 167 Tun Hua North Road
 Taipei 105, Taiwan, R.O.C. 886-2-2717-1999 ext.

Registered Address:

17th Floor, No. 167 Tun Hua North Road
 Taipei 105, Taiwan, R.O.C. 886-2-2717-1999 ext.

Former Name (s):

Carpenter Technology Corporation
 (Taiwan) Ltd.

STOCKS:Capital Stock

Price/Par Value: \$10 New Taiwan

CUSIP:

SYMBOL:

Date Authorized: Monday, November 22, 1993

Authorized: 2,000,000

Outstanding: 500,000

Issued: 500,000

in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
CRS Holdings Inc.	1	100	499,994	Monday, November 22, 1993
Consideration: CARPENTER TECHNOLOGY CORPORATION	2		1	Monday, November 22, 1993
Consideration: Eagle (CRS) Investments, Inc.	3		1	Monday, November 22, 1993
Consideration: Carpenter Investments, Inc.	4		1	Monday, November 22, 1993
Consideration: Cardy, Robert W.	5		1	Monday, November 22, 1993
Consideration: Cottrell, G. Walton	7		1	Monday, November 22, 1993
Consideration: Fiore, Nicholas F.	6		1	Monday, November 22, 1993
Consideration:				

Carpenter Technology (Taiwan) Corporation

McElwee, Andrew

6

1

Sunday, March 26, 2000

Consideration:

DIRECT SUBSIDIARIES:

Data Sheet Report

Monday, August 29, 2005

Carpenter Technology (UK) Limited

Incorporation: United Kingdom

Entity Type: Corporation

Primary Address:

Unit 6
 The I.O. Centre
 Old Forge Drive
 Redditch, Worcester B987AN England

Registered Address:

100 New Bridge Street
 London EC4V6JA England

STOCKS:Ordinary Shares

Price/Par Value: 1 pound/share

CUSIP:

SYMBOL:

Date Authorized: Thursday, June 30, 1983

Authorized: 100

Outstanding: 100

Issued: 100

in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
CRS Holdings Inc.	4	99	99	Thursday, October 01, 1992
Consideration: Carpenter Investments, Inc.	5	1	1	Thursday, October 01, 1992

Consideration:

DIRECT SUBSIDIARIES:

Carpenter Technology Asia Pacific Pte. Ltd.

Incorporation: Singapore

Entity Type: Corporation

Primary Address:

Carpenter Technology Asia Pte. Ltd.
 1 Grange Road #05-02
 Orchard Building
 Singapore 239693 Singapore

Registered Address:

Carpenter Technology Asia Pacific Pte. Ltd.
 1 Robinson Road
 #18-00 AIA Tower
 Singapore 048542 Singapore

STOCKS:

Ordinary Shares

Price/Par Value: \$1.00

CUSIP:

SYMBOL:

Date Authorized:

Authorized: 100,000

Outstanding: 15,000

Issued: 15,000

in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
Carpenter Technology Mauritius Ltd.	5	100	15,000	Tuesday, March 30, 1999

Consideration:

DIRECT SUBSIDIARIES:

Carpenter Technology International Corporation

Incorporation: Singapore
 Entity Type: Corporation
 Federal ID #: 66-0414108

Primary Address:
 Suite 208
 Citibank Building, Veterans Drive
 Charlotte Amalie
 St. Thomas, U.S. Virgin 00801

Registered Address:
 Suite 208
 Citibank Building, Veterans Drive
 Charlotte Amalie
 St. Thomas, U.S. Virgin 00801

STOCKS:

Capital Stock

Price/Par Value: Non-assessable
 CUSIP:
 SYMBOL:

Date Authorized: Wednesday, November 21, 1984
 Authorized: 1,000
 Outstanding: 100
 Issued: 100
 # in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
Carpenter Investments, Inc.	2	100	100	Tuesday, April 14, 1992

Consideration:

DIRECT SUBSIDIARIES:

Carpenter Technology Mauritius Ltd.

Incorporation: Mauritius
 Entity Type: Corporation

Primary Address:
 Anglo Mauritius House, 2nd Floor
 4 Intendance Street
 Port Louis Mauritius

Registered Address:
 Anglo Mauritius House, 2nd Floor
 4 Intendance Street
 Port Louis Mauritius

STOCKS:Capital Stock

Price/Par Value:	1.00 US	Date Authorized:	Friday, October 23, 1998
CUSIP:		Authorized:	10,000
SYMBOL:		Outstanding:	10,000
		Issued:	10,000
		# in Treasury:	

DIRECT SUBSIDIARIES:

	<u>Incorp/formed in</u>	<u>%Ownership</u>	<u>Shares</u>
Carpenter Technology Asia Pacific Pte. Ltd.	Singapore	100%	15,000
Kalyani Carpenter Metal Centres Pvt. Ltd.	India	51%	3,580,822
Kalyani Carpenter Special Steels Limited	India	26%	7,810,910

Data Sheet Report

Monday, August 29, 2005

Cartech Corporation

Incorporation: Delaware
Entity Type: Corporation
Federal ID #: 23-2320711

Primary Address:
P.O. Box 14662
Reading, PA 19612-4662

Registered Address:
101 West Bern Street
Reading, PA 19601

STOCKS:**Capital Stock**

Price/Par Value: \$1 per share
CUSIP:
SYMBOL:

Date Authorized: Thursday, October 03, 1968
Authorized: 1,000
Outstanding: 1,000
Issued: 1,000
in Treasury:

DIRECT SUBSIDIARIES:

Ceramicas Carpenter, S.A. de C.V.

Incorporation: Mexico
 Entity Type: Corporation

Primary Address:
 Av. Lic. Juan Fernandez Albarran No. 31
 Frac. Ind. San Pablo Xalpa
 54090 Tlalnepantla, Edo. de

Registered Address:
 Av. Lic. Juan Fernandez Albarran No. 31
 Frac. Ind. San Pablo Xalpa
 54090 Tlalnepantla, Edo. de

Former Name (s):
 Ceramicas Carpenter, S.A. de C.V.

STOCKS:Minimum Fixed Capital Stock - Series A

Price/Par Value: 1,000 Pesos
 CUSIP:
 SYMBOL:
 Date Authorized: Friday, February 07, 1997
 Authorized: 50
 Outstanding: 50
 Issued: 50
 # in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
Grupo Carpenter Technology, S.A. de C.V. Consideration:	1	98	49	Wednesday, May 31, 2000
Aceros Fortuna, S.A. de C.V. Consideration:	2	2	1	Wednesday, May 31, 2000

Variable Capital Stock - Series B

Price/Par Value: 1,000 Pesos
 CUSIP:
 SYMBOL:
 Date Authorized: Wednesday, May 31, 2000
 Authorized: 29,010
 Outstanding: 29,010
 Issued: 29,010
 # in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
Grupo Carpenter Technology, S.A. de C.V. Consideration:	3	100	29,010	Wednesday, May 31, 2000

DIRECT SUBSIDIARIES:

Data Sheet Report

Monday, August 29, 2005

Certech International Ltd.

Incorporation: United Kingdom

Entity Type: Corporation

Primary Address:92c&d Brunel Road
Earlstrees Industrial Estate
Corby, Northants NN17 4JW EnglandRegistered Address:100 New Bridge Street
London EC4V6JA EnglandSTOCKS:Ordinary Shares

Price/Par Value: 1 pound each

CUSIP:

SYMBOL:

Date Authorized: Wednesday, July 10, 1985

Authorized: 300,000

Outstanding: 300,000

Issued: 300,000

in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
Certech, Inc.	3	100	300,000	Thursday, March 12, 1998

Consideration:

Value in Sterling Pounds

DIRECT SUBSIDIARIES:

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Monday, August 29, 2005

Certech, Inc.

