UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

____

FORM 10-Q

(MARK ONE)
(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2002

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM ______________ TO __________

1-4462
Commission File Number

STEPAN COMPANY
(Exact name of registrant as specified in its charter)

Delaware	36 1823834
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

Edens and Winnetka Road, Northfield, Illinois 60093
(Address of principal executive offices)

Registrant's telephone number (847) 446-7500

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

Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 31, 2002
Common Stock, $1 par value	8,878,852 Shares

Part I FINANCIAL INFORMATION

Item 1 - Financial Statements

STEPAN COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
September 30, 2002 and December 31, 2001
(Dollars in thousands) Unaudited

ASSETS	2002	2001 As Restated*
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,904	$ 4,224
Receivables, net	116,390	103,190
Inventories (Note 3)	64,323	59,330
Deferred income taxes	8,203	8,810
Other current assets	6,340	5,233
Total current assets	198,160	180,787
PROPERTY, PLANT AND EQUIPMENT:		
Cost	692,217	666,117
Less: Accumulated depreciation	(485,209)	(454,684)
Property, plant and equipment, net	207,008	211,433
LONG TERM INVESTMENTS	6,256	7,674
GOODWILL, NET (Note 8)	6,233	6,100
OTHER INTANGIBLE ASSETS, NET (Note 8)	12,245	13,293
OTHER NON-CURRENT ASSETS	20,393	19,468
Total assets	$ 450,295	$ 438,755

LIABILITIES AND STOCKHOLDERS' EQUITY	2002	2001 As Restated*
CURRENT LIABILITIES:		
Current maturities of long-term debt (Note 10)	$ 9,201	$ 10,745
Accounts payable	59,433	62,410
Accrued liabilities	38,522	35,004
Total current liabilities	107,156	108,159
DEFERRED INCOME TAXES	30,570	28,603
LONG-TERM DEBT, less current maturities (Note 10)	108,237	109,588
DEFERRED COMPENSATION (Note 2)	16,981	16,653
OTHER NON-CURRENT LIABILITIES	20,739	21,401
STOCKHOLDERS' EQUITY:		
5-1/2% convertible preferred stock, cumulative, voting without par value; authorized 2,000,000 shares; issued 583,012 shares in 2002 and 583,252 shares in 2001	14,575	14,581
Common stock, $1 par value; authorized 30,000,000 shares; issued 9,740,328 shares in 2002 and 9,604,003 shares in 2001	9,740	9,604
Additional paid-in capital	18,971	16,531
Accumulated other comprehensive loss (Note 6)	(16,404)	(15,870)
Retained earnings (approximately $37,948 unrestricted in 2002 and $48,987 in 2001)	156,906	144,658
Less: Treasury stock shares, of 861,476 in 2002 and 782,232 shares in 2001, at cost	(17,176)	(15,153)
Stockholders' equity	166,612	154,351
Total liabilities and stockholders' equity	$ 450,295	$ 438,755

* See Note 2 for explanation of restatement.

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

STEPAN COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Three and Nine Months Ended September 30, 2002 and 2001
Unaudited

(In thousands, except per share amounts)	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001 As Restated*	2002	2001 As Restated*
NET SALES	$ 193,344	$ 173,829	$ 563,295	$ 533,453
Cost of Sales	162,279	147,346	468,028	451,368
Gross Profit	31,065	26,483	95,267	82,085
Operating Expenses:				
Marketing	7,427	6,498	20,304	18,744
Administrative	7,985	2,079	26,555	16,015
Research, development and technical services	6,407	5,517	18,379	16,941
	21,819	14,094	65,238	51,700
Operating Income	9,246	12,389	30,029	30,385
Other Income (Expense):				
Interest, net	(1,743)	(1,713)	(5,240)	(5,375)
Income from equity joint venture	790	529	2,444	1,149
	(953)	(1,184)	(2,796)	(4,226)
Income Before Income Taxes	8,293	11,205	27,233	26,159
Provision for Income Taxes	2,618	4,359	9,531	10,176
NET INCOME	$ 5,675	$ 6,846	$ 17,702	$ 15,983
Net Income Per Common Share (Note 5):				
Basic	$ 0.62	$ 0.75	$ 1.93	$ 1.74
Diluted	$ 0.58	$ 0.70	$ 1.81	$ 1.64
Shares used to compute Net Income Per Common Share (Note 5):				
Basic	8,871	8,848	8,855	8,842
Diluted	9,830	9,720	9,791	9,736
Dividends per Common Share	$ 0.1825	$ 0.1750	$ 0.5475	$ 0.5250

* See Note 2 for explanation of restatement.

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

STEPAN COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2002 and 2001
Unaudited

(In thousands)	2002	2001 As Restated*
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 17,702	$ 15,983
Depreciation and amortization	30,655	29,758
Deferred revenue	(615)	(355)
Deferred income taxes	2,751	(933)
Environmental and legal liabilities	(270)	744
Other non-cash items	(524)	(1,833)
Changes in working capital:		
Receivables, net	(13,200)	(1,505)
Inventories	(4,993)	959
Accounts payable and accrued liabilities	541	(1,947)
Other current assets	(1,107)	(442)
Net Cash Provided by Operating Activities	30,940	40,429
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(24,634)	(24,375)
Business acquisitions	0	(24,623)
Other non-current assets	2,812	71
Net Cash Used for Investing Activities	(21,822)	(48,927)
CASH FLOWS FROM FINANCING ACTIVITIES		
Revolving debt and notes payable to banks, net	(35,200)	24,000
Other debt borrowings	41,142	1,152
Other debt repayments	(8,837)	(9,109)
Purchase of treasury stock, net	(2,023)	(4,271)
Dividends paid	(5,454)	(5,245)
Stock option exercises	2,570	2,986
Net Cash Provided by/Used for Financing Activities	(7,802)	9,513
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(2,636)	(1,333)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,320)	(318)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,224	3,536
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 2,904	$ 3,218
CASH PAID DURING THE PERIOD FOR:		
Interest	$ 4,653	$ 4,829
Income taxes	$ 5,765	$ 5,944

* See Note 2 for explanation of restatement.

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

STEPAN COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2002
Unaudited

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements included herein have been prepared by the Stepan Company (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate and make the information presented not misleading. In the opinion of management all normal recurring adjustments necessary to present fairly the condensed consolidated financial position of the Company as of September 30, 2002, and the condensed consolidated results of operations for the three and nine months then ended and cash flows for the nine months then ended, have been included.

2. RESTATEMENT

Subsequent to the issuance of its financial statements for the three-month period ended March 31, 2002, management of the Company determined that the accounting treatment that had previously been afforded to the deferred compensation arrangements entered into with its managers and directors was not in accordance with the requirements of the consensus reached by the Emerging Issues Task Force of the Financial Accounting Standards Board in issue No. 97-14, Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested. This consensus requires that assets and liabilities of the deferred compensation plan be presented separately on the balance sheet; that fluctuations in asset values should result in compensation expense or income; and that, based on the categories of assets underlying the plan, investment income and expense should be recorded in the income statement and unrealized market appreciation should be reported as a component of other comprehensive income and included in stockholders' equity. Historically, the Company had recorded the assets and liabilities related to the plans on a net basis when the awards were made and did not recognize changes in asset value in income.

A summary of the significant effects of the restatement is as follows:

As of December 31, 2001:

(In thousands)	As Previously Reported	Adjustments	As Restated
Assets			
Long term investments	-	$ 7,674	$ 7,674
Deferred income taxes	$ 10,684	(1,874)	8,810
Liabilities			
Deferred income taxes	$ 35,040	$ (6,437)	$ 28,603
Deferred compensation - current & long-term	-	17,615	17,615
Stockholders' Equity			
Additional paid-in capital	16,893	(362)	16,531
Accumulated other comprehensive loss	(14,800)	(1,070)	(15,870)
Retained earnings	142,110	2,548	144,658
Treasury stock	(8,659)	(6,494)	(15,153)

For the three and nine month periods ended September 30, 2001:

	Three Months Ended September 30, 2001			Nine Months Ended September 30, 2001		
(Dollars in thousands, except per share amounts)	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
Net income	$ 4,481	$ 2,365	$ 6,846	$ 14,282	$ 1,701	$ 15,983
Earnings per share:						
Basic	$ 0.46	$ 0.29	$ 0.75	$ 1.48	$ 0.26	$ 1.74
Diluted	$ 0.44	$ 0.26	$ 0.70	$ 1.41	$ 0.23	$ 1.64
Shares used to compute net income per common share:						
Basic	9,260	(412)	8,848	9,255	(413)	8,842
Diluted	10,132	(412)	9,720	10,149	(413)	9,736
Other comprehensive income	$ (274)	$ (580)	$ (854)	$ (1,280)	$ (723)	$ (2,003)

Certain other amounts in the restated 2001 financial statements have been reclassified to conform to the 2002 presentation.

The Annual Report on Form 10-K covering the 2001, 2000 and 1999 financial statements, as well as SEC Form 10-Q for the first two quarters of 2002 will be amended and refiled with the SEC upon completion of an audit of the annual financial statements. The Company's loan agreements require audited financial statements and pending completion of the reaudit, the lenders have provided a 120 day waiver of compliance with this debt covenant.

After filing SEC Form 10-Q for the three and six month periods ended June 30, 2002, the Company determined that it had not recorded approximately $3,429,000 of deferred tax assets related to the deferred compensation plan. This adjustment is reflected in the balance sheet restatement effect, noted above, in this footnote.

3. INVENTORIES

Inventories consist of following amounts:

(In thousands)

	September 30, 2002	December 31, 2001
Inventories valued primarily on LIFO basis -		
Finished products	$ 41,131	$ 33,932
Raw materials	23,192	25,398
Total inventories	$ 64,323	$ 59,330

If the first-in, first-out (FIFO) inventory valuation method had been used for all inventories, inventory balances would have been approximately $6.7 million and $7.5 million higher than reported at September 30, 2002, and December 31, 2001, respectively.

4. CONTINGENCIES

There are a variety of legal proceedings pending or threatened against the Company. Some of these proceedings may result in fines, penalties, judgments or costs being assessed against the Company at some future time. The Company's operations are subject to extensive local, state and federal regulations, including the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("Superfund") and the Superfund amendments of 1986. The Company, and others, have been named as potentially responsible parties at affected geographic sites. The Company believes that it has made adequate provisions for the costs it may incur with respect to these sites. The Company has estimated a range of possible environmental and legal losses from $7.2 million to $34.3 million at September 30, 2002. At September 30, 2002 and December 31, 2001, the Company's best estimates of reserves for such losses were $17.1 million and $17.0 million, respectively, for legal and environmental matters.

For certain sites, estimates cannot be made of the total costs of compliance, or the Company's share of such costs; accordingly, the Company is unable to predict the effect thereof on future results of operations. In the event of one or more adverse determinations in any annual or interim period, the impact on results of operations for those periods could be material. However, based upon the Company's present belief as to its relative involvement at these sites, other viable entities' responsibilities for cleanup and the extended period over which any costs would be incurred, the Company believes that these matters will not have a material effect on the Company's financial position.

Following are summaries of the environmental proceedings related to the Company's Maywood, New Jersey, and Ewan and D'Imperio environmental sites:

Maywood, New Jersey, Site:

The Company's site in Maywood, New Jersey and property formerly owned by the Company adjacent to its current site, were listed on the National Priorities List in September 1993 pursuant to the provisions of the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) because of certain alleged chemical contamination. Pursuant to an Administrative Order on Consent entered into between the United States Environmental Protection Agency (USEPA) and the Company for property formerly owned by the Company, and the issuance of an order by USEPA to the Company for property currently owned by the Company, the Company completed a Remedial Investigation Feasibility Study (RI/FS) in 1994. The Company submitted the Draft Final FS for Soil and Source Areas (Operable Unit 1) in September 2002. In addition, the Company has also submitted additional information regarding the remediation, most recently in October 2002. Discussions between USEPA and the Company are continuing. The Company is awaiting the issuance of a Record of Decision (ROD) from USEPA relating to the currently owned and formerly owned Company property and the proposed remediation. The final ROD will be issued sometime after the public comment period.

In 1985, the Company entered into a Cooperative Agreement with the United States of America represented by the Department of Energy (Agreement). Pursuant to this Agreement, the Department of Energy (DOE) took title to radiological contaminated materials and was to remediate, at its expense, all radiological waste on the Company's property in Maywood, New Jersey. The Maywood property (and portions of the surrounding area) were remediated by the DOE under the Formerly Utilized Sites Remedial Action Program, a federal program under which the U.S. Government undertook to remediate properties which were used to process radiological material for the U.S. Government. In 1997, responsibility for this clean-up was transferred to the United States Army Corps of Engineers (USACE). On January 29, 1999, the Company received a copy of a USACE Report to Congress dated January 1998 in which the USACE expressed their intention to evaluate, with the USEPA, whether the Company and/or other parties might be responsible for cost recovery or contribution claims related to the Maywood site. Subsequent to the issuance of that report, the USACE advised the Company that it had requested legal advice from the Department of Justice as to the impact of the Agreement.

By letter dated July 28, 2000, the Department of Justice advised the Company that the USACE and USEPA had referred to the Justice Department claims against the Company for response costs incurred or to be incurred by the USACE, USEPA and the DOE in connection with the Maywood site and the Justice Department stated that the United States is entitled to recovery of its response costs from the company under CERCLA. The letter referred to both radiological and non-radiological hazardous waste at the

Maywood site and stated that the United States has incurred unreimbursed response costs to date of $138 million. Costs associated with radiological waste at the Maywood site, which the Company believes represent all but a small portion of the amount referred to in the Justice Department letter, could be expected to aggregate substantially in excess of that amount. In the letter, the Justice Department invited the Company to discuss settlement of the matter in order to avoid the need for litigation. The Company believes that its liability, if any, for such costs has been resolved by the aforesaid Agreement. Despite the fact that the Company continues to believe that it has no liability to the United States for such costs, discussions with the Justice Department are currently ongoing to attempt to resolve this matter.

The Company believes it has adequate reserves for claims associated with the Maywood site. However, depending on the results of the ongoing discussions regarding the Maywood site, the final cost of the remediation could differ from the current estimates.

Ewan and D'Imperio Sites:

The Company has been named as a potentially responsible party (PRP) in the case USEPA v. Jerome Lightman (92 CV 4710 D. N. J.) which involves the Ewan and D'Imperio Superfund Sites located in New Jersey. Trial on the issue of the Company's liability at these sites was completed in March 2000. The Company is awaiting a decision from the court. If the Company is found liable at either site, a second trial as to the Company's allocated share of clean-up costs at these sites will likely be held in 2003. The Company believes it has adequate defenses to the issue of liability. In the event of an unfavorable outcome related to the issue of liability, the Company believes it has adequate reserves.

Lightman Drum Site:

The Company received a Section 104(e) Request for Information from USEPA dated March 21, 2000, regarding the Lightman Drum Company Site located in Winslow Township, New Jersey. The Company responded to this request on May 18, 2000. In addition, the Company received a Notice of Potential Liability and Request to Perform RI/FS dated June 30, 2000, from USEPA. The Company has decided that it will participate in the performance of the RI/FS. However, based on the current information known regarding this site, the Company is unable to predict what its liability, if any, will be for this site.

Liquid Dynamics Site:

The Company received a General Notice of Potential Liability letter from the USEPA dated October 18, 2002, regarding the Liquid Dynamics Site located in Chicago, Illinois. The Company submitted a response to USEPA on November 5, 2002, stating that it is interested in negotiating a resolution of its potential responsibility at this site. Based on the fact that the Company believes it is a de minimis PRP at this site, the Company

believes that a resolution of its liability at this site will not have a material impact on the financial condition of the Company.

Wilmington Site:

As reported previously in the Company's Quarterly Report Form 10-Q for the quarter ended September 30, 1994 and various subsequent reports, the Company received a Request for Information from the Commonwealth of Massachusetts Department of Environmental Protection relating to the Company's formerly-owned site at 51 Eames Street, Wilmington, Massachusetts. The Company received a copy of another Request for Information regarding this site dated October 18, 2002. The Company's response to this request is due on November 29, 2002. The Company is currently investigating this matter and therefore, cannot predict what its liability, if any, will be for this site.

5. EARNINGS PER SHARE

Below is the computation of basic and diluted earnings per share for the three and nine months ended September 30, 2002 and 2001.

(Dollars in thousands, except per share amounts)	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Computation of Basic Earnings per Share				
Net income	$ 5,675	$ 6,846	$ 17,702	$ 15,983
Deduct dividends on preferred stock	(199)	(200)	(601)	(602)
Income applicable to common stock	$ 5,476	$ 6,646	$ 17,101	$ 15,381
Weighted-average number of common shares outstanding	8,871	8,848	8,855	8,842
Basic earnings per share	$ 0.62	$ 0.75	$ 1.93	$ 1.74
Computation of Diluted Earnings per Share				
Net income	$ 5,675	$ 6,846	$ 17,702	$ 15,983
Weighted-average number of common shares outstanding	8,871	8,848	8,855	8,842
Add net shares issuable from assumed exercise of options (under treasury stock method)	293	206	270	228
Add weighted-average shares issuable from assumed conversion of convertible preferred stock	666	666	666	666
Shares applicable to diluted earnings	9,830	9,720	9,791	9,736
Diluted earnings per share	$ 0.58	$ 0.70	$ 1.81	$ 1.64

6. COMPREHENSIVE INCOME

Comprehensive income includes net income and all other non-owner changes in equity that are not reported in net income. Below is the Company's comprehensive income for the three and nine months ended September 30, 2002 and 2001.

(In thousands)	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Net income	$ 5,675	$ 6,846	$ 17,702	$ 15,983
Other comprehensive income (loss):				
Foreign currency translation adjustments	298	(274)	283	(1,280)
Unrealized loss on securities	(557)	(580)	(817)	(723)
Comprehensive income	$ 5,416	$ 5,992	$ 17,168	$ 13,980

At September 30, 2002, the total accumulated other comprehensive loss of $16,404,000 was comprised of $13,533,000 of foreign currency translation adjustments, $1,887,000 of unrealized losses on securities and $984,000 of minimum pension liability adjustments. At December 31, 2001, the total accumulated other comprehensive loss of $15,870,000 included $13,816,000 of foreign currency translation adjustments, $1,070,000 of unrealized losses on securities and $984,000 of minimum pension liability adjustments.