Incorporation: Delaware
Entity Type: Corporation
Federal ID #: 52-2133955

Primary Address:
One Park Place West
Wood-Ridge, New Jersey 07075

Registered Address:
1209 Orange Street
Wilmington, DE 19810

STOCKS:

Capital Stock

Price/Par Value: \$5.00
Date Authorized: Thursday, December 31, 1998
CUSIP: Authorized: 1,000
SYMBOL: Outstanding: 1,000
Issued: 1,000
in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
CRS Holdings Inc.	1	100	1,000	Thursday, December 31, 1998

Consideration:

DIRECT SUBSIDIARIES:

	<u>Incorp/Formed in</u>	<u>%Ownership</u>	<u>Shares</u>
Certech International Ltd.	United Kingdom	100%	300,000

CRS Funding Corp.

Incorporation: Delaware
Entity Type: Corporation
Federal ID #: 23-3093276

Primary Address:
Carpenter Technology Corporation
101 West Bern Street
Reading, PA 19601 USA

Registered Address:
1209 Orange Street
Wilmington, DE 19801 USA

DIRECT SUBSIDIARIES:

CRS Holdings Inc.

Incorporation: Delaware
 Entity Type: Corporation
 Federal ID #: 51-0341103

Primary Address:
 209F Baynard Building, Second Floor
 Concord Plaza
 3411 Silverside Road
 Wilmington, DE 19810

Registered Address:
 103 Springer Building
 3411 Silverside Road
 Wilmington, DE 19810

STOCKS:

Capital Stock

Price/Par Value: \$ 5
 CUSIP:
 SYMBOL:
 Date Authorized: Thursday, June 04, 1992
 Authorized: 3,000
 Outstanding: 1,000
 Issued: 1,000
 # in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
CARPENTER TECHNOLOGY CORPORATION Consideration:	1	100	1,000	Thursday, June 04, 1992

DIRECT SUBSIDIARIES:

	<u>Incorp/Formed in</u>	<u>%Ownership</u>	<u>Shares</u>
Carpenter Advanced Ceramics Ltd.	United Kingdom	100%	1,000
Carpenter Advanced Ceramics Pty. Ltd.	Australia	100%	12
Carpenter Advanced Ceramics, Inc.	Delaware	100%	500
Carpenter Powder Products Inc.	Delaware	100%	1,000
Carpenter Technology (Deutschland) GmbH	Germany	100%	150,000
Carpenter Technology (Europe) S.A.	Belgium	99%	999
Carpenter Technology (France) SA	France	99%	499
Carpenter Technology (Italy) s.r.l.		99%	1
Carpenter Technology (Taiwan) Corporation	Taiwan	94%	499,994
Carpenter Technology (UK) Limited	United Kingdom	99%	99
Carpenter Technology Mauritius Ltd.	Mauritius	100%	10,000
Certech, Inc.	Delaware	100%	1,000
Grupo Carpenter Technology, S.A. de C.V.	Mexico	99%	142,901
Rathbone Precision Metals, Inc.	Delaware	100%	100

Data Sheet Report

Monday, August 29, 2005

Dynamet Holdings, Inc.

Incorporation: Delaware
 Entity Type: Corporation
 Federal ID #: 52-2064140

Primary Address:
 209F Baynard Building, Second Floor
 Concord Plaza
 3411 Silverside Road
 Wilmington, DE 19810

Registered Address:
 103 Springer Building
 3411 Silverside Road
 Wilmington, DE 19810

STOCKS:Common Stock

Price/Par Value: \$ 5
 CUSIP:
 SYMBOL:
 Date Authorized: Thursday, November 06, 1997
 Authorized: 3,000
 Outstanding: 1,000
 Issued: 1,000
 # in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
Dynamet Incorporated Consideration:	1	100	1,000	Thursday, November 06, 1997

DIRECT SUBSIDIARIES:

	<u>Incorp/formed in</u>	<u>%Ownership</u>	<u>Shares</u>
Carpenter Powder Products AB	Sweden	100%	250,000

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Monday, August 29, 2005

Dynamet Incorporated

Incorporation: Delaware
 Entity Type: Corporation
 Federal ID #: 23-2882270

Primary Address:
 195 Museum Road
 Washington, PA 15301

Registered Address:
 195 Museum Road
 Washington, PA 15301

Former Name (s):
 DY Acquisition Corporation

STOCKS:Common Stock

Price/Par Value: \$ 1
 CUSIP:
 SYMBOL:
 Date Authorized: Friday, February 21, 1997
 Authorized: 100
 Outstanding: 100
 Issued: 100
 # in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
CARPENTER TECHNOLOGY CORPORATION Consideration:	1	100	100	Friday, February 21, 1997

DIRECT SUBSIDIARIES:

	<u>Incorp/formed in</u>	<u>%Ownership</u>	<u>Shares</u>
Dynamet Holdings, Inc.	Delaware	100%	1,000

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Monday, August 29, 2005

Eagle (CRS) Investments, Inc.

Incorporation: Delaware
Entity Type: Corporation
Federal ID #: 51-0336251

Primary Address:
209F Baynard Building, Second Floor
Concord Plaza
3411 Silverside Road
Wilmington, DE 19810

Registered Address:
103 Springer Building
3411 Silverside Road
Wilmington, DE 19810

STOCKS:

Common Stock

Price/Par Value: \$5 per share
CUSIP:
SYMBOL:
Date Authorized: Monday, December 16, 1991
Authorized: 1,000
Outstanding: 1,000
Issued: 1,000
in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
CARPENTER TECHNOLOGY CORPORATION Consideration:	1	100	1,000	Monday, December 16, 1991

DIRECT SUBSIDIARIES:

	<u>Incorp/formed in</u>	<u>%Ownership</u>	<u>Shares</u>
Carpenter Technology (Taiwan) Corporation	Taiwan	1%	1
Walsin-CarTech Specialty Steel Corporation	Taiwan	3.25%	18,576,750

Grupo Carpenter Technology, S.A. de C.V.

Incorporation: Mexico
 Entity Type: Corporation
 Federal ID #: GCT9511143R6

Primary Address:
 Av. Lic. Juan Fernandez Albarran No. 31
 Frac. Ind. San Pablo Xalpa
 54090 Tlalnepantla, Edo. de

Registered Address:
 Av. Lic. Juan Fernandez Albarran No. 31
 Frac. Ind. San Pablo Xalpa
 Tlalnepantla 54090 Edo. de Mexico

STOCKS:Minimum Fixed Capital Stock - Series A

Price/Par Value: 1,000 Pesos
 CUSIP:
 SYMBOL:
 Date Authorized: Friday, February 07, 1997
 Authorized: 50
 Outstanding: 50
 Issued: 50
 # in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
CRS Holdings Inc.	1	98	49	Wednesday, May 31, 2000
Consideration: Carpenter Investments, Inc.	2	2	1	Wednesday, May 31, 2000
Consideration:				

Variable Capital Stock - Series B

Price/Par Value: 1,000 Pesos
 CUSIP:
 SYMBOL:
 Date Authorized: Wednesday, May 31, 2000
 Authorized: 146,212
 Outstanding: 146,212
 Issued: 146,212
 # in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
CRS Holdings Inc.	3	100	146,212	Wednesday, May 31, 2000
Consideration:				

DIRECT SUBSIDIARIES:

	<u>Incorp/formed in</u>	<u>%Ownership</u>	<u>Shares</u>
Aceromex Atlas, S.A. de C.V.	Mexico	99%	1,461
Aceros Fortuna, S.A. de C.V.		99.99%	9,099
Aceros Fortuna, S.A. de C.V.	Mexico	100%	150

Grupo Carpenter Technology, S.A. de C.V.