7. SEGMENT REPORTING

The Company has three reportable segments: surfactants, polymers and specialty products. Financial results of the Company's operating segments for the three and nine months ended September 30, 2002 and 2001, are summarized below:

(In thousands)	Three Months Ended September 30				Nine Months Ended September 30			
	2002		2001		2002		2001	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Surfactants	$152,103	$ 9,403	$134,379	$ 7,938	$449,799	$36,382	$415,165	$28,289
Polymers	33,952	5,931	31,906	3,915	94,002	14,325	98,643	13,607
Specialty Products	7,289	2,342	7,544	3,190	19,494	6,662	19,645	6,373
Segment Totals	$193,344	$17,676	$173,829	$15,043	$563,295	$57,369	$533,453	$48,269

Below are reconciliations of segment operating income to consolidated income before income taxes:

(In thousands)	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Operating income segment totals	$ 17,676	$ 15,043	$ 57,369	$ 48,269
Unallocated corporate expenses (a)	(8,430)	(2,654)	(27,340)	(17,884)
Interest expense	(1,743)	(1,713)	(5,240)	(5,375)
Income from equity joint venture	790	529	2,444	1,149
Consolidated income before income taxes	$ 8,293	$ 11,205	$ 27,233	$ 26,159

(a) Includes corporate administrative and corporate manufacturing expenses, which are not included in segment operating income and not used to evaluate segment performance.

8. GOODWILL AND OTHER INTANGIBLE ASSETS

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," which is effective for fiscal years beginning after December 15, 2001. This standard establishes new accounting and reporting requirements for goodwill and intangible assets including no amortization of goodwill, separate identification of certain identifiable intangible assets, and an annual assessment for impairment of all goodwill and intangible assets. The following is a reconciliation of the Company's reported net income, basic earnings per share and diluted earnings per share to the amounts that would have been reported had the new accounting rules been in effect at January 1, 2001:

(In thousands, except per share data)	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Reported net income	$ 5,675	$ 6,846	$ 17,702	$ 15,983
Add back: Goodwill amortization	0	97	0	323
Adjusted net income	$ 5,675	$ 6,943	$ 17,702	$ 16,306
Basic earnings per share:				
Reported basic earnings per share	$ 0.62	$ 0.75	$ 1.93	$ 1.74
Add back: Goodwill amortization	0.00	0.01	0.00	0.04
Adjusted basic earnings per share	$ 0.62	$ 0.76	$ 1.93	$ 1.78
Diluted earnings per share:				
Reported diluted earnings per share	$ 0.58	$ 0.70	$ 1.81	$ 1.64
Add back: Goodwill amortization	0.00	0.01	0.00	0.03
Adjusted diluted earnings per share	$ 0.58	$ 0.71	$ 1.81	$ 1.67

The Company's net carrying values of goodwill were $6,233,000 and $6,100,000 as of September 30, 2002 and December 31, 2001, respectively. The entire amount of goodwill relates to the surfactants' reporting unit.

SFAS No. 142 required the Company to complete a transition goodwill impairment test by comparing the fair value of the reporting unit with its net carrying value, including goodwill. The Company has completed this test and the results of that test indicated that goodwill was not impaired at January 1, 2002.

The following table reflects the components of all other intangible assets, which have finite lives, as of September 30, 2002 and December 31, 2001.

(In thousands)	Gross Carrying Amount		Accumulated Amortization	
	Sept. 30, 2002	Dec. 31, 2001	Sept. 30, 2002	Dec. 31, 2001
Other Intangible Assets:				
Patents	$ 2,000	$ 2,000	$ 567	$ 466
Trademarks, customer lists, know-how	17,095	17,095	6,283	5,386
Non-compete Agreements	1,000	1,000	1,000	950
Total	$ 20,095	$ 20,095	$ 7,850	$ 6,802

Aggregate amortization expenses for the three and nine months ended September 30, 2002, were $333,000 and $1,048,000, respectively. Aggregated amortization expenses for the three and nine months ended September 30, 2001, were $400,000 and $1,205,000, respectively. Amortization expense is recorded based on useful lives ranging from 5 to 15 years. Estimated amortization expense for identifiable intangibles assets, other than goodwill, for each of the succeeding fiscal years are as follows:

(In thousands)	
For year ended 12/31/03	$1,330
For year ended 12/31/04	$1,330
For year ended 12/31/05	$1,330
For year ended 12/31/06	$1,330
For year ended 12/31/07	$1,086

9. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations," effective for fiscal years beginning after December 15, 2001. It requires the use of the purchase method of accounting for all transactions initiated after June 30, 2001. The Company applied the provisions of SFAS No. 141 to the September 2001 acquisition of Manro Performance Chemicals Limited. No acquisitions took place during the first nine months of 2002.

In April 2001, the Emerging Issues Task Force (EITF) issued EITF Issue No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the

Vendor's Products." EITF Issue No. 00-25 provides guidance regarding the reporting of consideration given by a vendor to a reseller of the vendor's products. This Issue requires certain considerations from vendor to a reseller of the vendor's products be considered: (a) as a reduction of the selling prices of the vendor's products and, therefore, be recorded as a reduction of revenue when recognized in the vendor's income statement, or (b) as a cost incurred by the vendor for assets or services received from the reseller and, therefore, be recorded as a cost or an expense when recognized in the vendor's income statement. EITF Issue No. 00-25 was effective for the Company beginning January 1, 2002. The Company's accounting policies were already consistent with the guidance provided in this EITF. Therefore, adoption of this standard did not have an impact on the Company's financial position or results of operations.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143, which is effective for fiscal years beginning after June 15, 2002, supersedes previous guidance for financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The statement applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset. Based on the information currently available, adoption of this standard is not expected to have an impact on the Company's financial position or results of operations.

In August 2001, SFAS No. 144, "Accounting for the Impairment of Disposal of Long-Lived Assets," was issued. This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS No. 144 was effective January 1, 2002. Adoption of this standard did not have an impact on the Company's financial position or results of operations.

In June 2002, The Financial Accounting Standards Board issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. Based on the information currently available, adoption of this standard is not expected to have an impact on the Company's financial position or results of operations.

10. NEW LOAN AGREEMENT

During September 2002, the Company completed a new $30 million private placement loan with its existing insurance company lenders. The proceeds of the loan were used to repay existing bank debt that had been classified as long-term. The new loan is unsecured and will bear interest at 6.86 percent through the stated maturity date of September 1, 2015.

11. RECLASSIFICATIONS

Certain amounts in the restated 2001 financial statements have been reclassified to conform to the 2002 presentation.

Item 2 - Management's Discussion and Analysis of Financial Conditions and Results of Operations

The following is management's discussion and analysis of certain significant factors, which have affected the Company's financial condition and results of operations during the interim period included in the accompanying condensed consolidated financial statements.

As discussed in Note 2 to the unaudited, condensed, consolidated financial statements, the Company has restated its financial statements for the three and nine month periods ended September 30, 2001 and for the year ended December 31, 2001. The accompanying Management's Discussion and Analysis gives effect to the restatement.

CRITICAL ACCOUNTING POLICIES

Estimates

We prepare our financial statements in accordance with accounting principles generally accepted in the United States of America. Preparing our financial statements in accordance with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported 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. Critical areas where estimates are required are noted below:

Environmental Liabilities:

It is the Company's accounting policy to record environmental liabilities when environmental assessments and/or remedial efforts are probable and the cost or range of possible costs can be reasonably estimated. When no amount within the range is a better estimate than any other amount, the minimum is accrued. Some of the factors on which the Company bases its estimates include information provided by feasibility studies, potentially responsible party negotiations and the development of remedial action plans.

Reserves for Doubtful Accounts:

Accounts receivable are reported net of reserves for doubtful accounts. The Company determines the reserve requirement based upon the estimated collectibility of specific delinquent accounts, the Company's historical loss experience and the level of non-delinquent accounts receivable.

Reserves for Obsolete and Slow Moving Inventories:

The Company provides reserves for obsolete and slow moving inventory items. The reserve requirement is estimated based upon a review of specific inventory items that are identified as slow moving and consideration of potential salvage value and disposal costs.

Because the foregoing liabilities and reserves are recorded based on estimates, actual amounts could differ from these estimates.

Initial Adoption of an Accounting Policy

As discussed in Note 2 to the condensed Consolidated Financial Statements, the Company adopted the requirements of the consensus reached by the Emerging Issues Task Force of the Financial Accounting Standards Board in issue No. 97-14, "Accounting for Deferred Compensation Arrangements Where Amounts Earned are Held in a Rabbi Trust and Invested". A description of the Company's deferred compensation accounting policy follows:

The Company maintains deferred compensation plans. These plans allow management to defer receipt of their bonuses and directors to defer receipt of director fees until retirement or departure from the Company. The plans allow the participant to choose to invest in either Stepan common stock or a narrow variety of mutual funds. These assets are owned by the Company and subject to the claims of general creditors of the Company. The liability to the participants is recorded after the underlying compensation is earned, recorded as expense and a deferral election is made resulting in the deferred compensation liability. The purchase of Stepan common shares for the plans is recorded as a regular treasury stock purchase. The purchase of mutual funds is recorded as long term investments.

Fluctuations in the value of these assets are recorded as compensation income or expense in administrative expense. The dividends, interest and capital gains from the mutual fund assets are recorded as investment income and reported under Other Income as interest expense, net of investment income. Unrealized market fluctuations of the mutual funds are recorded as other comprehensive income or expense in stockholders' equity.

LIQUIDITY AND CAPITAL RESOURCES

Net cash from operating activities for the first nine months of 2002 totaled $30.9 million, a decrease of $9.5 million compared to $40.4 million for the same period in 2001. A $1.7 million increase in net income during the period was offset by increased working capital. For the first three quarters of 2002, seasonal working capital growth required $18.8 million compared to $2.9 million for the same period last year. For the prior year period, seasonal working capital requirements were lower after the events of September 11, 2001. Working capital changes for the current year period include: accounts receivable up by $13.2 million, inventories up by $5.0 million, prepaid expenses up by $1.1 million and accounts payable and accrued liabilities up by $0.5 million.

Capital expenditures totaled $24.6 million for the first three quarters of 2002, compared to $24.4 million for the same period in 2001. The pace of capital spending is expected to increase during the fourth quarter of 2002 and total year expenditures for property, plant and equipment are expected to be somewhat higher from year to year.

Total company debt decreased by $2.9 million during the first nine months of 2002, from $120.3 million to $117.4 million. As of September 30, 2002, the ratio of long-term debt to long-term debt plus stockholders' equity was 39.4 percent, compared to 41.5 percent at December 31, 2001.

The Company's announced change in accounting for deferred compensation plans will require financial restatement and independent audit for 1999, 2000, and 2001 and the first quarter of 2002. While the company is presently not in compliance with domestic loan agreements, because they require audited financial statements, the company's banks and insurance company lenders have waived those particular debt covenants until November 22, 2002, pending completion of the audit process.

During September 2002, the Company completed a new $30 million private placement loan with its existing insurance company lenders. The proceeds of the loan were used to repay existing bank debt that had been classified as long-term. The new loan is unsecured and will bear interest at 6.86 percent through the stated maturity date of September 1, 2015.

The Company maintains contractual relationships with its domestic banks that provide for revolving credit of up to $60 million, which may be drawn upon as needed for general corporate purposes through May 2, 2007 under a revolving credit agreement. The company also meets short-term liquidity requirements through uncommitted domestic bank lines of credit.

The Company's foreign subsidiaries maintain committed and uncommitted bank lines of credit in their respective countries to meet working capital requirements as well as to fund capital expenditure programs and acquisitions. During March 2002, the company's Stepan Europe subsidiary completed a (euro)13.4 million bank term loan as long-term financing for a portion of the Manro acquisition. This loan will mature in 7 years and bears interest at rates set quarterly, based on 90-day EURIBOR plus the contractual spread. The U.S. parent company does not guaranty this loan.

The Company anticipates that cash from operations and from committed credit facilities will be sufficient to fund anticipated capital expenditures, dividends and other planned financial commitments for the foreseeable future. Any substantial acquisitions would require additional funding.

There have been no material changes in the Company's market risks since December 31, 2001.

RESULTS OF OPERATIONS
Three Months Ended September 30, 2002 and 2001

Net income for the third quarter ended September 30, 2002, decreased to $5.7 million, or $0.58 per share (diluted), from $6.8 million, or $0.70 per share (diluted), in 2001. Net sales increased 11 percent to $193.3 million in the third quarter of 2002 from $173.8 million a year ago. Net sales by segment were:

(Dollars in thousands)	Three Months Ended September 30		
	2002	2001	% Change
Net Sales:			
Surfactants	$ 152,103	$ 134,379	+13
Polymers	33,952	31,906	+6
Specialty Products	7,289	7,544	-3
Total	$ 193,344	$ 173,829	+11

Surfactants net sales increased from $134.4 million in the third quarter of 2001 to $152.1 million in the third quarter of 2002. Foreign operations accounted for most of the improvement, reporting a $13.0 million, or 38 percent, increase between quarters. Approximately $12.1 million of the increased net sales were attributable to the fourth quarter 2001 acquisition of Stepan UK. European operations, excluding Stepan UK, reported higher net sales based on improved sales volume and a stronger euro. Latin American operations posted weaker net sales due to decreased sales volume and lower average selling prices.

Net sales for domestic surfactant U.S. operations, which accounted for 69 percent of total surfactant revenues, increased $4.7 million, or five percent, from $99.9 million in the third quarter of 2001 to $104.6 million in the third quarter of 2002. A seven percent growth of sales volume more than offset a three percent decline in average selling prices. Higher demand for personal care products led to the increase in sales volume.

Surfactants gross profit increased 15 percent to $20.3 million in the third quarter of 2002 from $17.6 million in the third quarter of 2001. Domestic operations reported a $0.7 million, or five percent, increase in gross profit. The increase was based on improved sales volume, which offset a two percent decline in average margins. Raw material costs declined after several years of increases allowing a partial recovery in margins. However, this was offset by a weaker sales mix of higher value added products used in industrial applications, which have been harder hit by the slow economy.

Foreign operations' gross profit increased $2.0 million, or 51 percent, between quarters. Stepan Europe contributed $2.6 million to the improvement, of which $2.2 million was attributable to the previously noted Stepan UK acquisition. Latin American operations reported higher gross profit due to higher average margins and Canadian operations showed an improvement based on increased sales volume and higher average margins.

Polymers net sales increased $2.1 million, or six percent, to $34.0 million in the third quarter of 2002 from $31.9 million in the third quarter of 2001. The increase was based on an 18 percent growth in sales volume, which offset a ten percent decline in average selling prices. Global polyurethane polyols net sales increased $2.7 million, or 14 percent, between quarters. Domestic operations reported a $1.4 million improvement based on an eight percent rise in sales volume. European net sales rose $1.5 million between quarters due primarily to improved sales volume. Phthalic anhydride (PA) net sales increased three percent to $8.3 million in the third quarter 2002 from $8.1 million in the third quarter of 2001. A 31 percent gain in sales volume led to the improvement and more than offset a 22 percent drop in average selling prices. Lower raw material costs, which were passed on to customers, and a change from selling a finished product to toll processing of consigned raw materials, led to the average selling price decline. Polyurethane systems reported a $0.8 million, or 17 percent, decline in net sales. An 18 percent drop in sales volume, due primarily to lost business, led to the decline.

Polymers third quarter gross profit increased $2.6 million, or 48 percent, from $5.4 million in the third quarter of 2001 to $8.0 million in the third quarter of 2002. Global polyurethane polyols' gross profit increased $1.4 million, or 33 percent, from quarter to quarter. Domestic operations gross profit rose $1.3 million, or 29 percent, based on higher sales volume and improved average margins. Polyurethane systems gross profit declined $0.4 million, or 32 percent, between quarters. Lower sales volume and average margins led to the decrease. Higher unit overhead costs resulting from lower production volumes led to the decrease in average margins. PA gross profit rose $1.4 million between quarters due to improved sales volume and higher average margins.

Specialty products reported $7.3 million in net sales for the third quarter of 2002 compared to $7.5 million a year ago. The decline was due to lower average selling prices. Gross profit declined $0.7 million, or 20 percent, to $2.8 million in the third quarter of 2002 from $3.5 million in the third quarter of 2001. Lower sales volume of higher margin products led to the decline.

Operating expenses for the third quarter of 2002 increased 55 percent from $14.1 million in 2001 to $21.8 million in 2002. Administrative expenses increased $5.9 million from quarter to quarter. The $2.7 million increase in deferred compensation expense coupled with $1.4 million in reduced insurance recoveries contributed to the higher domestic expense. The inclusion of $0.7 million of expense related to Stepan UK, which was first consolidated in the fourth quarter of 2001, also contributed to the increase. Marketing expense rose $0.9 million, or 14 percent, between quarters. The addition of Stepan UK marketing expenses coupled with higher payroll costs accounted for most of the increase. Research and development expense increased 16 percent, mostly due to higher payroll costs.

Net interest expense increased two percent between quarters. Interest expense declined two percent due to lower overall borrowing rates and decreased debt levels. The decline in interest expense was more than offset by lower investment income from mutual funds.

Income from the Philippines equity joint venture increased to $0.8 million in the third quarter of 2002 from $0.5 million in the third quarter of 2001. The rise was due to royalty income and higher equity income based on improved sales volume.

The effective tax rate was 31.6 percent for the third quarter ended September 30, 2002 compared to 38.9 percent for the third quarter ended September 30, 2001. The lower effective tax rate was primarily attributable to a revised estimated annual effective rate of 35 percent. The lower annual rate is due to favorable rates on European earnings and a higher U.S. tax benefit realized on export sales. A decrease in the overall state apportionment factor also contributed to the lower effective tax rate.

Nine Months Ended September 30, 2002 and 2001

Net income for the first nine months ended September 30, 2002, was $17.7 million, or $1.81 per share (diluted), up $1.7 million, or 11 percent, from $16.0 million, or $1.64 per share (diluted), for the same period in 2001. Net sales increased six percent to $563.3 million from $533.5 million reported last year. Net sales by segment were:

(Dollars in thousands)	Nine Months Ended September 30		
	2002	2001	% Change
Net Sales:			
Surfactants	$ 449,799	$ 415,165	+8
Polymers	94,002	98,643	-5
Specialty Products	19,494	19,645	-1
Total	$ 563,295	$ 533,453	+6

Surfactants net sales increased $34.6 million, or eight percent, to $449.8 million in 2002 from $415.2 million in 2001. Net sales for foreign operations rose $34.2 million, or 33 percent, from $103.3 million in 2001 to $137.5 million in 2002. A 47 percent increase in sales volume led to the net sales growth. Approximately $31.2 million of the increase was due to the fourth quarter 2001 acquisition of Stepan UK. European operations, excluding Stepan UK, and Canadian operations reported higher net sales by $2.4 million and $1.6 million, respectively, based on improved sales volume. Domestic U.S. operations, which accounted for 69 percent of total surfactant revenues, reported net sales that were relatively unchanged from year to year.

Surfactants gross profit increased $10.9 million, or 19 percent, to $67.6 million in the first nine months of 2002 from $56.7 million for the same period of 2001. Domestic operations reported a $5.4 million, or 12 percent, increase in gross profit due to a partial recovery in margins as raw material costs declined after several years of increases. Gross profit for foreign operations rose $5.5 million, or 45 percent, to $17.8 million in 2002 from $12.3 million in 2001. European operations contributed $5.7 million to the improvement, of which $5.1 million related to the previously noted Stepan UK acquisition. Latin America operations reported increased gross profit due to higher average margins.

Polymers net sales decreased $4.6 million, or five percent, to $94.0 million in 2002 from $98.6 million in 2001. PA net sales increased 13 percent to $28.3 million in 2002 from $25.1 million in 2001. A 35 percent gain in sales volume more than offset a 17 percent drop in average selling prices. Lower raw material costs, coupled with the move to a consignment arrangement with a major customer (i.e. the customer provides the Company with the raw material to produce the customer's finished product), led to the average price decline. Global polyurethane polyols net sales decreased seven percent to $54.2 million in 2002 from $58.1 million for the same period a year ago. Domestic operations accounted for most of the net sales decrease contributing $5.2 million to the drop, based on declined sales volume and lower average selling prices. Urethane systems net sales fell 26 percent to $11.5 million for the first nine months of 2002 from $15.5 million in 2001. A 25 percent drop in sales volume, which led to the decrease, was due primarily to lost business.

Polymers gross profit was $20.0 million for the nine months of 2002, which was $1.7 million, or nine percent, higher than a year ago. PA's gross profit increased $2.0 million, or 79 percent, to $4.5 million in 2002 from $2.5 million in 2001. A 35 percent improvement in sales volume, coupled with a 31 percent increase in average margins, led to the rise. Global polyurethane polyols gross profit increased $1.1 million, or eight percent, to $15.2 million in 2002 from $14.1 million in 2001. Domestic polyurethane polyols gross profit increased $0.6 million, or four percent, from $14.4 million in 2001 to $15.0 million in 2002 based on higher average margins, partially offset by lower sales volume. Lower raw material costs led to the average margin improvement. European gross profit increased $0.8 million based on higher average margins and improved sales volume, while Brazil's gross profit dropped $0.2 million due to lower sales volume. Polyurethane systems gross profit decreased $1.4 million, or 39 percent, from year to year. Lower sales volume and average margins led to the decrease. Higher unit overhead costs resulting from decreased production volumes led to the decline in average margins.

Specialty products net sales decreased $0.1 million, or one percent, from $19.6 million in 2001 to $19.5 million in 2002. The decrease was primarily due to lower sales volume. Gross profit increased $0.6 million, or nine percent, between years due to increased sales volume of higher margin products.

Operating expenses increased $13.5 million, or 26 percent, to $65.2 million in the first nine months of 2002 from $51.7 million for the same period a year ago. Administrative expenses rose $10.5 million, or 66 percent, between years. The rise reflected $3.4 million increase in costs associated with the implementation of an enterprise resource planning system and $3.2 million increased deferred compensation expenses. The increase also reflected $1.6 million in expenses for Stepan UK, which was first consolidated in the fourth quarter of 2001. Marketing expenses increased $1.6 million, or eight percent, between years. Research and development expenses increased $1.4 million, or eight percent, between years.

Interest expense decreased three percent from year to year due to lower overall borrowing rates.

Income from the Philippines equity joint venture increased to $2.4 million in 2002 from $1.1 million a year ago. The rise was due to royalty income and to increased equity income generated by higher sales volume.

The effective tax rate was 35.0 percent for the first nine months ended September 30, 2002 compared to 38.9 percent for the first nine months ended September 30, 2001. The lower effective tax rate was primarily attributable to a decrease in the effective tax rate on European earnings and a higher U.S. tax benefit realized on export sales. A decrease in the overall state apportionment factor also contributed to the lower effective tax rate.

ENVIRONMENTAL AND LEGAL MATTERS

The Company is subject to extensive federal, state and local environmental laws and regulations. Although the Company's environmental policies and practices are designed to ensure compliance with these laws and regulations, future developments and increasingly stringent environmental regulation could require the Company to make additional unforeseen environmental expenditures. The Company will continue to invest in the equipment and facilities necessary to comply with existing and future regulations. During the first nine months of 2002, Company expenditures for capital projects related to the environment were $0.8 million and should approximate $1.2 million for the full year 2002. These projects are capitalized and typically depreciated over 10 years. Recurring costs associated with the operation and maintenance of facilities for waste treatment and disposal and managing environmental compliance in ongoing operations at our manufacturing locations were $5.6 million for the first nine months of 2002.

The Company has been named by the government as a potentially responsible party at 18 waste disposal sites where cleanup costs have been or may be incurred under the federal Comprehensive Environmental Response, Compensation and Liability Act and similar state statutes. In addition, damages are being claimed against the Company in general liability actions for alleged personal injury or property damage in the case of some disposal and plant sites. The Company believes that it has made adequate provisions for the costs it may incur with respect to these sites. The Company has estimated a range of possible environmental and legal losses from $7.2 million to $34.3 million at September 30, 2002. At September 30, 2002 and December 31, 2001, the Company's reserves were $17.1 million and $17.0 million for legal and environmental matters. During the first nine months of 2002, expenditures related to legal and environmental matters approximated $2.2 million. For certain sites, estimates cannot be made of the total costs of compliance or the Company's share of such costs; accordingly, the Company is unable to predict the effect thereof on future results of operations. In the event of one or more adverse determinations in any annual or interim period, the impact on results of operations for those periods could be material. However, based upon the Company's present belief as to its relative involvement at these sites, other viable entities' responsibilities for cleanup and the extended period over which any costs would be incurred, the Company believes that these matters will not have a material effect on the Company's financial position.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations," effective for fiscal years beginning after December 15, 2001. It requires the use of the purchase method of accounting for all transactions initiated after June 30, 2001. The Company applied the provisions of SFAS No. 141 to the September 2001 acquisition of Manro Performance Chemicals Limited. No acquisitions took place during the first nine months of 2002.

In April 2001, the Emerging Issues Task Force ("EITF") issued EITF Issue No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products." EITF Issue No. 00-25 provides guidance regarding the reporting of consideration given by a vendor to a reseller of the vendor's products. This Issue requires certain considerations from vendor to a reseller of the vendor's products be considered: (a) as a reduction of the selling prices of the vendor's products and, therefore, be recorded as a reduction of revenue when recognized in the vendor's income statement, or (b) as a cost incurred by the vendor for assets or services received from the reseller and, therefore, be recorded as a cost or an expense when recognized in the vendor's income statement. EITF Issue No. 00-25 was effective for the Company beginning January 1, 2002. The Company's accounting policies were already consistent with the guidance provided in this EITF. Therefore, adoption of this standard did not have an impact on the Company's financial position or results of operations.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143, which is effective for fiscal year beginning after June 15, 2002, supersedes previous guidance for financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The statement applies to legal obliations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset. Based on the information currently available, adoption of this standard is not expected to have an impact on the Company's financial position or results of operations.

In August 2001, SFAS No. 144, "Accounting for the Impairment of Disposal of Long-Lived Assets," was issued. This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS No. 144 was effective January 1, 2002. Adoption of this standard did not have an impact on the Company's financial position or results of operations.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143, which is effective for fiscal years beginning after June 15, 2002, supersedes previous guidance for financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The statement applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset. Based on the information currently available, adoption of this standard is not expected to have an impact on the Company's financial position or results of operations.

In June 2002, the Financial Accounting Standards Board issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. Based on the information currently available, adoption of this standard is not expected to have an impact on the Company's financial position or results of operations.

OTHER

Except for the historical information contained herein, the matters discussed in this document are forward looking statements that involve risks and uncertainties. The results achieved this quarter are not necessarily an indication of future prospects for the Company. Actual results in future quarters may differ materially. Potential risks and uncertainties include, among others, fluctuations in the volume and timing of product orders, changes in demand for the Company's products, changes in technology, continued competitive pressures in the marketplace, outcome of

environmental contingencies, availability of raw materials, foreign currency
fluctuations and the general economic conditions.

Item 3 - Quantitative and Qualitative Disclosures about Market Risk

For information regarding our exposure to market risk, see the caption entitled "Liquidity and Capital Resources" in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," which is incorporated herein by reference.

Item 4 - Controls and Procedures

a. Evaluation of Disclosure Controls and Procedures

Based on their evaluation of our disclosure controls and procedures conducted within 90 days of the date of filing this report on Form 10-Q, our Chief Executive Officer and our acting Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) promulgated under the Securities Exchange Act of 1934) are effective.

b. Changes in Internal Controls

There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Part II OTHER INFORMATION

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Item 1 - Legal Proceedings

The Company's site in Maywood, New Jersey and property formerly owned by the Company adjacent to its current site, were listed on the National Priorities List in September 1993 pursuant to the provisions of the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) because of certain alleged chemical contamination. Pursuant to an Administrative Order on Consent entered into between the United States Environmental Protection Agency (USEPA) and the Company for property formerly owned by the Company, and the issuance of an order by USEPA to the Company for property currently owned by the Company, the Company completed a Remedial Investigation Feasibility Study (RI/FS) in 1994. The Company submitted the Draft Final FS for Soil and Source Areas (Operable Unit 1) in September 2002. In addition, the Company has also submitted additional information regarding the remediation, most recently in October 2002. Discussions between USEPA and the Company are continuing. The Company is awaiting the issuance of a Record of Decision (ROD) from USEPA relating to the currently owned and formerly owned Company property and the proposed remediation. The final ROD will be issued sometime after the public comment period.

In 1985, the Company entered into a Cooperative Agreement with the United States of America represented by the Department of Energy (Agreement). Pursuant to this Agreement, the Department of Energy (DOE) took title to radiological contaminated materials and was to remediate, at its expense, all radiological waste on the Company's property in Maywood, New Jersey. The Maywood property (and portions of the surrounding area) were remediated by the DOE under the Formerly Utilized Sites Remedial Action Program, a federal program under which the U.S. Government undertook to remediate properties which were used to process radiological material for the U.S. Government. In 1997, responsibility for this clean-up was transferred to the United States Army Corps of Engineers (USACE). On January 29, 1999, the Company received a copy of a USACE Report to Congress dated January 1998 in which the USACE expressed their intention to evaluate, with the USEPA, whether the Company and/or other parties might be responsible for cost recovery or contribution claims related to the Maywood site. Subsequent to the issuance of that report, the USACE advised the Company that it had requested legal advice from the Department of Justice as to the impact of the Agreement.

By letter dated July 28, 2000, the Department of Justice advised the Company that the USACE and USEPA had referred to the Justice Department claims against the Company for response costs incurred or to be incurred by the USACE, USEPA and the DOE in connection with the Maywood site and the Justice Department stated that the United States is entitled to recovery of its response costs from the Company under CERCLA. The letter referred to both radiological and non-radiological hazardous waste at the Maywood site and stated that the United States has incurred unreimbursed response costs to date of $138 million. Costs associated with radiological waste at the Maywood site, which the Company believes represent all but a small portion of the amount referred to in the Justice Department letter, could be expected to aggregate substantially in excess of that amount. In the letter, the Justice Department invited the Company to discuss

settlement of the matter in order to avoid the need for litigation. The Company believes that its liability, if any, for such costs has been resolved by the aforesaid Agreement. Despite the fact that the Company continues to believe that it has no liability to the United States for such costs, discussions with the Justice Department are currently ongoing to attempt to resolve this matter.

The Company believes it has adequate reserves for claims associated with the Maywood site. However, depending on the results of the ongoing discussions regarding the Maywood site, the final cost of the remediation could differ from the current estimates.

The Company has been named as a potentially responsible party (PRP) in the case USEPA v. Jerome Lightman (92 CV 4710 D. N. J.) which involves the Ewan and D'Imperio Superfund Sites located in New Jersey. Trial on the issue of the Company's liability at these sites was completed in March 2000. The Company is awaiting a decision from the court. If the Company is found liable at either site, a second trial as to the Company's allocated share of clean-up costs at these sites will likely be held in 2003. The Company believes it has adequate defenses to the issue of liability. In the event of an unfavorable outcome related to the issue of liability, the Company believes it has adequate reserves. On a related matter, the Company has filed an appeal to the United States Third Circuit Court of Appeals objecting to the lodging of a partial consent decree in favor of the United States Government in this action. Under the partial consent decree, the government recovered past costs at the site from all PRPs including the Company. The Company paid its assessed share but by objecting to the partial consent decree, the Company is seeking to recover back the sums it paid.

Regarding the D'Imperio Superfund Site, USEPA has indicated it will seek penalty claims against the Company based on the Company's alleged noncompliance with the modified Unilateral Administrative Order. The Company is currently negotiating with USEPA to settle its proposed penalty against the Company but does not believe that a settlement, if any, will have a material impact on the financial condition of the Company. In addition, the Company also received notice from the New Jersey Department of Environmental Protection (NJDEP) dated March 21, 2001, that NJDEP has indicated it will pursue cost recovery against the alleged responsible parties, including the Company. The NJDEP's claims include costs related to remediation of the D'Imperio Superfund Site in the amount of $434,406 and alleged natural resource damages in the amount of $529,584 (as of November 3, 2000). The NJDEP settled such claims against the alleged responsible parties, resulting in the Company paying its portion of $83,061 in July 2002. This payment is subject to reallocation after the allocation phase of the above-identified trial, if any. The payment did not have a material impact on the financial condition of the Company.

The Company received a Section 104(e) Request for Information from USEPA dated March 21, 2000, regarding the Lightman Drum Company Site located in Winslow Township, New Jersey. The Company responded to this request on May 18, 2000. In addition, the Company received a Notice of Potential Liability and Request to Perform RI/FS dated June 30, 2000, from USEPA. The Company has decided that it will participate in the performance of the RI/FS. However, based on the current information known regarding this site, the Company is unable to predict what its liability, if any, will be for this site.

The Company received a General Notice of Potential Liability letter from the USEPA dated October 18, 2002, regarding the Liquid Dynamics Site located in Chicago, Illinois. The Company submitted a response to USEPA on November 5, 2002, stating that it is interested in negotiating a resolution of its potential responsibility at this site. Based on the fact that the Company believes it is a de minimis PRP at this site, the Company believes that a resolution of its liability at this site will not have a material impact on the financial condition of the Company.

As reported previously in the Company's Quarterly Report Form 10-Q for the quarter ended September 30, 1994 and various subsequent reports, the Company received a Request for Information from the Commonwealth of Massachusetts Department of Environmental Protection relating to the Company's formerly-owned site at 51 Eames Street, Wilmington, Massachusetts. The Company received a copy of another Request for Information regarding this site dated October 18, 2002. The Company's response to this request is due on November 29, 2002. The Company is currently investigating this matter and therefore, cannot predict what its liability, if any, will be for this site.

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibit 99.1--Certification pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 99.2--Note Purchase Agreement dated as of September 1, 2002

Exhibit 99.3--Revolving Credit Agreement dated as of May 3, 2002

(b) Reports on Form 8-K

Form 8-K reporting the effects of a change in accounting for deferred compensation plan as a correction of an error with restatement of the Company's three prior year financial statements has been filed on August 1, 2002.

SIGNATURES

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

STEPAN COMPANY

/s/ James E. Hurlbutt
James E. Hurlbutt
Vice President and Corporate
Controller

Date: November 14, 2002

CERTIFICATIONS

I, F. Quinn Stepan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Stepan Company;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a. designed such disclosure controls and procedures 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 quarterly report is being prepared;

   b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/ F. Quinn Stepan

Chairman and Chief Executive Officer

CERTIFICATIONS

I, James E. Hurlbutt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Stepan Company;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

    a. designed such disclosure controls and procedures 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 quarterly report is being prepared;

    b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/ James E. Hurlbutt

Vice President & Corporate Controller

Exhibit 99.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Stepan Company (the "Company") on Form 10-Q for the period ended September 30, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. (S) 1350, as adopted pursuant to (S) 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2002

/s/ F. Quinn Stepan
Name: F. Quinn Stepan
Title: Chief Executive Officer

/s/ James E. Hurlbutt
Name: James E. Hurlbutt
Title: Vice President and Corporate Controller

EXHIBIT 99.2

Execution Copy

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STEPAN COMPANY

$30,000,000

6.86% Senior Notes due September 1, 2015

NOTE PURCHASE AGREEMENT

Dated as of September 1, 2002

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STEPAN COMPANY
EDENS AND WINNETKA AVENUE
NORTHFIELD, ILLINOIS 60093

6.86% Senior Notes due September 1, 2015

Dated as of
September 1, 2002

TO THE PURCHASERS LISTED IN
THE ATTACHED SCHEDULE A:

Ladies and Gentlemen:

STEPAN COMPANY, a Delaware corporation (the "Company"), agrees with the Purchasers listed in the attached Schedule A as follows:

SECTION 1. AUTHORIZATION OF NOTES.