Carpenter Servicios, S.A. de C.V.
Ceramicas Carpenter, S.A. de C.V.
Movilidad Moderna, S.A. de C.V.

Mexico	99%	49
Mexico	98%	49
Mexico	100%	120

International Metals Outlet, LLC

Entity Type: Limited Liability Company

Federal ID #: 23-3026014

Primary Address:
RR1 Box 1363F
Orwigsburg, PA 17961 USA

Registered Address:
RR1 Box 1363F
Orwigsburg, PA 17961 USA

REGULATIONS:

Date of Original Regulations: Tuesday, December 21, 1999
Date of Last Amendment:
Termination Date:

DIRECT SUBSIDIARIES:

Kalyani Carpenter Metal Centres Pvt. Ltd.

Incorporation: India
 Entity Type: Corporation

Primary Address:
 72-76 Mundhwa
 Pune 411-036 India

Registered Address:

STOCKS:Rupees

Price/Par Value: Rs. 10/-
 CUSIP:
 SYMBOL:

Date Authorized: Friday, August 27, 1999
 Authorized: 8,000,000
 Outstanding: 7,021,219
 Issued: 7,021,219
 # in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
Carpenter Technology Mauritius Ltd. Consideration:	18	14.64	1,027,650	Friday, December 01, 2000
Carpenter Technology Mauritius Ltd. Consideration:	10	14.53	1,020,000	Monday, January 31, 2000
Carpenter Technology Mauritius Ltd. Consideration:	14	10.9	765,000	Tuesday, May 23, 2000
Carpenter Technology Mauritius Ltd. Consideration:	19	7.31	513,172	Wednesday, August 29, 2001
Carpenter Technology Mauritius Ltd. Consideration:	6	3.63	255,000	Friday, May 28, 1999

DIRECT SUBSIDIARIES:

Kalyani Carpenter Special Steels Limited

Incorporation: India
Entity Type: Corporation

Primary Address:
72-76 Mundhwa
Pune 411-036 India

Registered Address:

STOCKS:

Rupees

Price/Par Value: Rs. 10
CUSIP:
SYMBOL:

Date Authorized: Monday, August 02, 1999
Authorized: 40,000,000
Outstanding: 30,041,962
Issued: 30,041,962
in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
Carpenter Technology Mauritius Ltd. Consideration:	6	26	7,810,910	Friday, May 28, 1999

DIRECT SUBSIDIARIES:

Movilidad Moderna, S.A. de C.V.

Incorporation: Mexico
 Entity Type: Corporation

Primary Address:

Av. Lic. Juan Fernandez Albarran No. 31
 Fracc. Ind. San Pablo Xalpa
 54090 Tlalnepantla, Edo. de

Registered Address:

Av Lic. Juan Fernandez Albarran No. 31
 Fracc. Ind. San Pablo Xalpa
 54090 Tlalnepantla, Edo. de

STOCKS:Minimum Fixed Capital Stock - New Pesos

Price/Par Value: 1,000 Pesos Date Authorized: Friday, February 07, 1997
 CUSIP: Authorized: 120
 SYMBOL: Outstanding: 120
 Issued: 120
 # in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
Grupo Carpenter Technology, S.A. de C.V. Consideration:	1	100	120	Friday, February 07, 1997

Variable Capital Stock - New Pesos

Price/Par Value: 1,000 Pesos Date Authorized: Friday, February 07, 1997
 CUSIP: Authorized: 2,887
 SYMBOL: Outstanding: 2,887
 Issued: 2,887
 # in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
Grupo Carpenter Technology, S.A. de C.V. Consideration:	2	99.97	2,886	Friday, February 07, 1997
Aceros Fortuna, S.A. de C.V. Consideration:	3	.03	1	Friday, February 07, 1997

DIRECT SUBSIDIARIES:

Data Sheet Report

Monday, August 29, 2005

Rathbone Precision Metals, Inc.

Incorporation: Delaware
 Entity Type: Corporation
 Federal ID #: 04-3370736

Primary Address:
 1241 Park Street
 Palmer, Massachusetts 01069

Registered Address:
 1241 Park Street
 Palmer, Massachusetts 01069

Former Name(s):
 RM Acquisition Corporation

STOCKS:Common Stock

Price/Par Value: \$1.00
 CUSIP:
 SYMBOL:
 Date Authorized: Wednesday, May 28, 1997
 Authorized: 1,000
 Outstanding: 100
 Issued: 100
 # in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
CRS Holdings Inc.	1	100	100	Wednesday, June 04, 1997

Consideration:

DIRECT SUBSIDIARIES:

Data Sheet Report

Monday, August 29, 2005

Shalmet Corporation

Incorporation: Delaware
 Entity Type: Corporation
 Federal ID #: 23-2930171

Primary Address:
 Shalmet Corporation
 1486A Pinedale Corporation
 Deer Lake Industrial Park
 Orwigsburg, PA 17961 U.S.A.

Registered Address:
 CT Corporation System
 Corporation Trust Center
 1209 Orange Street
 Wilmington, DE 19801

STOCKS:Common Stock

Price/Par Value:
 CUSIP:
 SYMBOL:

Date Authorized: Tuesday, October 28, 1997
 Authorized: 1,000
 Outstanding: 100
 Issued: 100
 # in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
Carpenter Technology Corporation Consideration:	2	100	100	Monday, October 27, 1997

DIRECT SUBSIDIARIES:

	<u>Incorp/Formed in</u>	<u>%Ownership</u>	<u>Shares</u>
International Metals Outlet, LLC	Pennsylvania	100%	

Data Sheet Report

Monday, August 29, 2005

Talley Holdings, Inc.

Incorporation: Delaware
Entity Type: Corporation
Federal ID #: 51-0381313

Primary Address:
209F Baynard Building, Second Floor
Concord Plaza
3411 Silverside Road
Wilmington, DE 19810

Registered Address:
103 Springer Building
3411 Silverside Road
Wilmington, DE 19810

STOCKS:**Common Stock**

Price/Par Value:
CUSIP:
SYMBOL:

Date Authorized: Tuesday, May 18, 1999
Authorized: 1,000
Outstanding: 1,000
Issued: 1,000
in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
Talley Industries, Inc.	2	100	1,000	Wednesday, June 30, 1999

Consideration:

DIRECT SUBSIDIARIES:

Data Sheet Report

Monday, August 29, 2005

Talley Industries, Inc.

Incorporation: Delaware
Entity Type: Corporation
Federal ID #: 86-0180396

Primary Address:
101 West Bern Street
Reading, PA 19601

Registered Address:
Nevada Corporate Management, Inc.
3993 Howard Hughes Parkway
Suite 250
Las Vegas, Nevada 89109 USA

STOCKS:

Common Stock

Price/Par Value: \$ 1
CUSIP:
SYMBOL:
Date Authorized: Tuesday, May 11, 1999
Authorized: 1,000
Outstanding: 1,000
Issued: 1,000
in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
Carpenter Technology Corporation	1	100	1,000	Wednesday, May 12, 1999

Consideration:

DIRECT SUBSIDIARIES:

	<u>Incorp/formed in</u>	<u>%Ownership</u>	<u>Shares</u>
Talley Holdings, Inc.	Delaware	100%	1,000
Talley Metals Technology, Inc.	Delaware	100%	5,000
Talley Realty Holding Company, Incorporated	Delaware	100%	100

Data Sheet Report

Monday, August 29, 2005

Talley Metals Technology, Inc.