The Company will authorize the issue and sale of $30,000,000 aggregate principal amount of its 6.86% Senior Notes due September 1, 2015 (the "Notes", such term to include any such notes issued in substitution therefor pursuant to Section 13 of this Agreement). The Notes shall be substantially in the form set out in Exhibit 1, with such changes therefrom, if any, as may be approved by each Purchaser and the Company. Certain capitalized terms used in this Agreement are defined in Schedule B; references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

SECTION 2. SALE AND PURCHASE OF NOTES.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Purchaser and each Purchaser will purchase from the Company, at the Closing provided for in Section 3, Notes in the principal amount specified opposite such Purchaser's name in Schedule A at the purchase price of 100% of the principal amount thereof. The obligations of each Purchaser hereunder, are several and not joint obligations, and each Purchaser shall have no obligation and no liability to any Person for the performance or nonperformance by any other Purchaser hereunder.

SECTION 3. CLOSING.

The sale and purchase of the Notes to be purchased by each Purchaser shall occur at the offices of Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603, at 10:00 A.M. Chicago time, at a closing (the "Closing") on September 10, 2002. At the Closing the Company

will deliver to each Purchaser the Notes to be purchased by such Purchaser in the form of a single Note (or such greater number of Notes in denominations of at least $100,000 as such Purchaser may request) dated the date of the Closing and registered in such Purchaser's name (or in the name of such Purchaser's nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to account number 5156998 at Bank One, N.A., Chicago, Illinois, ABA No. 071-000013. If at the Closing the Company shall fail to tender such Notes to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to any Purchaser's satisfaction, such Purchaser shall, at such Purchaser's election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of such failure or such nonfulfillment.

SECTION 4. CONDITIONS TO CLOSING.

The obligation of each Purchaser to purchase and pay for the Notes to be sold to such Purchaser at the Closing is subject to the fulfillment to such Purchaser's satisfaction, prior to or at the Closing, of the following conditions:

Section 4.1. Representations and Warranties. The representations and warranties of the Company in this Agreement shall be correct when made and at the time of the Closing.

Section 4.2. Performance; No Default. The Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at the Closing, and after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by Schedule 5.14), no Default or Event of Default shall have occurred and be continuing.

Section 4.3. Compliance Certificates.

(a) Officer's Certificate. The Company shall have delivered to such Purchaser an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in Sections 4.1, 4.2 and 4.9 have been fulfilled.

(b) Secretary's Certificate. The Company shall have delivered to such Purchaser a certificate certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Notes and this Agreement.

Section 4.4. Opinions of Counsel. Such Purchaser shall have received opinions in form and substance satisfactory to such Purchaser, dated the date of the Closing (a) from F. Samuel Eberts III, General Counsel of the Company, covering the matters set forth in Exhibit 4.4(a) and covering such other matters incident to the transactions contemplated hereby as such Purchaser or such Purchaser's counsel may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to such Purchaser) and (b) from Chapman and Cutler, the Purchasers' special counsel in connection with such transactions, substantially in the form set

forth in Exhibit 4.4(b) and covering such other matters incident to such transactions as such Purchaser may reasonably request.

Section 4.5. Purchase Permitted by Applicable Law, Etc. On the date of the Closing each purchase of Notes shall (i) be permitted by the laws and regulations of each jurisdiction to which each Purchaser is subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (ii) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (iii) not subject any Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by any Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

Section 4.6. Related Transactions. The Company shall have consummated the sale of the entire principal amount of the Notes scheduled to be sold on the Date of Closing pursuant to this Agreement.

Section 4.7. Payment of Special Counsel Fees. Without limiting the provisions of Section 15.1, the Company shall have paid on or before the Closing the fees, charges and disbursements of the Purchasers' special counsel referred to in Section 4.4 to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the Closing.

Section 4.8. Private Placement Number. A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) shall have been obtained for the Notes.

Section 4.9. Changes in Corporate Structure. Except as specified in Schedule 4.9, at any time following the date of the most recent financial statements referred to in Schedule 5.5, the Company shall not have changed its jurisdiction of incorporation or been a party to any merger or consolidation and shall not have succeeded to all or any substantial part of the liabilities of any other entity.

Section 4.10. Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to such Purchaser and such Purchaser's special counsel, and such Purchaser and such Purchaser's special counsel shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or such Purchaser's special counsel may reasonably request.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each Purchaser that, as of the date of Closing:

Section 5.1. Organization; Power and Authority. The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and the Notes and to perform the provisions hereof and thereof.

Section 5.2. Authorization, Etc. This Agreement and the Notes have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.3. Disclosure. The Company, through its agent, Credit Suisse First Boston, has delivered to each Purchaser copies of (a) the annual report as filed with the Securities and Exchange Commission on Form 10-K for the fiscal year ended December 31, 2001 (the "10-K") which generally sets forth the business conducted by the Company and its Subsidiaries and the principal properties of the Company and its Subsidiaries, and (b) the quarterly reports as filed with the Securities and Exchange Commission on Form 10-Q for the quarterly fiscal periods ended March 31, 2002 and June 30, 2002 (the "10-Qs"). This Agreement, the 10-K, the 10-Qs and the other financial statements listed in Schedule 5.5, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Since December 31, 2001, there has been no change in the financial condition, operations, business, properties or prospects of the Company or any Subsidiary except changes that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the other documents, certificates and other writings delivered to the Purchasers by or on behalf of the Company specifically for use in connection with the transactions contemplated hereby.

Section 5.4. Organization and Ownership of Shares of Subsidiaries; Affiliates. (a) Schedule 5.4 contains (except as noted therein) complete and correct lists (i) of the Company's Restricted Subsidiaries and Unrestricted Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary, (ii) of the Company's Affiliates, other than Subsidiaries, and (iii) of the Company's directors and Executive Officers (as defined in Rule 405 of the Securities Act).

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.4 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except as otherwise disclosed in Schedule 5.4).

(c) Each Subsidiary identified in Schedule 5.4 is a corporation or other legal entity duly organized or formed, validly existing and in good standing under the laws of its jurisdiction of organization or formation, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Subsidiary is a party to, or otherwise subject to, any legal restriction or any agreement (other than this Agreement, the agreements listed on Schedule 5.4 and customary limitations imposed by corporate law statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

Section 5.5. Financial Statements. The Company has delivered to each Purchaser copies of the financial statements of the Company and its Subsidiaries listed on Schedule 5.5. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such financial statements and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except (a) as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments) and (b) as specifically disclosed in writing by the Company (i) to the Purchasers in their capacity as holders of existing notes of the Company in that certain Waiver Agreement dated as of August 12, 2002 (including the Memorandum from the Company entitled "Accounting For Deferred Management Compensation and Deferred Directors' Fees" attached to said Waiver Agreement as Exhibit A) and (ii) in its public filings with the Securities and Exchange Commission.

Section 5.6. Compliance with Laws, Other Instruments, Etc. The execution, delivery and performance by the Company of this Agreement and the Notes will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority

Subsidiary or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

Section 5.7. Governmental Authorizations, Etc. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement or the Notes.

Section 5.8. Litigation; Observance of Agreements, Statutes and Orders. (a) Except as disclosed in Schedule 5.8, and excluding environmental matters which are covered in Section 5.18, there are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws and ERISA) of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.9. Taxes. The Company and its Subsidiaries have filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (a) the amount of which is not individually or in the aggregate Material or (b) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Company knows of no basis for any other tax or assessment that could reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of Federal, state or other taxes for all fiscal periods are adequate. The Federal income tax liabilities of the Company and its Subsidiaries have been audited by the Internal Revenue Service and paid for all fiscal years up to and including the fiscal year ended December 31, 1997.

Section 5.10. Title to Property; Leases. The Company and its Subsidiaries have good and sufficient title to their respective properties that individually or in the aggregate are Material, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement. No financing statement under the Uniform Commercial Code which names the Company or any of its Restricted Subsidiaries as debtor has been filed in any jurisdiction, and neither the Company nor any of such Restricted Subsidiaries

has signed any financing statement or any security agreement authorizing any secured party thereunder to file any such financing statement, except for precautionary filings described in Schedule 5.10 made in connection with leased equipment and as may otherwise be permitted by Section 10.3.

All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects. The Company and each Subsidiary enjoys peaceful and undisturbed possession of the premises occupied under all of the leases that are Material under which it is operating, none of which contains any unusual or burdensome provisions that could reasonably be expected to have a Material Adverse Effect. None of the assets or property the value of which is reflected in the Company's consolidated balance sheet as of December 31, 2001, is held by the Company as lessee under any lease or as conditional vendee under any conditional sale contract or other title retention agreement, other than Capitalized Leases included on such consolidated balance sheet and leasehold improvements on leased property in an aggregate amount (net after subtracting the reserve for amortization with respect to such leasehold improvements) not exceeding $3,000,000.

Section 5.11. Licenses, Permits, Etc. Except as disclosed in Schedule 5.11,

(a) the Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, except where the failure to own or possess could not reasonably be expected to have a Material Adverse Effect;

(b) to the best knowledge of the Company, no product of the Company infringes any license, permit, franchise, authorization, patent, copyright, service mark, trademark, trade name or other right owned by any other Person, except for any such infringement which could not reasonably be expected to have a Material Adverse Effect; and

(c) to the best knowledge of the Company, there is no violation by any Person of any right of the Company or any of its Subsidiaries with respect to any patent, copyright, service mark, trademark, trade name or other right owned or used by the Company or any of its Subsidiaries, except violations which could not reasonably be expected to have a Material Adverse Effect.

Section 5.12. Compliance with ERISA. (a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), and no event, transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to

Section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not be individually or in the aggregate reasonably likely to have a Material Adverse Effect.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities by more than $5,000,000 in the aggregate for all Plans. The term "benefit liabilities" has the meaning specified in Section 4001 of ERISA and the terms "current value" and "present value" have the meanings specified in Section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under Section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected post-retirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by Section 4980B of the Code) of the Company and its Subsidiaries is not Material.

(e) The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of Section 406 of ERISA or in connection with which a tax could be imposed pursuant to Section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this Section 5.12(e) is made in reliance upon and subject to the accuracy of each Purchaser's representation in Section 6.2 as to the sources of the funds used to pay the purchase price of the Notes to be purchased by such Purchaser.

Section 5.13. Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than the Purchasers. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of Section 5 of the Securities Act.

Section 5.14. Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the sale of the Notes as set forth in Schedule 5.14. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 207), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 1% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 1% of the value of such assets. As

used in this Section, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation U.

Section 5.15. Existing Indebtedness; Future Liens. (a) Schedule 5.15 sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Subsidiaries as of June 30, 2002, since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of such Indebtedness of the Company or its Subsidiaries. Neither the Company nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness for borrowed money or Capitalized Leases of the Company or such Subsidiary and no event or condition exists with respect to any Indebtedness of the Company or any Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) Except as disclosed in Schedule 5.15, neither the Company nor any Subsidiary has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by Section 10.3.

Section 5.16. Foreign Assets Control Regulations, Etc. Neither the sale of the Notes by the Company hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended), or the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (enacted October 26, 2001), or any enabling legislation or executive order relating to any of the foregoing. Without limiting the foregoing, neither the Company nor any of its Subsidiaries (a) is a blocked person described in Section 1 of Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit and Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49049 (2001)) or (b) knowingly engages in any dealings or transactions, or is otherwise associated, with any such blocked person.

Section 5.17. Status under Certain Statutes. Neither the Company nor any Subsidiary is an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, or is subject to regulation under the Public Utility Holding Company Act of 1935, as amended, the ICC Termination Act of 1995, as amended, or the Federal Power Act, as amended.

Section 5.18. Environmental Matters. Except as set forth in Schedule 5.18 and in the 10-K and the 10-Qs,

(a) the Company complies with all applicable Environmental Laws, except where the failure to comply could not reasonably be expected to have a Material Adverse Effect; and

(b) neither the Company nor any Subsidiary has knowledge of any claim or has received any written notice of any claim, and no proceeding has been instituted raising any claim against the Company or any of its Subsidiaries or any of their respective real properties now or formerly owned, leased or operated by any of them or other assets, alleging any damage to the environment or violation of any Environmental Laws, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect.

SECTION 6. REPRESENTATIONS OF THE PURCHASER.

Section 6.1. Purchase for Investment. Each Purchaser represents that it is purchasing the Notes for its own account or for one or more separate accounts maintained by it or for the account of one or more pension or trust funds and not with a view to the distribution thereof, provided that the disposition of such Purchaser's or such pension or trust funds' property shall at all times be within such Purchaser's or such pension or trust funds' control. Each Purchaser understands that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes.

Section 6.2. Source of Funds. Each Purchaser represents that at least one of the following statements is an accurate representation as to each source of funds (a "Source") to be used by it to pay the purchase price of the Notes to be purchased by it hereunder:

(a) the Source is an "insurance company general account" within the meaning of Department of Labor Prohibited Transaction Exemption ("PTE") 95-60 (issued July 12, 1995) and there is no employee benefit plan, treating as a single plan, all plans maintained by the same employer or employee organization, with respect to which the amount of the general account reserves and liabilities for all contracts held by or on behalf of such plan, exceed ten percent (10%) of the total reserves and liabilities of such general account (exclusive of separate account liabilities) plus surplus, as set forth in the NAIC Annual Statement for such Purchaser most recently filed with such Purchaser's state of domicile; or

(b) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 (issued January 29, 1990), or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 (issued July 12, 1991) and, except as such Purchaser has disclosed to the Company in writing pursuant to this paragraph (b), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(c) the Source constitutes assets of an "investment fund" (within the meaning of Part V of the QPAM Exemption) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the

assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of "control" in Section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such QPAM and (ii) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this paragraph (c); or

(d) the Source is a governmental plan; or

(e) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this paragraph (e); or

(f) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

If any Purchaser or any subsequent transferee of the Notes indicates in writing that such Purchaser or such transferee is relying on any representation contained in paragraph (b), (c) or (e) above, the Company shall deliver on the date of Closing and on the date of any applicable transfer a certificate, which shall either state that (i) it is neither a party in interest nor a "disqualified person" (as defined in Section 4975(e)(2) of the Code), with respect to any plan identified pursuant to paragraphs (b) or (e) above, or (ii) with respect to any plan, identified pursuant to paragraph (c) above, neither it nor any "affiliate" (as defined in Section V(c) of the QPAM Exemption) has at such time, and during the immediately preceding one year, exercised the authority to appoint or terminate said QPAM as manager of any plan identified in writing pursuant to paragraph (c) above or to negotiate the terms of said QPAM's management agreement on behalf of any such identified plan. As used in this Section 6.2, the terms "employee benefit plan", "governmental plan", "party in interest" and "separate account" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

SECTION 7. INFORMATION AS TO COMPANY.

Section 7.1. Financial and Business Information. The Company shall deliver to each holder of Notes that is an Institutional Investor:

(a) Quarterly Statements -- within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of:

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, provided that delivery within the time period specified above of copies of the Company's Quarterly Report on Form 10-Q prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 7.1(a);

(b) Annual Statements -- within 90 days after the end of each fiscal year of the Company, duplicate copies of:

(i) a consolidated balance sheet of the Company and its Subsidiaries, as at the end of such year, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries, for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by

(A) an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, and

(B) a certificate of such accountants stating that they have reviewed this Agreement and containing substantially the following: "We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of Stepan Company as of December 31, 20xx, and the related statements of income, stockholders' equity, and cash flows for the year then ended, and have issued our report thereon. In connection with our audit, nothing came to our attention that caused us to believe that the Company failed to comply with the terms, covenants, provisions or conditions of Section 10.1, 10.2(a)(iii) and 10.6

of the Note Purchase Agreement dated as of September 1, 2002, with the purchasers stated therein (the "Purchasers") insofar as they relate to financial and accounting matters (except as hereinafter specified). However, our audit was not directed primarily toward obtaining knowledge of noncompliance with such Sections. This report is intended solely for the information and use of the boards of directors and management of Stepan Company and the Purchasers, and is not intended to be and should not be used by anyone other than these specified parties."

provided that the delivery within the time period specified above of the Company's Annual Report on Form 10-K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission, together with the accountant's certificate described in clause (B) above, shall be deemed to satisfy the requirements of this Section 7.1(b);

(c) Restricted Subsidiaries and Unrestricted Subsidiaries -- if, and so long as, the Company has (i) one or more Restricted Subsidiaries, the financial statements referred to in Section 7.1(a) and Section 7.1(b) shall be on a consolidated basis prepared in accordance with GAAP, or (ii) one or more Unrestricted Subsidiaries, the Company shall deliver to the holders of the Notes, promptly after receipt thereof, copies of balance sheets and income and surplus and cash flows statements of each such Subsidiary, prepared in accordance with GAAP, which are not included in the financial statements furnished pursuant to Section 7.1(b), in the form delivered to the Company for the fiscal year of each such Subsidiary;

(d) SEC and Other Reports -- promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Company or any Subsidiary to public securities holders generally, and (ii) each regular or periodic report, each registration statement (without exhibits except as expressly requested by such holder), and each prospectus and all amendments thereto filed by the Company or any Subsidiary with the Securities and Exchange Commission and of all press releases and other statements made available generally by the Company or any Subsidiary to the public concerning developments that are Material;

(e) Notice of Default or Event of Default -- promptly, and in any event within five Business Days (i) after a Responsible Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in Section 11(f), a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto and (ii) of their becoming available, one copy of any letter, certificate or other writing supplied by the Company's independent public accountants to any other Person pertaining to whether such accountants have cause to believe that there has been any default by the Company under any other agreement or evidence of Indebtedness;

(f) ERISA Matters -- promptly, and in any event within five Business Days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect;

(g) Notices from Governmental Authority -- promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Subsidiary of which a Responsible Officer is aware from any Federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect, provided that, with respect to notices regarding environmental matters at the Company's Maywood, New Jersey property, the Company shall only be required to send copies of such notices containing information regarding (i) adverse developments which are Material or (ii) matters not previously disclosed that could reasonably be expected to have a Material Adverse Effect; and

(h) Notice of Change of Control -- without limiting the obligations of the Company set forth in Section 8.3, promptly, and in any event within two Business Days of the earlier of becoming aware of the execution of a Definitive Agreement by the Company or the consummation of a Change of Control (as defined in Section 8.3), give notice thereof to all holders of the Notes; and

(i) Requested Information -- with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the

Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such holder of Notes.