Incorporation: Delaware
Entity Type: Corporation
Federal ID #: 57-0753360

Primary Address:
P.O. Box 2498
Hartsville, SC 29551

Registered Address:
1209 Orange Street
Wilmington, DE 19801

STOCKS:

Common Stock

Price/Par Value: \$ 1
CUSIP:
SYMBOL:
Date Authorized:
Authorized: 10,000
Outstanding: 5,000
Issued: 5,000
in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
Talley Industries, Inc. Consideration:	5	20	1,000	Saturday, December 31, 1988

DIRECT SUBSIDIARIES:

Data Sheet Report

Monday, August 29, 2005

Talley Realty Development, Inc.

Incorporation: Delaware
Entity Type: Corporation
Federal ID #: 86-0285098

Primary Address:

Registered Address:
CT Corporation System
Corporation Trust Center
1209 Orange Street
Wilmington, DE 19801

STOCKS:

Common Stock

Price/Par Value: \$ 1
CUSIP:
SYMBOL:
Date Authorized: Wednesday, June 06, 1973
Authorized: 10,000
Outstanding: 1,000
Issued: 1,000
in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
Talley Realty Holding Company, Incorporated Consideration:	3	100	1,000	Wednesday, December 23, 1998

DIRECT SUBSIDIARIES:

Talley Realty Holding Company, Incorporated

Incorporation: Delaware
 Entity Type: Corporation
 Federal ID #: 86-0497784

Primary Address:

Registered Address:
 CT Corporation System
 Corporation Trust Center
 1209 Orange Street
 Wilmington, DE 19801

STOCKS:

Common Stock

Price/Par Value: \$ 1
 CUSIP:
 SYMBOL:
 Date Authorized: Wednesday, December 23, 1998
 Authorized: 100
 Outstanding: 100
 Issued: 100
 # in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
Talley Industries, Inc. Consideration:	3	100	100	Wednesday, December 23, 1998

DIRECT SUBSIDIARIES:

	<u>Incorp/formed in</u>	<u>%Ownership</u>	<u>Shares</u>
Talley Realty Development, Inc.	Delaware	100%	1,000

Data Sheet Report

Monday, August 29, 2005

Temple y Forja Fortuna, S.A. de C.V.

Incorporation: Mexico

Entity Type: Corporation

Primary Address:Prolongacion Fulton No. 2 La Loma
54060 Tlalnepantla, Edo deRegistered Address:Prolongacion Fulton No. 2 La Loma
54060 Tlalnepantla, Edo deSTOCKS:Minimum Fixed Capital Stock - New Pesos

Price/Par Value: 1,000 Pesos

CUSIP:

SYMBOL:

Date Authorized: Friday, February 07, 1997

Authorized: 25

Outstanding: 25

Issued: 25

in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
Aceros Fortuna, S.A. de C.V. Consideration:	1	96	24	Friday, February 07, 1997
Carpenter Investments, Inc. Consideration:	2	4	1	Friday, February 07, 1997

Variable Capital Stock - New Pesos

Price/Par Value: 1,000 Pesos

CUSIP:

SYMBOL:

Date Authorized: Friday, February 07, 1997

Authorized: 15

Outstanding: 15

Issued: 15

in Treasury:

<u>Current Owner(s)</u>	<u>Certificate No.</u>	<u>%Ownership</u>	<u>No. of Shares</u>	<u>Date Issued or Transferred</u>
Aceros Fortuna, S.A. de C.V. Consideration:	3	100	15	Friday, February 07, 1997

DIRECT SUBSIDIARIES:

	<u>Incorp/formed in</u>	<u>%Ownership</u>	<u>Shares</u>
Aceros Fortuna, S.A. de C.V.	Mexico	%	1

INDEBTEDNESS

As of June 30, 2005

Medium-Term Notes, Series B	\$ 132,000,000
Medium-Term Notes, Series C	\$ 100,000,000
Unsecured Notes	\$ 100,000,000
Swap – FMV	\$ 2,025,000
Certech Leases	\$ 932,000
CPP AB Leases	\$ 26,000
	<hr/>
Total Debt	\$ 334,983,000
Unamortized Discount	(\$1,081,000)
	<hr/>
Total Debt Net of Discount	\$ 333,902,000

EXISTING LIENS

None.

INVESTMENTS

Equity Investments:

1. Foreign Investments:	\$ 5,700,000
2. Distributed Systems Services:	\$ 900,000

Notes Receivable:

Sale of Carpenter Special Products Corporation	\$ 3,000,000
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Other

Real Estate	\$ 2,300,000
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NOTICES; LENDING OFFICES

Notice Addresses

<u>Party</u>	<u>Address</u>
Borrower	<p>101 W. Bern Street, P.O. Box 14662 Reading, PA 19601 Attention: Jaime Vasquez, Vice President & Treasurer Telephone: (610) 208-2165 Telecopy : (610) 736-8201</p>
Wachovia Bank, National Association	<p><u>Instructions for wire transfers to the Administrative Agent:</u></p> <p>Wachovia Bank, National Association ABA Routing No. 053000219 Charlotte, North Carolina Account Number: 5000000031197 Account Name: Carpenter Technology Attention: Syndication Agency Services</p> <p><u>Address for notices as Administrative Agent, Lending Office and Payment Office for Dollar Loans:</u></p> <p>Wachovia Bank, National Association Charlotte Plaza Building 201 South College Street, 8th Floor NC 0680 Charlotte, North Carolina 28288 Attention : Syndication Agency Services Telephone: (704) 383-3721 Telecopy: (704) 383-0288</p> <p><u>Address for notices as Issuing Lender and Swingline Lender:</u></p> <p>Wachovia Bank, National Association One Wachovia Center, 6th Floor 301 South College Street Charlotte, North Carolina 28288-0760 Attention: David Hall Telephone: (704) 383-3727 Telecopy: (704) 383-6647</p>

FIRST AMENDMENT TO PURCHASE AND SALE AGREEMENT

THIS FIRST AMENDMENT TO PURCHASE AND SALE AGREEMENT, dated as of November 2, 2004 (this "Amendment"), is entered into between CARPENTER TECHNOLOGY CORPORATION (the "Originator"), and CRS FUNDING CORP. (the "Company").

RECITALS:

1. The parties hereto are parties to that certain Purchase and Sale Agreement dated as of December 20, 2001 (the "Purchase and Sale Agreement");
2. Each party hereto desires to amend the Purchase and Sale Agreement as set forth herein;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Certain Defined Terms. Capitalized terms that are used but not defined herein have the meanings set forth in the Purchase and Sale Agreement.
2. Amendment, Section 1.1 (b) of the Purchase and Sale Agreement is hereby amended and restated in its entirety as follows:

(b) each Receivable generated by the Originator from and including the Cut-off Date to and including the Purchase and Sale Termination Date (other than (i) any Receivable later contributed pursuant to the second sentence of Section 3.1 and (ii) any Excluded Receivable);

3. Representations and Warranties. The Originator hereby makes, as of the date hereof, all of the representations and warranties set forth in Article V of the Purchase and Sale Agreement (as amended hereby) and the Originator also hereby represents and warrants to the Company and the Administrator as follows:

(a) Representations and Warranties. The representations and warranties made by it in the Transactions Documents are true and correct as of the date hereof.

(b) Enforceability. The execution and delivery by it of this Amendment, and the performance of its obligations under this Amendment and the Purchase and Sale Agreement (as amended hereby) are within its corporate powers and have been duly authorized by all necessary corporate action on its part. The Purchase and Sale Agreement (as amended hereby) is its valid and legally binding obligations, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

(c) No Default. Both before and immediately after giving effect to this Amendment and the transactions contemplated hereby, no Termination Event or Unmatured Termination Event or event which, with the giving of notice or the lapse of time, or both, would constitute a Termination Event or Unmatured Termination Event exists or shall exist.

4. Effect of Amendment. All provisions of the Purchase and Sale Agreement, as expressly amended and modified by this Amendment, shall remain in full force and effect. After this Amendment becomes effective, all references in the Purchase and Sale Agreement (or in any other Transaction Document) to “this Agreement,” “hereof,” “herein” or words of similar effect referring to the Purchase and Sale Agreement shall be deemed to be references to the Purchase and Sale Agreement as amended by this Amendment. This Amendment shall not be deemed, either expressly or impliedly, to waive, amend or supplement any provision of the Purchase and Sale Agreement other than as set forth herein.

5. Effectiveness. This Amendment shall become effective as of the date hereof upon receipt by the Administrator of the following, in form and substance reasonably satisfactory to the Administrator in its sole and absolute discretion:

- (a) an original of this Amendment duly executed and delivered by each of the parties hereto; and
- (b) such other information, documents and opinions as the Administrator shall request.

6. Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute but one and the same instrument.

7. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

8. Section Headings. The various headings of this Amendment are included for convenience only and shall not affect the meaning or interpretation of this Amendment, the Purchase and Sale Agreement or any provision hereof or thereof.

[SIGNATURE PAGES FOLLOW]

SECOND AMENDMENT TO RECEIVABLES PURCHASE AGREEMENT

This SECOND AMENDMENT (this "Amendment"), dated as of July 1, 2003, is among CRS FUNDING CORPORATION, a Delaware corporation, as seller (the "Seller"), CARPENTER TECHNOLOGY CORPORATION, a Delaware corporation ("Carpenter"), as initial servicer (in such capacity, together with its successors and permitted assigns in such capacity, the "Servicer"), MARKET STREET FUNDING CORPORATION, a Delaware corporation (together with its successors and permitted assigns, the "Issuer"), and PNC BANK, NATIONAL ASSOCIATION, a national banking association ("PNC"), as administrator (in such capacity, together with its successors and assigns in such capacity, the "Administrator").

RECITALS

1. The Seller, the Servicer, the Issuer and the Administrator are parties to the Receivables Purchase Agreement, dated as of December 20, 2001 (as amended, supplemented or otherwise modified from time to time, the "Agreement").

2. The Seller, the Servicer, the Issuer and the Administrator desire to amend the Agreement as hereinafter set forth.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

SECTION 1. Amendments to the Agreement.

(a) Schedule II to the Agreement is hereby amended and restated in its entirety and replaced by Schedule II attached hereto.

SECTION 2. Conditions to Effectiveness.

This Amendment shall become effective as of the date hereof subject to the condition precedent that the Administrator shall have received the following, each duly executed and dated as of the date hereof (or such other date satisfactory to the Administrator), in form and substance satisfactory to the Administrator:

- (a) counterparts of this Amendment (whether by facsimile or otherwise) executed by each of the parties hereto; and
- (b) such other documents and instruments as the Administrator may reasonably request.

SECTION 3. Effect of Amendment; Ratification. Except as specifically amended hereby, the Agreement is hereby ratified and confirmed in all respects, and all of its provisions shall remain in full force and effect. After this Amendment becomes effective, all references in

the Agreement (or in any other Transaction Document) to “the Receivables Purchase Agreement”, “this Agreement”, “hereof”, “herein”, or words of similar effect, in each case referring to the Agreement, shall be deemed to be references to the Agreement as amended hereby. This Amendment shall not be deemed to expressly or impliedly waive, amend, or supplement any provision of the Agreement other than as specifically set forth herein.

SECTION 4. Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, and each counterpart shall be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

SECTION 5. Governing Law. This Amendment shall be governed by, and construed in accordance with, the internal laws of the State of New York without regard to any otherwise applicable conflict of laws principles.

SECTION 6. Section Headings. The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment or the Agreement or any provision hereof or thereof.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

CRS FUNDING CORPORATION

By: _____
Name: _____
Title: _____

CARPENTER TECHNOLOGY CORPORATION,
as Servicer

By: _____
Name: _____
Title: _____

S-1

*Second Amendment to RPA
(CRS Funding Corp.)*

MARKET STREET FUNDING CORPORATION

By: _____
Name: _____
Title: _____

S-2

*Second Amendment to RPA
(CRS Funding Corp.)*

PNC BANK, NATIONAL ASSOCIATION,
as Administrator

By: _____
Name: _____
Title: _____

S-3

*Second Amendment to RPA
(CRS Funding Corp.)*

SCHEDULE II
LOCK-BOX BANKS AND LOCK-BOX ACCOUNTS

<u>Lock-Box Bank</u>	<u>Lock Box No.</u>	<u>Account No.</u>
Mellon Financial Services Corporation #1	10183	8-242-836
	21039	8-242-836
Mellon Bank, N.A.	0220	8-242-836
PNC Bank, National Association	910867	1017291216
	771774	1017291216
	643433	1017291216

*Second Amendment to RPA
(CRS Funding Corp.)*

THIRD AMENDMENT TO RECEIVABLES PURCHASE AGREEMENT

This THIRD AMENDMENT (this "Amendment"), dated as of June 29, 2004, is among CRS FUNDING CORPORATION, a Delaware corporation, as seller (the "Seller"), CARPENTER TECHNOLOGY CORPORATION, a Delaware corporation ("Carpenter"), as initial servicer (in such capacity, together with its successors and permitted assigns in such capacity, the "Servicer"), MARKET STREET FUNDING CORPORATION, a Delaware corporation (together with its successors and permitted assigns, the "Issuer"), and PNC BANK, NATIONAL ASSOCIATION, a national banking association ("PNC"), as administrator (in such capacity, together with its successors and assigns in such capacity, the "Administrator").

RECITALS

1. The Seller, the Servicer, the Issuer and the Administrator are parties to the Receivables Purchase Agreement, dated as of December 20, 2001 (as amended, supplemented or otherwise modified from time to time, the "Agreement").

2. The Seller, the Servicer, the Issuer and the Administrator desire to amend the Agreement as hereinafter set forth.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

SECTION 1. Amendment to the Agreement. Section 1.4 of the Agreement is hereby amending and restating the proviso at the end thereof as follows:

provided, that (a) the amount of any such reduction shall be not less than \$1,000,000 and shall be an integral multiple of \$100,000 (unless the Purchase Limit shall have been reduced to zero in accordance with Section 1.1 (b)) and (b) the Seller shall choose a reduction amount, and the date of commencement thereof, so that to the extent practicable such reduction shall commence and conclude in the same Settlement Period.

SECTION 2. Conditions to Effectiveness.

This Amendment shall become effective as of the date hereof subject to the condition precedent that the Administrator shall have received the following, each duly executed and dated as of the date hereof (or such other date satisfactory to the Administrator), in form and substance satisfactory to the Administrator:

- (a) counterparts of this Amendment (whether by facsimile or otherwise) executed by each of the parties hereto; and
- (b) such other documents and instruments as the Administrator may reasonably request.