Section 7.2. Officer's Certificate. Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) hereof shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) Covenant Compliance -- the information (including reasonably detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Section 10.1 through Section 10.10 hereof, inclusive, during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence); and

(b) Event of Default -- a statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

Section 7.3. Inspection. The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) No Default -- if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants with a representative of the Company being present, at the option of the Company, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) Default -- if a Default or Event of Default then exists, at the expense of the Company, to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants

(and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

SECTION 8. PREPAYMENT OF THE NOTES.

Section 8.1. Required Prepayments. In addition to paying the entire outstanding principal amount and the interest due on the Notes on the maturity date thereof, on September 1, 2009 and on each September 1, thereafter to and including September 1, 2014 the Company will prepay $4,286,000 principal amount (or such lesser principal amount as shall then be outstanding) of the Notes at par and without payment of the Make-Whole Amount or any premium, provided that upon any partial prepayment of the Notes pursuant to Section 8.2 or Section 8.3 or purchase of the Notes permitted by Section 8.6 the principal amount of each required prepayment of the Notes becoming due under this Section 8.1 on and after the date of such prepayment or purchase shall be reduced in the same proportion as the aggregate unpaid principal amount of the Notes is reduced as a result of such prepayment or purchase.

Section 8.2. Optional Prepayments with Make-Whole Amount. In addition to the prepayments required by Section 8.1, the Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes, in units of $1,000,000 or an integral multiple of $10,000 in excess thereof in the case of a partial prepayment, at 100% of the principal amount so prepaid, together with interest accrued thereon to the date of such prepayment, plus the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each holder of Notes written notice of each optional prepayment under this Section 8.2 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such date, the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with Section 8.4), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

Section 8.3. Prepayment on Failure of Holders to Consent to Change of Control. In the event that the Company shall request the holders of the Notes in writing to consent to a Change of Control and the holder or holders of any Notes shall, within 30 days following the receipt of such a request, have refused in writing to consent to such a Change of Control, then the Company may at its option, but shall prior to the Change of Control, at any time within 30 days after the earlier of (x) the receipt of a response to such request from the holder or holders of 100% of the outstanding Notes, or (y) the expiration of such 30 day period, and upon not less than three Business Days prior written notice, prepay all (but not less than all) Notes held by each holder which has refused to consent to such Change of Control by prepayment of the principal amount thereof and accrued interest thereon to the date of such prepayment, but without

any premium or Make Whole Amount. Any holder which has failed to respond in writing to such request prior to the expiration of such 30 day period shall, for all purposes hereof, be deemed to have consented to such Change of Control. Any request by the Company made pursuant to this Section 8.3 shall set forth (i) a summary of the transaction or transactions causing the Change of Control, (ii) the name and address of the "person" described in clause (i) or (ii) of the definition of the term "Change of Control" set forth below, (iii) such information relating to the acquiror and pro forma financial or other information as would be reasonably necessary for each holder to make an informed decision with respect to such request, (iv) a statement as to whether, at the time of such Change of Control and after giving effect thereto, either any Event of Default or any event which, with the passage of time or giving of notice, or both, would become an Event of Default, shall have occurred and be continuing and (v) a specific reference to this Section 8.3 and the requirement that the holders must respond in writing by the date set forth in the notice and that failure to respond in writing by such specified date shall be deemed consent by such holder to the Change of Control. In the event that the Company shall receive a response to its request from any holder of a Note, it will promptly deliver a copy thereof to all other holders of Notes.

For purposes of this Agreement, the term "Change of Control" shall mean and shall be deemed to have occurred, (i) upon the Acquisition by any "person" (as that term is used in Sections 13(d) and 14(d)(2) of the Exchange Act) of beneficial ownership, direct or indirect, of more than 50% of the outstanding Voting Stock of the Company, or (ii) upon the Acquisition of the Company, or all or substantially all of its assets by, or the combination of the Company, or all or substantially all of its assets with, another "person" (as defined above), unless, in the case of either of the foregoing clauses (i) or (ii), the acquiring or surviving "person" shall be a corporation more than 50% of the outstanding Voting Stock of which is owned, immediately after such Acquisition or combination, by the owners of the Voting Stock of the Company immediately prior to such Acquisition or combination. The term "Acquisition" shall mean the earlier to occur of (x) the actual possession of the subject Voting Stock or assets, and (y) the consummation of any transaction or series of related transactions which, with the passage of time, will give such person the actual possession thereof. The term "Voting Stock" shall mean securities of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or persons performing similar functions).

Section 8.4. Allocation of Partial Prepayments. In the case of each partial prepayment of the Notes pursuant to Section 8.2, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof. All partial prepayments made pursuant to Section 8.3 shall be applied only to the Notes of the holders who have refused in writing to consent to a Change of Control.

Section 8.5. Maturity; Surrender, Etc. In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable,

together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

Section 8.6. Purchase of Notes. The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except upon the payment or prepayment of the Notes in accordance with the terms of this Agreement and the Notes. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to any provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

Section 8.7. Make-Whole Amount. The term "Make-Whole Amount" means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal, provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"Called Principal" means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

"Discounted Value" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield" means, with respect to the Called Principal of any Note, 0.50% over the yield to maturity implied by (i) the yields reported, as of 10:00 A.M. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on page "PX-1" of the Bloomberg Financial Markets Service Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in U.S. Treasury securities) for actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if no such nationally recognized trading screen reporting on-line intraday trading in United States government securities is available, the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond-equivalent yields in

accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded U.S. Treasury security with the duration closest to and greater than the Remaining Average Life and (2) the actively traded U.S. Treasury security with the duration closest to and less than the Remaining Average Life.

"Remaining Average Life" means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"Remaining Scheduled Payments" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.2 or 12.1.

"Settlement Date" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

SECTION 9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

Section 9.1. Compliance with Law. The Company will, and will cause each of its Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case, except to the extent that non-compliance with such laws, ordinances or governmental rules or regulations, or failure to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations, could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 9.2. Insurance. The Company will, and will cause each of its Subsidiaries to, maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves

are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

Section 9.3. Maintenance of Properties. The Company will, and will cause each of its Subsidiaries to, maintain and keep, or cause to be maintained and kept, their respective Material properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not prevent the Company or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business.

Section 9.4. Payment of Taxes and Claims. The Company will, and will cause each of its Subsidiaries to, file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company or any Subsidiary, provided that neither the Company nor any Subsidiary need pay any such tax or assessment or claims if (a) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (b) the nonpayment of all such taxes and assessments in the aggregate could not reasonably be expected to have a Material Adverse Effect.

Section 9.5. Corporate Existence, Etc. The Company will at all times preserve and keep in full force and effect its corporate existence. Subject to Section 10.8, the Company will at all times preserve and keep in full force and effect the corporate existence of each of its Restricted Subsidiaries (unless merged into the Company or a Wholly-Owned Restricted Subsidiary or dissolved and the property and assets of such Subsidiary are dividended up to the Company or to a Wholly-Owned Restricted Subsidiary) and all rights and franchises of the Company and its Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

Section 9.6. Payment of Principal, Make-Whole Amount and Interest. The Company will pay or cause to be paid when due the principal and interest, and Make-Whole Amount, if any, to become due in respect of all the Notes according to the terms thereof.

Section 9.7. Keeping of Books. The Company will, and will cause each Subsidiary to, (a) at all times keep proper books of record and account in which full, true and correct entries will be made of its transactions in accordance with GAAP; and (b) set aside on its books from its earnings, for the fiscal year ending December 31, 2002, and each fiscal year thereafter, proper reserves which, in accordance with GAAP, should be set aside from such earnings in connection with its business.

Section 9.8. Guaranty by Subsidiaries. The Company will cause each Subsidiary which delivers a Guaranty to any Person (collectively, the "Subsidiary Guarantors") in respect of any Indebtedness of the Company outstanding under the Revolving Credit Agreement to concurrently enter into a Subsidiary Guaranty, and within five Business Days thereafter shall deliver to each of the holders of the Notes the following items:

(a) an executed counterpart of such Subsidiary Guaranty or joinder agreement in respect of an existing Subsidiary Guaranty, as appropriate;

(b) an executed counterpart of an intercreditor agreement among the holders of the Notes and each such Person to which a Subsidiary is then delivering a Guaranty giving rise to the requirements of this Section 9.8, which agreement shall be in form and substance reasonably satisfactory to the holders of the Notes and shall provide that the proceeds from the enforcement of all such Subsidiary Guaranties shall be shared on an equal and ratable basis among the holders of the Notes and such other Persons; and

(c) an opinion of counsel satisfactory to the Required Holders to the effect that such Subsidiary Guaranty has been duly authorized, executed and delivered and constitutes the legal, valid and binding contract and agreement of such Subsidiary enforceable in accordance with its terms, except as an enforcement of such terms may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

SECTION 10. NEGATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

Section 10.1. Financial Covenants.

(a) Interest Coverage Ratio. The Company and its Restricted Subsidiaries will maintain a ratio of Consolidated Earnings Before Interest and Taxes to Consolidated Interest Expense, as of the end of each fiscal quarter of the Company, such that the ratio calculated for such fiscal quarter and the preceding three fiscal quarters taken as one accounting period is at least 2.0 to 1.0.

(b) Funded Indebtedness Limitation. At no time shall the Company permit the ratio of (i) Consolidated Funded Indebtedness of the Company and its Restricted Subsidiaries to (ii) Consolidated Capitalization to exceed 0.55 to 1.00; provided that for purposes of this Section 10.1(b) all Indebtedness secured pursuant to the provisions of Sections 10.3(b), (c) and (d) shall constitute Funded Indebtedness.

(c) Secured Funded Indebtedness Limitation. The Company will not create, incur, issue, assume or become liable, contingently or otherwise, in respect of any secured Funded Indebtedness other than secured Funded Indebtedness incurred or assumed solely for the purpose of financing the acquisition of any property and secured only as permitted under Sections 10.3(b), (c) and (d), provided that

(x) the aggregate unpaid principal amount of all Indebtedness of the Company and its Restricted Subsidiaries secured by the mortgages or Liens permitted by Sections 10.3(b), (c) and (d) shall not at any time exceed an amount equal to 10% of Consolidated Capitalization, and

(y) the sum, without duplication, of (i) the aggregate unpaid principal amount of all Indebtedness of Restricted Subsidiaries permitted by Section 10.2(a)(iii)(A) (excluding Specified Subsidiary Indebtedness), (ii) the aggregate unpaid principal amount of all Indebtedness of the Company secured pursuant to the provisions of Sections 10.3(b), (c) and (d), and (iii) the aggregate amount of liabilities of the Company and its Restricted Subsidiaries secured by Liens permitted pursuant to the provisions of Section 10.3(k), shall not at any time exceed 20% of Consolidated Capitalization.

Section 10.2. Limitations on Restricted Subsidiaries. The Company will not cause, suffer or permit any Restricted Subsidiary to:

(a) create, incur, issue, assume or become or be liable, contingently or otherwise, in respect of any Indebtedness except:

(i) Indebtedness owing to the Company or to a Wholly-Owned Restricted Subsidiary,

(ii) unsecured accounts payable and other unsecured obligations (other than as a result of borrowing) incurred in the ordinary course of business of such Subsidiary, and

(iii) Indebtedness in addition to that described in subclauses (i) and (ii) above; provided that

(A) the aggregate principal amount of all Indebtedness of Restricted Subsidiaries (other than as described in subclauses (i) and (ii) above and other than Specified Subsidiary Indebtedness) shall not at any time exceed 10% of Consolidated Capitalization;

(B) the sum, without duplication, of (x) the aggregate unpaid principal amount of all such Indebtedness permitted by subclause (iii)(A), (y) the aggregate unpaid principal amount of all Indebtedness of the Company secured pursuant to the provisions of Sections 10.3(b), (c) and (d), and (z) the aggregate amount of liabilities of the Company and its Restricted Subsidiaries secured by Liens permitted pursuant to the provisions of Section 10.3(k), shall not at any time exceed 20% of Consolidated Capitalization; and

(C) at the time of creation, incurrence, issuance, assumption or guarantee thereof and after giving effect thereto and to the application of

the proceeds thereof, no Default or Event of Default would exist (including, without limitation, under Section 10.1(b) hereof); or

(b) issue or sell any shares of its capital stock or securities convertible into such capital stock except (i) issuance or sale of directors' qualifying shares, (ii) issuance or sale to the Company or to any Wholly-Owned Restricted Subsidiary, (iii) issuance or sale of additional shares of stock of any such Subsidiary to any holders thereof entitled to receive or purchase such additional shares through the declaration of a stock dividend or through the exercise of preemptive rights and (iv) issuance or sale to any Substantially-Owned Restricted Subsidiary for fair value, provided that the Dilution of the Company's and its Restricted Subsidiaries' interests in the Subsidiary whose shares of capital stock or convertible securities are so issued or sold shall be treated as a sale of assets by the Company and such sale or deemed sale shall be permitted by Section 10.8; or

(c) sell, assign, transfer or otherwise dispose of any shares of capital stock of any class of any other Restricted Subsidiary, or any other security of, or any Indebtedness owing to it by, any other Restricted Subsidiary (except in each case to the Company or to a Wholly-Owned Restricted Subsidiary) unless such sale, assignment, transfer or other disposition (i) shall be to a Substantially-Owned Restricted Subsidiary for fair value and the Dilution of the Company's and its Restricted Subsidiaries' interests in the Subsidiary whose shares of capital stock, securities or Indebtedness are so sold, assigned, transferred or disposed of shall be treated as a sale of assets of the Company and such sale or deemed sale shall be permitted by Section 10.8 or (ii) shall meet all the conditions set forth in Section 10.7 which would be applicable to a similar disposition made by the Company; or

(d) consolidate with or merge into any other corporation or permit any other corporation to merge into it, except a merger into or consolidation with (i) the Company, (ii) any Wholly-Owned Restricted Subsidiary or (iii) any other corporation if, immediately thereafter, (y) the surviving corporation shall be a Restricted Subsidiary, and (z) the Company shall be in full compliance with all the terms and provisions of this Agreement and the Notes; or

(e) sell, lease, transfer or otherwise dispose of all or any substantial part of its property and assets except (i) to the Company or any Wholly-Owned Restricted Subsidiary or (ii) in the case of a sale to any other Person, in compliance with all applicable requirements of Sections 10.7, 10.8 and 10.11; or

(f) make any Investments or commitments to make Investments except as expressly permitted by Section 10.5.

Any corporation which becomes a Restricted Subsidiary after the date hereof shall for all purposes of this Section 10.2 be deemed to have created, assumed or incurred, at the time it becomes a Restricted Subsidiary, all Indebtedness of such corporation existing immediately after it becomes a Restricted Subsidiary.

Section 10.3. Limitations on Liens. The Company will not itself, and will not permit or suffer any Restricted Subsidiary to, create or incur or suffer to be created or incurred or to exist any mortgage, Lien, security interest, charge or encumbrance of any kind on, or pledge of, any property or assets of any kind, real or personal, tangible or intangible, of the Company or any such Subsidiary, whether owned on the date of original issue of the Notes or thereafter acquired, or acquire or agree to acquire any property or assets of any kind under a conditional sale agreement or other title retention agreement or file or permit the filing of any financing statement under the Uniform Commercial Code or other similar notice under any other similar statute without equally and ratably securing the Notes with all other obligations secured thereby and which security shall be created and conveyed by documentation (which may include an intercreditor agreement) determined prior to such conveyance to be satisfactory in scope, form and substance to the Required Holders and which security shall continue in full force and effect until either (x) the same is released by the Required Holders, (y) all other obligations secured thereby are discharged, or (z) the security is released by the holders of all such other obligations, and in any case the Notes shall have the benefit, to the full extent that the holders may be entitled thereto under applicable law, of an equitable Lien on such property or assets equally and ratably securing the Notes; provided, however, that the provisions of this Section 10.3 shall not prevent or restrict the creation, incurring or existence of any of the following:

(a) any mortgage, Lien, security interest, charge or encumbrance on, or pledge of, any property or assets of any such Subsidiary to secure Indebtedness owing by it to the Company or a Wholly-Owned Restricted Subsidiary;

(b) purchase money mortgages or other Liens on real property (including leaseholds) and fixtures thereon, acquired by the Company or any such Subsidiary, to secure the purchase price of such property (or to secure Indebtedness incurred solely for the purpose of financing the acquisition of any such property to be subject to such mortgage or other Lien) and created contemporaneously with such acquisition or within 180 days thereafter, or mortgages or other Liens existing on any such property at the time of acquisition of such property by the Company or by such Subsidiary, whether or not assumed, or any mortgage or Lien on real property of such Subsidiary existing at the time of acquisition of such Subsidiary, provided that at the time of the acquisition of the property by the Company or a Restricted Subsidiary, or at the time of the acquisition of the Restricted Subsidiary by the Company, as the case may be, (i) the principal amount of the Indebtedness secured by each such mortgage or Lien, plus the principal amount of all other Indebtedness secured by mortgages or Liens on the same property, shall not exceed 75% (100% in the case of Capitalized Leases) of the cost (which shall be deemed to include the amount of all Indebtedness secured by mortgages or other Liens, including existing Liens, on such property) of such property to the Company or any such Subsidiary, or 75% (100% in the case of Capitalized Leases) of the fair value thereof (without deduction of the Indebtedness secured by mortgages or Liens on such property) at the time of the acquisition thereof by the Company or such Subsidiary, whichever is the lesser, and (ii) every mortgage or Lien shall apply only to the property originally subject thereto and fixed improvements, accessions and attachments constructed or located thereon;