SECTION 3. Effect of Amendment; Ratification. Except as specifically amended hereby, the Agreement is hereby ratified and confirmed in all respects, and all of its provisions shall remain in full force and effect. After this Amendment becomes effective, all references in the Agreement (or in any other Transaction Document) to “the Receivables Purchase Agreement”, “this Agreement”, “hereof”, “herein”, or words of similar effect, in each case referring to the Agreement, shall be deemed to be references to the Agreement as amended hereby. This Amendment shall not be deemed to expressly or impliedly waive, amend, or supplement any provision of the Agreement other than as specifically set forth herein.

SECTION 4. Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, and each counterpart shall be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

SECTION 5. Governing Law. This Amendment shall be governed by, and construed in accordance with, the internal laws of the State of New York without regard to any otherwise applicable conflict of laws principles.

SECTION 6. Section Headings. The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment or the Agreement or any provision hereof or thereof.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

CRS FUNDING CORPORATION

By: /s/ WALTER L. PEASE
Name: **WALTER L. PEASE**
Title: **TREASURER**

CARPENTER TECHNOLOGY CORPORATION,
as Servicer

By: /s/ WALTER L. PEASE
Name: **WALTER L. PEASE**
Title: **ASSISTANT TREASURER**

PNC BANK, NATIONAL ASSOCIATION,
as Administrator

By: _____ /s/ JOHN T. SMATHERS

Name: **John T. Smathers**
Title: **Vice President**

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*Third Amendment to RPA
(CRS Funding Corp.)*

FOURTH AMENDMENT TO RECEIVABLES PURCHASE AGREEMENT

This FOURTH AMENDMENT (this "Amendment"), dated as of November 2, 2004, is among CRS FUNDING CORPORATION, a Delaware corporation, as seller (the "Seller"), CARPENTER TECHNOLOGY CORPORATION, a Delaware corporation ("Carpenter"), as initial servicer (in such capacity, together with its successors and permitted assigns in such capacity, the "Servicer"), MARKET STREET FUNDING CORPORATION, a Delaware corporation (together with its successors and permitted assigns, the "Issuer"), and PNC BANK, NATIONAL ASSOCIATION, a national banking association ("PNC"), as administrator (in such capacity, together with its successors and assigns in such capacity, the "Administrator").

RECITALS

1. The Seller, the Servicer, the Issuer and the Administrator are parties to the Receivables Purchase Agreement, dated as of December 20, 2001 (as amended, supplemented or otherwise modified from time to time, the "Agreement").

2. The Seller, the Servicer, the Issuer and the Administrator desire to amend the Agreement as hereinafter set forth.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

SECTION 1. Certain Defined Terms. Capitalized terms that are used herein without definition and that are defined in Exhibit I to the Agreement shall have the same meanings herein as therein defined.

SECTION 2. Amendments to the Agreement.

SECTION 2.1 Exhibit I to the Agreement is hereby amended by adding the following definition where alphabetically appropriate:

"Excluded Receivable" means, each account receivable originated by the Originator after November 2, 2004, the Obligor of which is Alcoa, Inc., which is indicated on the books and records of such Originator as "ALCOA ENGINEERED PROD", "ALCOA HOWMET CASTINGS", "ALCOA INC.", "ALCOA FASTENING SYSTEMS", "HUCK FASTENING SYSTEMS", "HUCK MANUFACTURING CO." or "HUCK INTERNATIONAL INC" (it being expressly understood and agreed that on or prior to November 2, 2004, any account receivable originated by the Originator, the obligor of which is Alcoa, Inc., shall

continue to be a "Receivable" for all purposes of this Agreement and all other Transaction Documents).

SECTION 2.2 The definition of "Facility Termination Date" as set forth in Exhibit I to the Agreement is hereby amended by deleting the date "December 17, 2004" therein and substituting the date "December 15, 2006" therefor.

SECTION 2.3 The definition of "Receivable" as set forth in Exhibit I to the Agreement is hereby amended and restated in its entirety as follows:

"Receivable" means any indebtedness and other obligations (whether or not earned by performance) owed to the Seller (as assignee of the Originator) or the Originator by, or any right of the Seller or the Originator to payment from or on behalf of, an Obligor, whether constituting an account, chattel paper, instrument or general intangible, arising in connection with property or goods that have been or are to be sold or otherwise disposed of, or services rendered or to be rendered, by the Originator, and includes the obligation to pay any finance charges, fees and other charges with respect thereto (other than Excluded Receivables). Indebtedness and other obligations arising from any one transaction, including indebtedness and other obligations represented by an individual invoice or agreement, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other obligations arising from any other transaction.

SECTION 2.4 Paragraph (2) of Exhibit II to the Agreement is hereby amended by (A) deleting the period at the end of clause (b)(iv) therein and substituting the phrase "and" therefor and (B) adding the following clause (c), to be read in its entirety as follows:

(c) in the case of each purchase, the Administrator shall have received results satisfactory to it of an agreed upon procedures field exam performed by certified public accountants or other auditors acceptable to the Administrator within one year prior to the date of such purchase.

SECTION 2.5 Clause (h) of paragraph (1) of Exhibit IV to the Agreement is hereby amended and restated in its entirety as follows:

(h) Audits. The Seller shall, from time to time during regular business hours as reasonably requested in advance (unless a Termination Event or an Unmatured Termination Event exists) by the Administrator, permit the Administrator, or its agents or representatives: (i) to examine and make copies of and abstracts from all books, records and documents (including computer tapes and disks) in the possession or under the control of the Seller (or the Originator) relating to Receivables and the Related Security, including the related Contracts, (ii) to visit the offices and properties of the Seller for the purpose of examining such materials

described in clause (i) above, and to discuss matters relating to Receivables and the Related Security or the Seller's performance under the Transaction Documents or under the Contracts with any of the officers, employees, agents or contractors of the Seller having knowledge of such matters and (iii) without limiting the clauses (i) and (ii) above, no more than once annually (unless a Termination Event or an Unmatured Termination Event exists) to engage certified public accountants or other auditors acceptable to the Seller and the Administrator to conduct, at the Seller's expense, a review of the Seller's books and records with respect to such Receivables; provided, that such an annual review as set forth in this clause (h)(iii) shall not be required at any time (unless a Termination Event or an Unmatured Termination Event exists) when no Capital and no other amount is outstanding (it being expressly understood and agreed that at all times after the first purchase which occurs subsequent to the effectiveness of that certain Fourth Amendment to this Agreement, dated as of November 2, 2004, the covenant set forth in this clause (h) shall be read without giving effect to the proviso set forth above and thereafter the covenant set forth herein (without giving effect to the proviso) shall be required as set forth herein);

SECTION 2.6 Clause (f) of paragraph (2) of Exhibit IV to the Agreement is hereby amended and restated in its entirety as follows:

(f) Audits. The Servicer shall, from time to time during regular business hours as reasonably requested in advance (unless a Termination Event or an Unmatured Termination Event exists) by the Administrator, permit the Administrator, or its agents or representatives: (i) to examine and make copies of and abstracts from all books, records and documents (including computer tapes and disks) in its possession or under its control relating to Receivables and the Related Security, including the related Contracts; (ii) to visit its offices and properties for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to Receivables and the Related Security or its performance hereunder or under the Contracts with any of its officers, employees, agents or contractors having knowledge of such matters and (iii), without limiting the clauses (i) and (ii) above, no more than once annually (unless a Termination Event or an Unmatured Termination Event exists) to engage certified public accountants or other auditors acceptable to the Servicer and the Administrator to conduct, at the Servicer's expense, a review of the Servicer's books and records with respect to such Receivables; provided, that such an annual review as set forth in this clause (f)(iii) shall not be required at any time (unless a Termination Event or an Unmatured Termination Event exists) when no Capital and no other amount is outstanding (it being expressly understood and agreed that at all times after the first purchase which occurs subsequent to the effectiveness of

that certain Fourth Amendment to this Agreement, dated as of November 2, 2004, the covenant set forth in this clause (f) shall be read without giving effect to the proviso set forth above and thereafter the covenant set forth herein (without giving effect to the proviso) shall be required as set forth herein);

SECTION 3. Representations and Warranties. Each of the Seller and Servicer hereby represents and warrants to the Issuer and the Administrator as follows:

(a) Representations and Warranties. The representations and warranties of such Person contained in Article 2 of the Agreement (as amended hereby) are true and correct as of the date hereof (unless stated to relate solely to an earlier date, in which case such representations or warranties were true and correct as of such earlier date).

(b) Enforceability. The execution and delivery by such Person of this Amendment, and the performance of each of its obligations under this Amendment and the Agreement, as amended hereby, are within its corporate powers and have been duly authorized by all necessary corporate action on its part. This Amendment and the Agreement, as amended hereby, are such Person's valid and legally binding obligations, enforceable in accordance with its terms.

(c) No Default. Immediately after giving effect to this Amendment and the transactions contemplated hereby, no Termination Event or Unmatured Termination Event exists or shall exist.

(d) Redirection of Funds. Prior to the effectiveness of this Amendment, Carpenter shall have given the obligor with respect to any Excluded Receivable and its assigns a written directive to remit (or cause to be remitted) all funds with respect to such Excluded Receivables to an account other than a Lock-Box Account or the lock-boxes related thereto and such other account shall not be the subject of a Lock-Box Agreement.

SECTION 4. Conditions to Effectiveness. This Amendment shall become effective as of the date hereof subject to the condition precedent that the Administrator shall have received the following, each duly executed and dated as of the date hereof (or such other date satisfactory to the Administrator), in form and substance satisfactory to the Administrator:

- (a) counterparts of this Amendment (whether by facsimile or otherwise) executed by each of the parties hereto; and
- (b) such other documents and instruments as the Administrator may reasonably request.

SECTION 5. Effect of Amendment; Ratification. Except as specifically amended hereby, the Agreement is hereby ratified and confirmed in all respects, and all of its provisions shall remain in full force and effect. After this Amendment becomes effective, all references in the Agreement (or in any other Transaction Document) to "the Receivables Purchase

Agreement”, “this Agreement”, “hereof”, “herein”, or words of similar effect, in each case referring to the Agreement, shall be deemed to be references to the Agreement as amended hereby. This Amendment shall not be deemed to expressly or impliedly waive, amend, or supplement any provision of the Agreement other than as specifically set forth herein.

SECTION 6. Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, and each counterpart shall be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

SECTION 7. Governing Law. This Amendment shall be governed by, and construed in accordance with, the internal laws of the State of New York without regard to any otherwise applicable conflict of laws principles.

SECTION 8. Section Headings. The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment or the Agreement or any provision hereof or thereof.

[SIGNATURE PAGES FOLLOW]

MARKET STREET FUNDING CORPORATION

By: /s/ DOUGLAS K. JOHNSON

Name: **Douglas K. Johnson**

Title: **President**

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*Fourth Amendment to RPA
(CRS Funding Corp.)*

PNC BANK, NATIONAL ASSOCIATION,
as Administrator

By: _____ /s/ JOHN T. SMATHERS

Name: **John T. Smathers**
Title: **Vice President**

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*Fourth Amendment to RPA
(CRS Funding Corp.)*

Carpenter Technology Corporation
Computations of Ratios of Earnings to Fixed Charges — unaudited
Five years ended June 30, 2005

(dollars in millions)

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Fixed charges:					
Interest costs ^(a)	\$ 23.1	\$ 23.8	\$ 31.1	\$ 34.9	\$ 41.1
Interest component of non-capitalized lease rental expense ^(b)	2.6	2.7	3.8	4.0	4.2
Total fixed charges	\$ 25.7	\$ 26.5	\$ 34.9	\$ 38.9	\$ 45.3
Earnings as defined:					
Income (loss) before income taxes and cumulative effect of accounting change	\$ 190.0	\$ 49.7	\$(22.9)	\$(13.3)	\$ 58.4
Less income from less-than-fifty - percent-owned entities, and add loss on sale of partial interest in less-than-fifty-percent owned entities	(0.9)	(1.0)	(0.6)	(0.4)	(0.3)
Fixed charges less interest capitalized	25.6	26.4	34.8	38.6	44.5
Amortization of capitalized interest	2.5	2.5	2.6	2.6	2.5
Earnings as defined	\$ 217.2	\$ 77.6	\$ 13.9	\$ 27.5	\$ 105.1
Ratio of earnings to fixed charges	8.5x	2.9x	0.4x	0.7x	2.3x

^(a) Includes interest capitalized relating to significant construction projects, and amortization of debt discount and debt issue costs.

^(b) One-third of rental expense which approximates the interest component of non-capitalized leases.

SUBSIDIARY LIST

Doing Business As

Carpenter Investments, Inc.
CRS Holdings, Inc.
CRS Investments, Inc.
Dynamet Incorporated
Talley Industries, Inc.

State of Incorporation

Delaware
Delaware
Delaware
Delaware
Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 and S-3 (File Nos. 2-83780, 2-81019, 2-60469, 33-42536, 33-65077, 33-54045, 333-40991, 333-43017, 333-55667, 333-55669 and 333-57774) of Carpenter Technology Corporation of our report dated August 30, 2005, relating to the financial statements, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in this Form 10-K. We also consent to the incorporation by reference of our report dated August 30, 2005 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
September 9, 2005

CARPENTER TECHNOLOGY CORPORATION

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned, in his capacity as a Director of Carpenter Technology Corporation, does hereby appoint Terrence E. Geremski and David A. Christiansen or either of them his true and lawful attorneys to execute in his name, place and stead, in his capacity as Director of said Company, the Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K, for the year ended June 30, 2005, of said Company, and any and all amendments to said Annual Report and all instruments necessary or incidental in connection therewith and to file the same with the Securities and Exchange Commission. Said attorneys shall individually have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever requisite or desirable to be done in the exercise of any of the rights and powers herein granted, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys.

IN TESTIMONY WHEREOF, the undersigned has executed this instrument this 18th day of August, 2005.

/s/ Carl G. Anderson, Jr.

Carl G. Anderson, Jr.

Director

CARPENTER TECHNOLOGY CORPORATION

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned, in his capacity as a Director of Carpenter Technology Corporation, does hereby appoint Terrence E. Geremski and David A. Christiansen or either of them his true and lawful attorneys to execute in his name, place and stead, in his capacity as Director of said Company, the Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K, for the year ended June 30, 2005, of said Company, and any and all amendments to said Annual Report and all instruments necessary or incidental in connection therewith and to file the same with the Securities and Exchange Commission. Said attorneys shall individually have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever requisite or desirable to be done in the exercise of any of the rights and powers herein granted, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys.

IN TESTIMONY WHEREOF, the undersigned has executed this instrument this 18th day of August, 2005.