(c) refundings or extensions of the mortgages or Liens permitted in the foregoing clause (b) applying only to the same property theretofore subject to the same and fixed improvements, accessions and attachments constructed or located thereon and for amounts not exceeding the greater of (i) the principal amounts of the Indebtedness so refunded or extended at the time of the refunding or extension thereof or (ii) amounts of additional Indebtedness then permitted under all applicable provisions of Section 10.1, provided that the principal amount of such Indebtedness, plus the principal amount of all other Indebtedness secured by mortgages or Liens on the same property, shall not exceed 75% (100% in the case of Capitalized Leases) of the fair value thereof (without deduction of the Indebtedness secured by mortgages or Liens on such property) at the time of the refunding or extension;

(d) the owning or acquiring or agreeing to acquire machinery or equipment useful for the business of the Company or any such Subsidiary subject to or upon chattel mortgages or conditional sale agreements or other title retention agreements, provided that the principal amounts of the Indebtedness secured by such chattel mortgages, plus the aggregate amounts payable under such conditional sale agreements and other title retention agreements, shall not exceed the limitations set forth in Section 10.1(c);

(e) deposits, Liens or pledges to enable the Company or any such Subsidiary to exercise any privilege or license, or to secure payments of workmen's compensation, unemployment insurance, old age pensions or other social security, or to secure the performance of bids, tenders, contracts (other than for the payment of money) or leases to which the Company or any such Subsidiary is a party, or to secure public or statutory obligations of the Company or any such Subsidiary, or to secure surety, stay or appeal bonds to which the Company or any such Subsidiary is a party, but, as to all of the foregoing, only if the same shall arise and continue in the ordinary course of business; or other similar deposits or pledges made and continued in the ordinary course of business;

(f) mechanic's, workmen's, repairmen's or carriers' Liens, but only if arising, and only so long as continuing, in the ordinary course of business; or other similar Liens arising and continuing in the ordinary course of business; or deposits or pledges in the ordinary course of business to obtain the release of any such Liens;

(g) Liens arising out of judgments or awards against the Company or any such Subsidiary with respect to which the Company or such Subsidiary shall in good faith be prosecuting an appeal or proceedings for review; or Liens incurred by the Company or any such Subsidiary for the purpose of obtaining a stay or discharge in the course of any legal proceeding to which the Company or such Subsidiary is a party;

(h) Liens for taxes not yet subject to penalties for non-payment or contested as permitted by Section 9.4, or survey exceptions, or encumbrances, easements or reservations of, or rights of others for, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real properties, which encumbrances, easements, reservations, rights and restrictions do not in the aggregate materially detract from the value of said properties or materially

impair their use in the operation of the business of the Company or of such Subsidiary owning the same;

(i) Liens: (x) in favor of the United States of America or any department or agency thereof or in favor of a prime contractor under a United States Government contract, and (y) resulting from the acceptance of progress or partial payments under United States Government contracts or subcontracts thereunder;

(j) any arrangement permitted by Section 10.9;

(k) inchoate Liens arising under ERISA to secure contingent liabilities under said Act; or

(l) Liens on accounts receivable and ancillary rights sold (or in which participating interests are sold) in compliance with all applicable requirements of Section 10.8,

provided, however, that the aggregate unpaid principal amount of all Indebtedness of the Company and its Restricted Subsidiaries secured by the mortgages or Liens of the types described in Sections 10.3(b), (c) and (d) shall not at any time exceed the amounts permitted pursuant to Sections 10.1(c) and 10.2(a)(iii)(B).

For purposes of this Agreement, the Company or a Restricted Subsidiary shall be deemed to be the owner of any property which it has acquired or holds subject to a conditional sale agreement, Capitalized Lease or other arrangement pursuant to which the property has been retained by or vested in some other person for security purposes and such retention or vesting shall constitute a Lien hereunder.

Section 10.4. Limitations on Guaranties. The Company will not itself, and will not permit any Restricted Subsidiary to, guarantee any dividend, or guarantee any obligation or Indebtedness, of any other Person other than (a) guaranties by the Company of obligations or Indebtedness of a Restricted Subsidiary which such Subsidiary shall be authorized to incur pursuant to the provisions of this Agreement, (b) guaranties incurred in the ordinary course of business of the Company or of a Restricted Subsidiary, (c) guaranties by the Company of Indebtedness of Persons other than Restricted Subsidiaries if, and to the extent that, immediately after giving effect thereto, no Default or Event of Default would exist (including, without limitation, under Section 10.1(b), treating all such guaranties as Funded Indebtedness for purposes of such determination), (d) Subsidiary Guaranties and (e) Permitted Guaranties.

Section 10.5. Limitations on Investments. The Company will not itself, and will not permit any Restricted Subsidiary to, make any Investment, or any commitment to make any Investment, if, immediately after giving effect to any such proposed Investment, (a) the aggregate amount of all Investments, including Investments made prior to the date of original issue of the Notes (all such Investments to be taken at the cost thereof at the time of making such Investment without allowance for any subsequent write-offs or appreciation or depreciation thereof, but less any amount repaid or recovered on account of capital or principal), shall exceed

30% of the Consolidated Tangible Net Worth of the Company and its Restricted Subsidiaries, or (b) Consolidated Funded Indebtedness shall exceed 55% of Consolidated Capitalization.

Section 10.6. Limitations on Dividends. The Company will not declare or pay, or set apart any funds for the payment of, any dividends (other than dividends payable in common stock of the Company) on any shares of capital stock of any class of the Company, or apply any of its funds, property or assets to, or set apart any funds, property or assets for, the purchase, redemption or other retirement of, or make any other distribution, by reduction of capital or otherwise, in respect of, any shares of capital stock of any class of the Company, unless, immediately after giving effect to such action (a) no Default or Event of Default would exist (including, without limitation, under Section 10.1(b) hereof), and (b) the sum of

(1) the amounts declared and paid or payable as, or set apart for, dividends (other than dividends paid or payable in common stock of the Company) on, or distributions (taken at cost to the Company or fair value at time of distribution, whichever is higher) in respect of, all shares of capital stock of all classes of the Company subsequent to December 31, 2001, and

(2) the excess, if any, of the amounts applied to, or set apart for, the purchase, redemption or retirement of all shares of capital stock of all classes of the Company subsequent to December 31, 2001, over the sum of (i) such amounts as shall have been received as the net cash proceeds of sales of shares of capital stock of all classes of the Company subsequent to December 31, 2001, plus (ii) the aggregate principal amount of all Indebtedness of the Company and its Subsidiaries converted into or exchanged for shares of capital stock of the Company subsequent to December 31, 2001,

would not be in excess of (x) $30,000,000 plus (or minus in the case of a deficit) (y) the Consolidated Net Income of the Company and its Restricted Subsidiaries accrued subsequent to December 31, 2001. The foregoing provisions of this Section 10.6 to the contrary notwithstanding (i) the Company may pay any dividend within 90 days of the date of its declaration if, on the date of declaration, such dividend could properly have been paid within the limitations of this Section 10.6, and (ii) the Company may pay regular dividends on or make payments or purchases required to be made at the time when made by the terms of any sinking fund, purchase fund or mandatory redemption requirement in respect of any outstanding shares of preferred stock of the Company originally issued for cash but all amounts so paid or applied pursuant to clauses (i) and (ii) above shall be included in any subsequent computation of restricted payments under this Section 10.6. The Company will not declare any dividend to be payable more than 90 days after the date of declaration thereof. The Company will not declare any dividend if an Event of Default shall have occurred and be continuing.

Section 10.7. Limitations on Dispositions of Stock or Indebtedness of Restricted Subsidiaries. The Company will not sell, assign, transfer or otherwise dispose of (except to a Wholly-Owned Restricted Subsidiary) any shares of capital stock of any class of any Restricted Subsidiary, or any other security of, or any Indebtedness owing to the Company by, any such Restricted Subsidiary, unless

(a) (i) all of the capital stock and other securities owned by the Company and its Restricted Subsidiaries, and the entire Indebtedness of such Restricted Subsidiary at the time owing to the Company and all its other Restricted Subsidiaries, shall be sold, assigned, transferred or otherwise disposed of, at the same time for cash, (ii) such Restricted Subsidiary shall not, at the time of such sale, assignment, transfer or other disposition, own either (x) any shares of capital stock of any class or any other security or any Indebtedness of any other Restricted Subsidiary of the Company which is not being simultaneously disposed of as permitted by this Section 10.7 or (y) any Indebtedness of the Company, and (iii) such sale, assignment or transfer is permitted by Section 10.8; or

(b) such sale, assignment, transfer or other disposition is to a Substantially-Owned Restricted Subsidiary for fair value and the Dilution of the Company's and its Restricted Subsidiaries' interests in the Subsidiary whose shares of capital stock, securities or Indebtedness are so sold, assigned, transferred or disposed of shall be treated as a sale of assets of the Company and shall be in compliance with the applicable requirements of Section 10.8.

Section 10.8. Limitations on Mergers, Consolidations and Sales of Assets. The Company will not (a) consolidate with or merge into any other Person, or permit any other Person to merge into the Company, unless (i) the surviving or continuing Person shall be either the Company or another solvent corporation organized under the laws of any state of the United States or the District of Columbia having long term unsecured debt which is rated "BBB" or better by Standard & Poor's Corporation or "Baa" or better by Moody's Investors Service, Inc., (ii) the due and punctual payment of the principal of and Make-Whole Amount, if any, and interest on all of the Notes according to their tenor, and this Agreement to be performed or observed by the Company are expressly assumed in writing by the surviving corporation and the surviving corporation shall furnish to the holders of the Notes an opinion of counsel satisfactory to such holders to the effect that the instrument of assumption has been duly authorized, executed and delivered and constitutes the legal, valid and binding contract and agreement of the surviving corporation enforceable in accordance with its terms, except as enforcement of such terms may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' right generally and by general equitable principles, and (iii) no Event of Default shall exist at the time of, or result from, such merger or consolidation; or (b) sell, lease, transfer or otherwise dispose of all or any substantial part of its property and assets.

For the purposes of this Section 10.8 and Section 10.2(e), a sale, lease, transfer or disposition of properties or assets of the Company or a Restricted Subsidiary shall be deemed to be of a "substantial part" thereof only if the fair market value of such properties or assets, when added to the fair market value of all other properties or assets sold, leased, transferred or disposed of by the Company and its Restricted Subsidiaries, other than (x) in the ordinary course of business, or (y) in an Approved Transaction, during the 365 day period ending on the date of the consummation of such sale, lease, transfer or disposition exceeds 15% of the Consolidated Assets of the Company and its Restricted Subsidiaries determined as of the end of the Company's immediately preceding fiscal year.

As used herein, the term "Approved Transaction" shall mean any sale, lease, transfer or disposition of properties or assets to the extent that the Company shall, within 5 Business Days of such sale, lease, transfer or disposition, certify in writing to each holder of outstanding Notes that such transaction shall constitute an "Approved Transaction" for all purposes hereof.

The Company will, on a date not later than the 365th day after the occurrence of any Approved Transaction, apply an amount equal to the net after tax proceeds of each Approved Transaction to either

(i) the purchase, acquisition or construction of capital assets which are useful and to be used in the surfactant, polymer, or specialty chemical business of the Company or a Restricted Subsidiary or a line of business reasonably related to the foregoing or any other line of business in which the Company and its Subsidiaries are engaged as of the date of Closing and described in the 10-K, or

(ii) the prepayment of unsecured Funded Indebtedness of the Company, including the concurrent prepayment of Notes pursuant to the provisions of Section 8.2 hereof pro rata with all other unsecured Funded Indebtedness then being prepaid;

provided, however, that to the extent that, at any time, the fair market value of all properties or assets which were the subject of Approved Transactions (an amount equal to the net after tax proceeds of which have not theretofore been applied as contemplated in clause (i) or clause (ii) above) exceeds 10% of the Consolidated Assets of the Company and its Restricted Subsidiaries, determined as of the end of the fiscal year of the Company immediately preceding any determination hereunder, the Company will, on a date not later than the 30th day after such determination, apply the net after tax proceeds of such excess Approved Transactions in the manner contemplated in clause (i) or clause (ii) above.

Section 10.9. Limitations on Sale-and-Leasebacks. The Company will not itself, and will not permit any Restricted Subsidiary to, enter into any arrangement, directly or indirectly, with any person whereby the Company or such Subsidiary shall sell or transfer any manufacturing plant or equipment owned or acquired by the Company or such Subsidiary and then or thereafter rent or lease, as lessee, such property or any part thereof, or other property which the Company or such Subsidiary, as the case may be, intends to use for substantially the same purpose or purposes as the property being sold or transferred, unless (a) the lease covering such property or other property shall be for a term of not less than three years, and (b) the Company could then have outstanding unsecured Funded Indebtedness under Section 10.1(b) in an amount not less than the capitalized value of the rentals payable by the Company or such Subsidiary, as the case may be, under such lease determined in accordance with GAAP.

Section 10.10. Limitations on Rentals. The Company will not itself, and will not permit any Restricted Subsidiary to, enter into, as lessee, or be a party to, any lease of property if, immediately after giving effect to such lease, the aggregate amount of Rentals (excluding up to $2,500,000 of tank car rentals incurred during such fiscal year and any Rentals payable under Capitalized Leases or under leases between the Company and any Wholly-Owned Restricted Subsidiary or between Wholly-Owned Restricted Subsidiaries) for any fiscal year of the

Company payable by the Company and its Restricted Subsidiaries with respect to all such leases shall exceed 5% of Consolidated Tangible Net Worth of the Company and its Restricted Subsidiaries. For the purposes of this Section 10.10, the term "Rentals," with respect to any lease and for any period, shall mean the aggregate amount payable by the lessee under such lease for such period to the lessor.

Section 10.11. Transactions with Affiliates. Notwithstanding any other provision hereof, the Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into any transaction with any Affiliate of the Company (other than a Wholly-Owned Restricted Subsidiary) unless such transaction is in the ordinary course of, and pursuant to the reasonable requirements of, the Company's or such Restricted Subsidiary's business and is determined by the Board of Directors of the Company to be at least as favorable to the Company or such Restricted Subsidiary as generally obtainable at the time from persons other than Affiliates of the Company in a similar transaction.

SECTION 11. EVENTS OF DEFAULT.

An "Event of Default" shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in Section 10; or

(d) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this Section 11) and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "notice of default" and to refer specifically to this paragraph (d) of Section 11); or

(e) any representation or warranty made in writing by or on behalf of the Company or any Subsidiary Guarantor or by any officer of the Company or any Subsidiary Guarantor in this Agreement, any Subsidiary Guaranty or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Company or any Restricted Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or

make-whole amount or interest on any Indebtedness that is outstanding in an aggregate principal amount of at least $2,500,000 beyond any period of grace provided with respect thereto, or (ii) the Company or any Restricted Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness in an aggregate outstanding principal amount of at least $2,500,000 or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared (or one or more Persons are entitled to declare such Indebtedness to be), due and payable before its stated maturity or before its regularly scheduled dates of payment, or (iii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder of Indebtedness to convert such Indebtedness into equity interests), (x) the Company or any Restricted Subsidiary has become obligated to purchase or repay Indebtedness before its regular maturity or before its regularly scheduled dates of payment in an aggregate outstanding principal amount of at least $2,500,000, or (y) one or more Persons have the right to require the Company or any Restricted Subsidiary so to purchase or repay such Indebtedness; or

(g) the Company or any Restricted Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or governmental authority of competent jurisdiction enters an order appointing, without consent by the Company or any of its Restricted Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any of its Restricted Subsidiaries, or any such petition shall be filed against the Company or any of its Restricted Subsidiaries and such petition shall not be dismissed within 60 days; or

(i) a final judgment or judgments for the payment of money in excess of $1,000,000 are rendered against one or more of the Company and its Restricted Subsidiaries and which judgments are not, within 30 days after entry thereof, bonded, discharged or stayed pending appeal or are not discharged within 60 days after the expiration of such stay or appeal; or

(j) a Change of Control shall occur and continue for more than 40 days or a default shall occur in giving notice of any Change of Control pursuant to the provisions of Section 7.1(h); or

(k) any Subsidiary Guaranty shall cease to be in full force and effect for any reason whatsoever (other than with the prior consent of the Required Holders), including, without limitation, a determination by a Governmental Authority of competent jurisdiction that either such guaranty is invalid, void or unenforceable or a Subsidiary Guarantor shall contest or deny in writing the validity or enforceability of any of its obligations under any Subsidiary Guaranty; or

(l) if (i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under Section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA Section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate "amount of unfunded benefit liabilities" (within the meaning of Section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed $5,000,000, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Company or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect.

As used in Section 11(l), the terms "employee benefit plan" and "employee welfare benefit plan" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

SECTION 12. REMEDIES ON DEFAULT, ETC.

Section 12.1. Acceleration. (a) If an Event of Default with respect to the Company described in paragraph (g) or (h) of Section 11 (other than an Event of Default described in clause (i) of paragraph (g) or described in clause (vi) of paragraph (g) by virtue of the fact that such clause encompasses clause (i) of paragraph (g)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any Event of Default described in paragraph (a) of Section 11 has occurred and is continuing, any holder or holders of 25% or more in principal amount of the Notes at the time outstanding may, and if any other Event of Default has occurred and is continuing, the Required

Holders may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) In addition to the collective remedies of the holders of the Notes in clause (b), if any Event of Default described in paragraph (a) or (b) of Section 11 has occurred and is continuing, any holder of Notes at the time outstanding affected by such Event of Default may at any time, at its option, by notice or notices to the Company, declare all the Notes held by it to be immediately due and payable.

Upon any Note's becoming due and payable under this Section 12.1, whether automatically or by declaration, such Note will forthwith mature and the entire unpaid principal amount of such Note, plus (x) all accrued and unpaid interest thereon and (y) the Make-Whole Amount determined in respect of such principal amount (to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for), and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

Section 12.2. Other Remedies. If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

Section 12.3. Rescission. At any time after any Notes have been declared due and payable pursuant to clause (b) or (c) of Section 12.1, the Required Holders then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the Default Rate, (b) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

Section 12.4. No Waivers or Election of Remedies, Expenses, Etc. No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No

right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

SECTION 13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

Section 13.1. Registration of Notes. The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

Section 13.2. Transfer and Exchange of Notes. Upon surrender of any Note at the principal executive office of the Company for registration of transfer or exchange (and in the case of a surrender for registration of transfer, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Note or its attorney duly authorized in writing and accompanied by the address for notices of each transferee of such Note or part thereof), the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of Exhibit 1. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than $100,000, provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than $100,000. Any transferee of a Note, or purchaser of a participation therein, shall, by its acceptance of such Note be deemed to make the same representations to the Company regarding the Note or participation as such Purchaser has made pursuant to Section 6.2, provided that such entity may (in reliance upon information provided by the Company, which shall not be unreasonably withheld) make a representation to the effect that the purchase by such entity of any Note will not constitute a non-exempt prohibited transaction under Section 406(a) of ERISA.