/s/ J. Michael Fitzpatrick

J. Michael Fitzpatrick

Director

CARPENTER TECHNOLOGY CORPORATION

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned, in his capacity as a Director of Carpenter Technology Corporation, does hereby appoint Terrence E. Geremski and David A. Christiansen or either of them his true and lawful attorneys to execute in his name, place and stead, in his capacity as Director of said Company, the Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K, for the year ended June 30, 2005, of said Company, and any and all amendments to said Annual Report and all instruments necessary or incidental in connection therewith and to file the same with the Securities and Exchange Commission. Said attorneys shall individually have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever requisite or desirable to be done in the exercise of any of the rights and powers herein granted, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys.

IN TESTIMONY WHEREOF, the undersigned has executed this instrument this 18th day of August, 2005.

/s/ Marilyn A. Hewson

Marilyn A. Hewson

Director

CARPENTER TECHNOLOGY CORPORATION

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned, in his capacity as a Director of Carpenter Technology Corporation, does hereby appoint Terrence E. Geremski and David A. Christiansen or either of them his true and lawful attorneys to execute in his name, place and stead, in his capacity as Director of said Company, the Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K, for the year ended June 30, 2005, of said Company, and any and all amendments to said Annual Report and all instruments necessary or incidental in connection therewith and to file the same with the Securities and Exchange Commission. Said attorneys shall individually have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever requisite or desirable to be done in the exercise of any of the rights and powers herein granted, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys.

IN TESTIMONY WHEREOF, the undersigned has executed this instrument this 18th day of August, 2005.

/s/ I. Martin Inglis

I. Martin Inglis

Director

CARPENTER TECHNOLOGY CORPORATION

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned, in his capacity as a Director of Carpenter Technology Corporation, does hereby appoint Terrence E. Geremski and David A. Christiansen or either of them his true and lawful attorneys to execute in his name, place and stead, in his capacity as Director of said Company, the Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K, for the year ended June 30, 2005, of said Company, and any and all amendments to said Annual Report and all instruments necessary or incidental in connection therewith and to file the same with the Securities and Exchange Commission. Said attorneys shall individually have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever requisite or desirable to be done in the exercise of any of the rights and powers herein granted, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys.

IN TESTIMONY WHEREOF, the undersigned has executed this instrument this 18th day of August, 2005.

/s/ Gregory A. Pratt

Gregory A. Pratt

Director

CARPENTER TECHNOLOGY CORPORATION

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned, in his capacity as a Director of Carpenter Technology Corporation, does hereby appoint Terrence E. Geremski and David A. Christiansen or either of them his true and lawful attorneys to execute in his name, place and stead, in his capacity as Director of said Company, the Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K, for the year ended June 30, 2005, of said Company, and any and all amendments to said Annual Report and all instruments necessary or incidental in connection therewith and to file the same with the Securities and Exchange Commission. Said attorneys shall individually have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever requisite or desirable to be done in the exercise of any of the rights and powers herein granted, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys.

IN TESTIMONY WHEREOF, the undersigned has executed this instrument this 18th day of August, 2005.

/s/ Peter N. Stephans

Peter N. Stephans

Director

CARPENTER TECHNOLOGY CORPORATION

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned, in his capacity as a Director of Carpenter Technology Corporation, does hereby appoint Terrence E. Geremski and David A. Christiansen or either of them his true and lawful attorneys to execute in his name, place and stead, in his capacity as Director of said Company, the Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K, for the year ended June 30, 2005, of said Company, and any and all amendments to said Annual Report and all instruments necessary or incidental in connection therewith and to file the same with the Securities and Exchange Commission. Said attorneys shall individually have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever requisite or desirable to be done in the exercise of any of the rights and powers herein granted, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys.

IN TESTIMONY WHEREOF, the undersigned has executed this instrument this 18th day of August, 2005.

/s/ Kathryn C. Turner

Kathryn C. Turner

Director

CARPENTER TECHNOLOGY CORPORATION

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned, in his capacity as a Director of Carpenter Technology Corporation, does hereby appoint Terrence E. Geremski and David A. Christiansen or either of them his true and lawful attorneys to execute in his name, place and stead, in his capacity as Director of said Company, the Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K, for the year ended June 30, 2005, of said Company, and any and all amendments to said Annual Report and all instruments necessary or incidental in connection therewith and to file the same with the Securities and Exchange Commission. Said attorneys shall individually have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever requisite or desirable to be done in the exercise of any of the rights and powers herein granted, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys.

IN TESTIMONY WHEREOF, the undersigned has executed this instrument this 18th day of August, 2005.

/s/ Stephen M. Ward, Jr.

Stephen M. Ward, Jr.

Director

CARPENTER TECHNOLOGY CORPORATION

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned, in his capacity as a Director of Carpenter Technology Corporation, does hereby appoint Terrence E. Geremski and David A. Christiansen or either of them his true and lawful attorneys to execute in his name, place and stead, in his capacity as Director of said Company, the Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K, for the year ended June 30, 2005, of said Company, and any and all amendments to said Annual Report and all instruments necessary or incidental in connection therewith and to file the same with the Securities and Exchange Commission. Said attorneys shall individually have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever requisite or desirable to be done in the exercise of any of the rights and powers herein granted, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys.

IN TESTIMONY WHEREOF, the undersigned has executed this instrument this 18th day of August, 2005.

/s/ Robert J. Torcolini

Robert J. Torcolini

**CERTIFICATIONS OF PERIODIC REPORTS PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert J. Torcolini, Chairman, President and Chief Executive Officer of Carpenter Technology Corporation (the "Registrant"), certify that:

1. I have reviewed this Annual Report on Form 10-K (the "Report") of the Registrant;
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 officer(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) 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
 - (d) Disclosed in this Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 officer(s) 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.

Dated: September 9, 2005

/s/ Robert J. Torcolini

Robert J. Torcolini, Chairman, President and
Chief Executive Officer

**CERTIFICATIONS OF PERIODIC REPORTS PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Terrence E. Geremski, Senior Vice President - Finance & Chief Financial Officer of Carpenter Technology Corporation (the "Registrant"), certify that:

1. I have reviewed this Annual Report on Form 10-K (the "Report") of the Registrant;
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 officer(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) 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
 - (d) Disclosed in this Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 officer(s) 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.

Dated: September 9, 2005

/s/ Terrence E. Geremski

Terrence E. Geremski, Senior Vice President -
Finance & Chief Financial Officer

CERTIFICATION OF PERIODIC FINANCIAL REPORTS 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 10-K Report of Carpenter Technology Corporation (the "Issuer") on Form 10-K for the year ended June 30, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, Robert J. Torcolini, Chairman, President and Chief Executive Officer of the Issuer, and I, Terrence E. Geremski, Senior Vice President-Finance and Chief Financial Officer of the Issuer, each hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Periodic Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and that information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

/s/ Robert J. Torcolini

Robert J. Torcolini
Chairman, Present and
Chief Executive Officer

/s/ Terrence E. Geremski

Terrence E. Geremski
Senior Vice President-Finance
and Chief Financial Officer

AGREEMENT TO FURNISH DEBT INSTRUMENTS

Pursuant to Instruction 3(b)(4)(iii) to Item 601 of Regulation S-K, Carpenter has not included as an Exhibit any instrument with respect to long-term debt if the total amount of debt authorized by such instrument does not exceed 10% of the total assets of Carpenter. Carpenter agrees, pursuant to this Instruction, to furnish a copy of any such instrument to the Securities and Exchange Commission upon request of the Commission.

CARPENTER TECHNOLOGY CORPORATION

By: /s/ David A. Christiansen

David A. Christiansen
Vice President,
General Counsel and Secretary