Section 13.3. Replacement of Notes. Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of

any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least $15,000,000, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

the Company at its own expense shall execute and deliver, in lieu thereof, a new Note, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

SECTION 14. PAYMENTS ON NOTES.

Section 14.1. Place of Payment. Subject to Section 14.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in Northfield, Illinois, at the principal office of the Company in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

Section 14.2. Home Office Payment. So long as any Purchaser or such Purchaser's nominee shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose below such Purchaser's signature at the foot of this Agreement, or by such other method or at such other address as such Purchaser shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, such Purchaser shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. The Company will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by any Purchaser under this Agreement and that has made the same agreement relating to such Note as such Purchaser has made in this Section 14.2.

SECTION 15. EXPENSES, ETC.

Section 15.1. Transaction Expenses. Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable

attorneys' fees of a special counsel and, if reasonably required, local or other counsel) incurred by each Purchaser or holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement or the Notes (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the Notes, or by reason of being a holder of any Note, and (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes. The Company will pay, and will save each Purchaser and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses, if any, of brokers and finders (other than those retained by such Purchaser or holder).

Section 15.2. Survival. The obligations of the Company under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement or the Notes, and the termination of this Agreement.

SECTION 16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by any Purchaser of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of such Purchaser or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement made as of the date given and qualified to the extent provided therein. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between each Purchaser and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

SECTION 17. AMENDMENT AND WAIVER.

Section 17.1. Requirements. This Agreement and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (a) no amendment or waiver of any of the provisions of Section 1, 2, 3, 4, 5, 6 or 21 hereof, or any defined term (as it is used therein), will be effective as to any Purchaser unless consented to by such Purchaser in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Note at the time outstanding affected thereby, (i) subject to the provisions of Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or of the Make-Whole Amount on, the

Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, (iii) amend any of Section 8, 11(a), 11(b), 12, 17 or 20 or (iv) give to any Note any preference over any other Note.

Section 17.2. Solicitation of Holders of Notes.

(a) Solicitation. The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 17 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) Payment. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes of any waiver or amendment of any of the terms and provisions hereof or of the Notes unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each holder of Notes then outstanding whether or not such holder consented to such waiver or amendment.

Section 17.3. Binding Effect, Etc. Any amendment or waiver consented to as provided in this Section 17 applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term "this Agreement" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

Section 17.4. Notes Held by Company, Etc. Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

SECTION 18. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telefacsimile if the sender on the same day sends a confirming copy of such notice by a

recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to a Purchaser or such Purchaser's nominee, to such Purchaser or such Purchaser's nominee at the address specified for such communications below such Purchaser's signature at the foot of this Agreement, or at such other address as such Purchaser or such Purchaser's nominee shall have specified to the Company in writing,

(ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of Chief Financial Officer with a copy to the Company's General Counsel, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this Section 18 will be deemed given only when actually received.

SECTION 19. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by each Purchaser at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to each Purchaser, may be reproduced by such Purchaser by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and such Purchaser may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

SECTION 20. CONFIDENTIAL INFORMATION.

For the purposes of this Section 20, "Confidential Information" means information delivered to any Purchaser by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by such Purchaser as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly

known through no act or omission by such Purchaser or any Person acting on such Purchaser's behalf, (c) otherwise becomes known to such Purchaser other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to such Purchaser under Section 7.1 that are otherwise publicly available. Each Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser, provided that such Purchaser may deliver or disclose Confidential Information to (i) such Purchaser's directors, trustees, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by such Purchaser's Notes), (ii) such Purchaser's financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 20, (iii) any other holder of any Note, (iv) any Institutional Investor to which such Purchaser sells or offers to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (v) any Person from which such Purchaser offers to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (vi) any federal or state regulatory authority having jurisdiction over such Purchaser, (vii) the National Association of Insurance Commissioners or any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser's investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to such Purchaser, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Purchaser is a party or (z) if an Event of Default has occurred and is continuing, to the extent such Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under such Purchaser's Notes and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee or any other holder that shall have previously delivered such a confirmation), such holder will confirm in writing that it is bound by the provisions of this Section 20.

SECTION 21. SUBSTITUTION OF PURCHASER.

Each Purchaser shall have the right to substitute any one of such Purchaser's Affiliates as the purchaser of the Notes that such Purchaser has agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both such Purchaser and such Purchaser's Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, wherever the word "Purchaser" is used in this Agreement (other than in this Section 21), such word shall be deemed to refer to such Affiliate in lieu of such Purchaser. In the event that such Affiliate is so substituted as a purchaser hereunder and such Affiliate thereafter transfers to such Purchaser all

of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, wherever the word "Purchaser" is used in this Agreement (other than in this Section 21), such word shall no longer be deemed to refer to such Affiliate, but shall refer to such Purchaser, and such Purchaser shall have all the rights of an original holder of the Notes under this Agreement.

SECTION 22. MISCELLANEOUS.

Section 22.1. Successors and Assigns. All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not. The Company may not assign any of its rights hereunder without the written consent of the holders of the Notes.

Section 22.2. Payments Due on Non-Business Days. Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of or Make-Whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day.

Section 22.3. Severability. Any provision of this Agreement 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 hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

Section 22.4. Construction. Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

Section 22.5. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by fewer than all, but together signed by all, of the parties hereto.

Section 22.6. Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of Illinois excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

* * * * *

The execution hereof by the Purchasers shall constitute a contract among the Company and the Purchasers for the uses and purposes hereinabove set forth.

Very truly yours,

STEPAN COMPANY

By

Name:
Title:

The foregoing is hereby agreed
to as of the date thereof.

THE NORTHWESTERN MUTUAL LIFE INSURANCE
COMPANY

By

Name:
Its Authorized Representative

THE NORTHWESTERN MUTUAL LIFE INSURANCE
COMPANY for its Group Annuity Separate
Account

By

Name:
Its Authorized Representative

The foregoing is hereby agreed
to as of the date thereof.

THRIVENT FINANCIAL FOR LUTHERANS

By

Name:
Title:

The foregoing is hereby agreed
to as of the date thereof.

CONNECTICUT GENERAL LIFE INSURANCE
COMPANY

By: CIGNA Investments, Inc. (authorized
agent)

By

Name:
Title:

The foregoing is hereby agreed
to as of the date thereof.

MONY LIFE INSURANCE COMPANY

By MONY Capital Management, Inc., as
Investment Adviser

By

Name:
Title:

PRINCIPAL AMOUNT OF NOTES
TO BE PURCHASED

THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY — $ 20,000,000
720 East Wisconsin Avenue
Milwaukee, Wisconsin 53202
Attention: Securities Department
Telecopier Number: (414) 665-7124

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as "Stepan Company, 6.86% Senior Notes due September 1, 2015, PPN 858586 E@ 5, principal, premium or interest") to:

Bankers Trust Company
ABA #021-001-033
16 Wall Street
Insurance Unit, 4th Floor
New York, New York 10005

for credit to: The Northwestern Mutual Life Insurance Company
Account Number 00-000-027

Notices

All notices and communications to be addressed as first provided above, except notices with respect to payments and written confirmation of each such payment to be addressed, Attention: Investment Operations, Fax Number: (414) 625-6998.

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 39-0509570

SCHEDULE A
(to Note Purchase Agreement)

	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY for its Group Annuity Separate Account	$ 1,000,000

720 East Wisconsin Avenue
Milwaukee, Wisconsin 53202
Attention: Securities Department
Telecopier Number: (414) 665-7124

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as "Stepan Company, 6.86% Senior Notes due September 1, 2015, PPN 858586 E@ 5, principal, premium or interest") to:

Bankers Trust Company
ABA #0210-01033
16 Wall Street
Insurance Unit, 4th Floor
New York, New York 10005

for credit to: The Northwestern Mutual Life Insurance Company for its Group Annuity Separate Account
Account Number 50-233-339

Notices

All notices and communications to be addressed as first provided above, except notices with respect to payments and written confirmation of each such payment to be addressed, Attention: Investment Operations, Fax Number: (414) 665-6998.

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 39-0509570

PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED

	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
THRIVENT FINANCIAL FOR LUTHERANS 4321 North Ballard Road Appleton, Wisconsin 54919 Attention: Investment Department	$ 3,000,000

Payments

All payments of principal, interest and premium on the account of the Notes shall be made by bank wire transfer (in immediately available funds) to:

Citibank, N.A.
ABA #021-000-089
DDA #36126473
Attn: Ann Siberon
Ref Account #846647
Thrivent Financial for Lutherans Custody Account
Stepan Company 6.86% Senior Notes due 2015
Private Placement Number: 858586 E@ 5
Reference Purpose of Payment
Principal and Interest Breakdown

Notices

All notices on or in respect to the Notes and written confirmation of each such payment to be addressed to:

Investment Department
Thrivent Financial for Lutherans
222 West College Avenue, Floor 9
Appleton, Wisconsin 54911
Fax: 920-628-3752

and

Income Collection & Disbursement
Attn: Gay Quitsch
Account #846647
Thrivent Financial for Lutherans Custody Account
3800 Citicorp Center Tampa
Building B, Floor 1, Zone 7
Tampa, Florida 33610-9122
Fax: 813-604-1100

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number for Thrivent Financial for Lutherans: 39-0123480

	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
CONNECTICUT GENERAL LIFE INSURANCE COMPANY c/o Cigna Retirement & Investment Services 280 Trumbull Street Hartford, Connecticut 06103 Attention: Private and Alternative Investments, H16B Fax: 860-534-7203	$ 3,000,000

Payments

All payments on or in respect of the Notes to be by Federal Funds Wire Transfer to:

J. P. Morgan Chase Bank
BNF=CIGNA Private Placements/AC=9009001802
ABA #021000021
OBI=Stepan Company, 6.86% Senior Notes due 2015, PPN 858586 E@ 5, September 1, 2015 and application (as among principal, premium and interest of the payment being made); contact name and phone.

Address for Notices Related to Payments:

CIG & Co.
c/o CIGNA Investments, Inc.
Attention: Securities Processing, H05P
280 Trumbull Street
Hartford, Connecticut 06103

CIG & Co.
c/o CIGNA Retirement & Investment Services
Attention: Private and Alternative Investments, H16B
280 Trumbull Street
Hartford, Connecticut 06103
Fax: 860-534-7203

with a copy to:

J. P. Morgan Chase Bank
Private Placement Servicing
P. O. Box 1508
Bowling Green Station
New York, New York 10081
Attention: CIGNA Private Placements
Fax: 212-552-3107/1005

Address for All Other Notices:

CIG & Co.
c/o CIGNA Retirement & Investment Services
Attention: Private and Alternative Investments, H16B
280 Trumbull Street
Hartford, Connecticut 06103
Fax: 860-534-7203

Name of Nominee in which Notes are to be issued: CIG & Co.

Taxpayer I.D. Number for CIG & Co.: 13-3574027

PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED

MONY LIFE INSURANCE COMPANY $ 3,000,000
1740 Broadway
New York, New York 10019
Attention: Capital Management Unit
Fax Number: (212) 708-2491

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as "Stepan Company, 6.86% Senior Notes due September 1, 2015, PPN 858586 E@ 5, principal, premium or interest") to:

JP Morgan Chase Manhattan Bank
ABA #021000021
For credit to Private Income Processing Account No. 900-9000-200
For further credit to Account G52963

Notices

All notices of payment on or in respect of the Notes and written confirmation of each such payment to:

A. To JP MORGAN CHASE MANHATTAN BANK:

(1) If by Regular Mail, Registered Mail, Certified Mail or Federal Express to:

JP Morgan Chase Manhattan Bank
14201 N. Dallas Parkway
13th Floor
Dallas, Texas 75254-2917

(2) If by fax to:

JP Morgan Chase Manhattan Bank
(469) 477-1904

B. WITH A SECOND COPY TO MONY LIFE INSURANCE COMPANY:

(1) If by Regular Mail, Registered Mail, Certified Mail or Federal Express to:

MONY Life Insurance Company
1740 Broadway

New York, NY 10019
Attention: Securities Custody Division
M.D. 6-39A

(2) If by fax to:

(212) 708-2152
Attention: Securities Custody Division
M.D. 6-39A

C. ADDRESSES FOR ALL OTHER COMMUNICATIONS

MONY Capital Management, Inc.
c/o MONY Life Insurance Company
1740 Broadway
New York, NY 10019
Telecopy No.: (212) 708-2491

Name of Nominee in which Notes are to be issued: J.ROMEO & Co.

MONY Life Insurance Company Taxpayer I.D. Number: 13-1632487

DEFINED TERMS

Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, the same shall be done in accordance with GAAP, to the extent applicable, except where such principles are inconsistent with the express requirements of this Agreement.

Where any provision in this Agreement refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether the action in question is taken directly or indirectly by such Person.

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"Affiliate" means, at any time, and with respect to any Person, (a) any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and (b) any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company or any Subsidiary or any corporation of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests. As used in this definition, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

"Assets" of any corporation means, at any date, the gross book value as shown by the books of such corporation in accordance with GAAP of all its property, whether real, personal or mixed (exclusive of franchises, licenses, permits, patents, patent applications, copyrights, trademarks, trade names, good will, experimental or organizational expense, leasehold improvements not recoverable at the expiration of a lease, unamortized debt discount and expense, deferred charges and other intangibles and treasury stock), less the sum (without duplication) of (a) all reserves for depreciation, depletion, obsolescence and amortization of its properties (other than properties excluded as hereinabove provided) as shown by the books of such corporation and all other proper reserves which in accordance with GAAP should be set aside in connection with the business conducted by such corporation, other than reserves for contingencies not allocated to any particular purpose; and (b) the amount of any write-up subsequent to December 31, 1986 in the book value of any asset owned by such corporation on such date resulting from the revaluation thereof subsequent to such date, or any write-up in excess of the cost of any asset acquired by such corporation subsequent to such date.

"Business Day" means (a) for the purposes of Section 8.7 only, any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed, and (b) for the purposes of any other provision of this Agreement, any

day other than a Saturday, a Sunday or a day on which commercial banks in Chicago, Illinois, or New York, New York are required or authorized to be closed.

"Capitalized Lease" means any lease which, in accordance with GAAP, is of such a nature that payment obligations of the lessee thereunder shall have been or should be capitalized and shown as liabilities (other than current Indebtedness) upon the balance sheet of such lessee.

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

"Closing" is defined in Section 3.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"Company" means Stepan Company, a Delaware corporation.

"Confidential Information" is defined in Section 20.

"Consolidated," when used in respect of the Assets, Current Indebtedness and Funded Indebtedness of the Company and its Restricted Subsidiaries means the aggregate of the assets, Current Assets, Current Indebtedness, Funded Indebtedness, respectively, of the Company and its Restricted Subsidiaries, after eliminating all intercompany items and all other items which should be eliminated in accordance with GAAP; provided, however, in determining Consolidated Assets, there shall not be included therein any amount on account of the excess of (i) the cost of acquisition of shares of any Subsidiary over the book value of the assets of such Subsidiary attributable to such shares on the books of such Subsidiary at the date of acquisition of such shares, or (ii) the book value of the assets of such Subsidiary attributable to such shares at the date of such acquisition over the cost of acquisition of such shares; provided, further, in determining Consolidated Funded Indebtedness, there shall not be included therein any duplication of Indebtedness that may arise from the guaranty by a Restricted Subsidiary of Indebtedness of the Company which constitutes Specified Subsidiary Indebtedness.

"Consolidated Capitalization" means the sum of (i) Consolidated Funded Indebtedness of the Company and its Restricted Subsidiaries, plus (ii) Consolidated Tangible Net Worth.

"Consolidated Earnings Before Interest and Taxes" means, for any fiscal quarter, the sum of (i) earnings before income taxes for such fiscal quarter, plus (ii) Consolidated Interest Expense for such fiscal quarter less (iii) equity earnings of Unrestricted Subsidiaries of the Company for such quarter determined on a consolidated basis for the Company and the Restricted Subsidiaries in accordance with GAAP.

"Consolidated Net Income" means the aggregate of the net income of the Company and its Restricted Subsidiaries, after eliminating all intercompany items and portions of income

properly attributable to minority interest in the stock of such Subsidiaries, all computed in accordance with GAAP.

"Consolidated Tangible Net Worth" means the aggregate of the Tangible Net Worth of the Company and its Restricted Subsidiaries, consolidated in accordance with GAAP.

"corporation" shall include corporations, joint stock companies and business trusts.

"Current Indebtedness" means all Indebtedness other than Funded Indebtedness, and, without limitation, shall include (a) all Indebtedness maturing on demand or within one year after the date as of which such determination is made, (b) final maturities and prepayments of Indebtedness and sinking fund payments (including, with respect to the Notes, not only (i) fixed prepayments, but also (ii) other prepayments on and after the date of notice of prepayment thereof pursuant to Sections 8.2 and 8.3) required to be made in respect of any Indebtedness within one year after said date, and (c) all other items (including taxes accrued as estimated) which in accordance with GAAP would be included as current liabilities.

"Default" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Default Rate" means that rate of interest that is the greater of (i) 2.00% per annum above the rate of interest stated in clause (a) of the first paragraph of the Notes or (ii) the rate of interest publicly announced by Bank One, N.A. in Chicago, Illinois as its "base" or "prime" rate.

"Definitive Agreement" means any binding, definitive written agreement with respect to any proposed transaction, event or series of transactions or events which, when fully performed, is reasonably likely to result in a Change of Control, excluding in all cases, letters of intent, proposals or similar non-definitive expressions of interest.

"Dilution" means (a) any decrease in the percentage of capital stock and other equity securities of a Restricted Subsidiary beneficially owned, directly or indirectly, by the Company and its Wholly-Owned Subsidiaries resulting from a sale, assignment, transfer or other disposition of capital stock or equity securities of a Restricted Subsidiary or (b) any increase in the minority interests in the capital stock and equity securities of a Restricted Subsidiary as a result of the issuance of capital stock and equity securities by a Restricted Subsidiary to a Person other than the Company or a Wholly-Owned Restricted Subsidiary. For purposes of determining compliance with Section 10.8, the value of any "Dilution" shall be an amount equal to the fair value of that portion of the assets of the relevant Subsidiary determined by multiplying the percentage of the capital stock and other equity securities of such Subsidiary constituting a Dilution by the fair value of all assets of such Subsidiary (assuming, in making such calculations, that all securities convertible into capital stock are so converted and giving full effect to all transactions that would occur or be required in connection with such conversion), determined at the time of the Dilution in good faith by the Company and subject to the approval of the Required Holders (which shall not be unreasonably withheld or delayed).

"Environmental Laws" means any and all applicable Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to public health, safety or the environment, including, without limitation, relating to releases, discharges, emissions or disposals to air, water, land or ground water, to the withdrawal or use of ground water, to the use, handling or disposal of polychlorinated biphenyls (PCB's), asbestos or urea formaldehyde, to the treatment, storage, disposal or management of hazardous substances (including, without limitation, petroleum, its derivatives, by-products or other hydrocarbons), to exposure to toxic, hazardous or other controlled, prohibited or regulated substances, or to the transportation, storage, disposal, management or release of gases or liquid substances.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

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

"Event of Default" is defined in Section 11.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Funded Indebtedness" means all Indebtedness (including capitalized payment obligations under Capitalized Leases) which by its terms matures more than one year from the date as of which any calculation of Funded Indebtedness is made. Funded Indebtedness shall also include the amount by which vested benefits under employee pension benefit plans exceeds the value of assets of such plans allocable to such vested benefit, if any.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America.

"Governmental Authority" means

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"Guaranty" means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of any other Person to make payment of the indebtedness or obligation; or

(d) otherwise to assure the owner of such indebtedness or obligation against loss in respect thereof.

In any computation of the indebtedness or other liabilities of the obligor under any Guaranty, the indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

"Hazardous Material" means any and all pollutants, toxic or hazardous wastes or any other substances that might pose a hazard to health or safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage, or filtration of which is or shall be restricted, prohibited or penalized by any applicable law (including, without limitation, asbestos, urea formaldehyde foam insulation and polychlorinated biphenyls).

"holder" means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 13.1.

"Indebtedness" with respect to any Person means, at any time, without duplication,

(a) its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable preferred stock;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capitalized Leases;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);

(e) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (whether or not representing obligations for borrowed money);

(f) Swaps of such Person; and

(g) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (f) hereof.

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (g) to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

"Institutional Investor" means (a) any original purchaser of a Note, (b) any holder of a Note holding more than 5% of the aggregate principal amount of the Notes then outstanding, and (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form.

"Interest Expense" means with respect to any period for which the amount thereof is to be determined, an amount equal to interest expense on Indebtedness, including payments in the nature of interest under Capitalized Lease Obligations and the discount or implied interest component of Off-Balance Sheet Liabilities, as determined in accordance with GAAP. Interest Expense determined on a consolidated basis for the Company and its Restricted Subsidiaries will be referred to herein as "Consolidated Interest Expense."

"Investment" shall include any Investment, in cash or by the delivery of other property (except against receipt of the fair value thereof in cash or in the ordinary course of business), whether by acquisition of stock, securities or other Indebtedness, or by loan, advance, capital contribution, transfer of property or otherwise; provided, however, that (a) the acquisition of stock, securities or other Indebtedness of, or a loan, advance capital contribution or transfer of property to, a Restricted Subsidiary (or a corporation which by reason of such transaction will become a Restricted Subsidiary) by the Company or one of its Restricted Subsidiaries, or (b) the purchase, acquisition or ownership by the Company or a Restricted Subsidiary of (i) readily marketable securities issued by states or municipalities within the United States of America or agencies or subdivisions thereof rated "A" or better by any recognized rating agency, (ii) direct obligations of, or obligations unconditionally guaranteed by, the United States of America or any agency thereof, (iii) commercial paper maturing within not more than 270 days from the date of issuance thereof which is issued by any corporation organized and doing business under the laws

of the United States of America or any state thereof and which is rated "Prime 1" by Moody's Investors Service, Inc. or "A-1" by Standard and Poor's Corporation (or comparably rated by such organizations or any successors thereto if the rating system is changed or there are such successors), (iv) certificates of deposit issued by any commercial bank organized and doing business under the laws of the United States of America or any state thereof and having (x) capital, surplus and undivided profits aggregating more than $50,000,000, and (y) outstanding commercial paper which, at the time of acquisition of such certificates of deposit by the Company or any Restricted Subsidiary is rated "Prime 1" by Moody's Investors Service, Inc. or "A-1" by Standard and Poor's Corporation (or comparably rated by such organizations or any successors thereto if the rating system is changed or there are any successors), and (v) trade accounts payable to the Company or a Restricted Subsidiary within six months from the date such liability arose, shall not be deemed an "Investment." In addition, Investments of the Company existing on the date of Closing and described on Schedule 10.5 hereto, shall not be deemed "Investments."

"Lien" means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"Make-Whole Amount" is defined in Section 8.7.

"Material" means material in relation to the business, operations, affairs, financial condition, assets, properties, or prospects of the Company and its Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, or (b) the ability of the Company to perform its obligations under this Agreement and the Notes, or (c) the validity or enforceability of this Agreement, the Notes or any Subsidiary Guaranty.

"Multiemployer Plan" means any Plan that is a "multiemployer plan" (as such term is defined in Section 4001(a)(3) of ERISA).

"Net Income" of any corporation for any fiscal period shall mean the net income (or the net deficit, if expenses and charges exceed revenues and other proper income credits) of such corporation for such period, determined in the following manner:

(a) the gross revenues and other proper income credits of such corporation shall be computed for such period in accordance with GAAP; provided that in any event there shall not be included in such gross revenues and income credits any write up in the book value of any asset resulting from the revaluation thereof; and

(b) from the amount of such gross revenues and other proper income credits for such period determined as provided in the preceding clause (a), there shall be

deducted an amount equal to the aggregate of all expenses and other proper income charges for such period, determined in accordance with GAAP but in any event deducting (without in any respect limiting the generality of the foregoing) the following items: (i) all interest charges; (ii) amortization of debt discount and expense and any other amortization of deferred charges properly subject to amortization; (iii) provision for all taxes whether in respect of property, income, excess profits or otherwise; (iv) provisions for all contingency and other reserves whether general or special; and (v) provision for depreciation, depletion, obsolescence and amortization of the properties of such corporation (including depreciation and amortization of leasehold improvements) in amounts not less than the aggregate amount actually deducted on its books and not less than the aggregate amount claimed (but adjusted for any disallowance) or to be claimed by such corporation for federal income tax purposes for such period; provided, however, that in lieu of accelerated depreciation permitted under the Code, the corporation may at its option provide for depreciation and amortization in amounts based on the normal rates customarily employed by the corporation for identical or similar types of property in the preparation of its audited financial statements, and in such event the corporation shall establish and shall maintain in accordance with GAAP an appropriate reserve in respect of any tax savings as a result of charging for tax purposes such accelerated depreciation or accelerated amortization;

provided that, in determining the amount to be included in clauses (a) and (b) above, (i) any federal tax adjustments for any period prior to January 1, 2002 shall not be a proper charge or credit to income for any period subsequent to that date, and any federal tax adjustment for any period subsequent to December 31, 2001 shall be included as a proper charge or credit to income for the year in which actually received or paid, except to the extent, if any, to which the amount of such latter adjustment is charged to a proper reserve for federal taxes set up out of income for any period subsequent to December 31, 2001; (ii) any adjustments for any period prior to January 1, 2002 resulting from any renegotiation or price redetermination in respect of any Government prime contract, or any subcontract under any Government prime contract, shall not be included as a proper charge or credit to income for any period subsequent to that date, and any such renegotiation or price redetermination adjustment for any period subsequent to December 31, 2001 shall be included as a proper charge or credit to income for the year in which actually received or paid, except to the extent, if any, to which the amount of such adjustment is charged to a proper reserve for renegotiation or price redetermination set up out of income for any period subsequent to December 31, 2001; (iii) any earnings of, and dividends payable to, such corporation in currencies which at the time are blocked against conversion into United States currency shall not be included as a proper charge or credit to income for any period subsequent to December 31, 2001; (iv) any undistributed earnings of, and dividends payable by, unconsolidated Subsidiaries or any other person (other than a Restricted Subsidiary) shall not be included as a proper charge or credit to income for any period subsequent to December 31, 2001; (v) any gains on the sale or other disposition of capital assets and taxes on such excluded gains shall not be included as a proper charge or credit to income for any period subsequent to December 31, 2001; (vi) net earnings and losses of any corporation (other than a Subsidiary) substantially all the assets of which have been acquired in any manner, realized by such other corporation prior to the date of acquisition shall not be included as a proper charge or credit to income for any period subsequent to December 31, 2001; (vii) net earnings or losses of any

corporation (other than a Restricted Subsidiary) with which the Company or a Restricted Subsidiary shall have consolidated or which shall have merged into or with the Company or a Restricted Subsidiary prior to the date of such consolidation or merger shall not be included as a proper charge or credit to income for any period subsequent to December 31, 2001; and (viii) any portion of the net earnings of any Restricted Subsidiary which for any reason is unavailable for the payment of dividends to the Company or any other Restricted Subsidiary shall not be included as a proper credit to income for any period subsequent to December 31, 2001. The term "capital assets" of any corporation as used herein shall include all fixed assets, both tangible (such as land, buildings, machinery and equipment) and intangible (such as patents, copyrights, trademarks, trade names, formulae and good will), and securities.

"Notes" is defined in Section 1.

"Off-Balance Sheet Liability" of a Person means (i) any repurchase obligation or liability of such Person or any of its Subsidiaries with respect to accounts or notes receivable sold by such Person or any of its Subsidiaries (calculated to include the unrecovered investment of purchasers or transferees of accounts or any other obligation of such Person or such transferor to purchasers/transferees of interests in accounts or notes receivable or the agent for such purchasers/transferees), (ii) any liability under any sale and leaseback transaction which is not a Capitalized Lease, (iii) any liability under any financing lease or Synthetic Lease or "tax ownership operating lease" transaction entered into by such Person, including any Synthetic Lease Obligations, or (iv) any obligation arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the balance sheets of such Person, but excluding from this clause (iv) Operating Leases.

"Officer's Certificate" means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

"Operating Lease" of a Person means any lease of Property (other than a Capitalized Lease) by such Person as lessee which has an original term (including any required renewals and any renewals effective at the option of the lessor) of one year or more.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"Permitted Guaranties" means and includes each unsecured Guaranty by a Subsidiary of the Company's obligations under (a) the Revolving Credit Agreement and (b) the Company's then outstanding private placement note purchase agreements, provided that the Indebtedness of such Subsidiary under each such Guaranty qualifies as Specified Subsidiary Indebtedness.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

"Plan" means an "employee benefit plan" (as defined in Section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"property" or "properties" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"QPAM Exemption" means Prohibited Transaction Class Exemption 84-14 issued by the United States Department of Labor.

"Required Holders" means, at any time, the holders of at least 51% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates); provided that, (a) so long as the Notes are held by the original Purchasers or (b) at any time that The Northwestern Mutual Life Insurance Company and its Affiliates cease to hold more than 50% of the aggregate outstanding principal amount of the Notes, then, at any time when there are two or more holders of Notes, the Required Holders must include at least two holders of Notes.

"Responsible Officer" means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

"Restricted Subsidiary" means any Subsidiary of the Company which (a) is organized under the laws of any state of the United States of America or under the laws of Canada or any province thereof, (b) has substantially all of its assets located within, and operates substantially within, the United States of America or Canada, (c) at least 50% of the outstanding voting stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned by the Company, by one or more of its Wholly-Owned Restricted Subsidiaries or by the Company and one or more of its Wholly-Owned Restricted Subsidiaries, and (d) which the Company designates as a Restricted Subsidiary, by notice to the holders of the Notes in the manner provided in Section 18; provided, however, that the Company may not designate any Unrestricted Subsidiary as a Restricted Subsidiary, or any Restricted Subsidiary as an Unrestricted Subsidiary, unless at the time of such designation, and after giving effect thereto, no Default or event which the passage of time or giving of notice, or both, would constitute an Event of Default would exist; and provided further that the Company may not subsequently change the designation of any Subsidiary from Restricted Subsidiary to Unrestricted Subsidiary, or from Unrestricted Subsidiary to Restricted Subsidiary, unless (w) the Company shall have given not less than 10 days' prior notice to the holders of the Notes that a Responsible Officer has made such a determination, (x) at the time of such designation and, on a pro forma basis, treating such designation as having occurred on the last day of the immediately preceding fiscal quarter, no Default or event which the passage of time or giving of notice, or both, would constitute an Event of Default would exist, (y) any designation of a Restricted Subsidiary to an Unrestricted Subsidiary is treated as a sale of assets subject to the provisions of Section 10.8 and

immediately after such designation and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing under Section 10.8 and (z)(i) a Subsidiary initially designated a Restricted Subsidiary shall not subsequently be designated an Unrestricted Subsidiary more than once or subsequently be designated a Restricted Subsidiary more than once and (ii) a Subsidiary initially designated an Unrestricted Subsidiary shall not subsequently be designated a Restricted Subsidiary more than once or subsequently be designated an Unrestricted Subsidiary more than once. For all purposes of this Agreement, the Company shall, on Schedule 5.4, designate each Subsidiary which exists as of the date of Closing as an Unrestricted Subsidiary.

"Revolving Credit Agreement" means that certain Revolving Credit Agreement dated as of May 3, 2002 among the Company, Bank One, N.A., as Agent and the other financial institutions named therein, such term to include any credit facility or other instrument evidencing borrowed money replacing all or part of such Revolving Credit Agreement.

"Securities Act" means the Securities Act of 1933, as amended from time to time.

"Senior Financial Officer" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

"Specified Subsidiary Indebtedness" means Indebtedness of Subsidiaries consisting of unsecured Guaranties of the Company's obligations under and pursuant to (a) the Revolving Credit Agreement and (b) each of the Company's then outstanding private placement note purchase agreements and notes, provided that, within the time period required by Section 9.8 of this Agreement, the Company shall have executed and delivered, or shall have caused to be executed and delivered, to the holders of the Notes (i) an executed counterpart of a Subsidiary Guaranty or joinder agreement in respect of an existing Subsidiary Guaranty, from each of the Subsidiaries guaranteeing the Company's obligations under such Revolving Credit Agreement, and (ii) an executed counterpart of an intercreditor agreement among the holders of the Notes, each Person which is a party to the Revolving Credit Agreement as a lender or creditor (or an authorized agent on their behalf), each holder of the Company's other private placement notes then outstanding, the Company and each such guaranteeing Subsidiary, all as and to the extent required by Section 9.8 of this Agreement.

"Subsidiary" means, as to any Person, any corporation, association or other business entity in which such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries (unless such partnership can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

"Subsidiary Guarantors" is defined in Section 9.8.

"Subsidiary Guaranty" means any Guaranty of any Subsidiary with respect to the payment of the Notes and all other sums due and owing by the Company under this Agreement, which Guaranty shall be in form and substance reasonably satisfactory to the Required Holders.

"Substantially-Owned Restricted Subsidiary" means any Restricted Subsidiary 90% or more of the equity interests (other than directors' qualifying shares) and voting interests at the time are owned directly or indirectly by the Company, or by one or more of its Substantially-Owned Restricted Subsidiaries or by the Company and one or more of its Substantially-Owned Restricted Subsidiaries.

"substantial part" is defined in Section 10.8.

"Swaps" means, with respect to any Person, payment obligations with respect to interest rate swaps, currency swaps and similar obligations obligating such Person to make payments, whether periodically or upon the happening of a contingency. For the purposes of this Agreement, the amount of the obligation under any Swap shall be the amount determined in respect thereof as of the end of the then most recently ended fiscal quarter of such Person, based on the assumption that such Swap had terminated at the end of such fiscal quarter, and in making such determination, if any agreement relating to such Swap provides for the netting of amounts payable by and to such Person thereunder or if any such agreement provides for the simultaneous payment of amounts by and to such Person, then in each such case, the amount of such obligation shall be the net amount so determined.

"Synthetic Lease" means each so-called synthetic, off-balance sheet or tax retention lease or other arrangement, however described, under which (a) the obligor accounts for its interest in the property covered thereby under GAAP as lessee of a lease which is not a capital lease and accounts for its interest in the property covered thereby for Federal income tax purposes as the owner or (b) the obligations of the obligor do not appear on the balance sheet of such obligor but which, upon the insolvency or bankruptcy of such obligor, would be characterized as the indebtedness of such obligor (without regard to accounting treatment).

"Synthetic Lease Obligation" means the monetary obligation of a Person under a Synthetic Lease.

"Tangible Net Worth" of any corporation shall mean the sum of the amounts set forth on the balance sheet of such corporation, prepared in accordance with GAAP and as of any date selected by such corporation not more than 45 days prior to the taking of any action for the purpose of which the determination is being made, which appears as (a) the par or stated value of all outstanding stock, (b) capital, paid-in and earned surplus and (c) long term deferred tax liabilities, less the sum of (i) any surplus resulting from any write-up of assets, (ii) good will, including any amounts (however designated on such balance sheet) representing the cost of acquisitions of Restricted Subsidiaries in excess of underlying tangible assets, unless an appraisal of such assets made by a reputable firm of appraisers at the time of acquisition shall indicate sufficient value to cover such excess, (iii) any amounts by which Investments in persons appearing on the asset side of such balance sheet exceed the lesser of cost or the proportionate share of such corporation in the book value of the assets of such persons, provided that such book

value shall be reduced by any amounts representing restrictions on the payment of dividends by such persons pursuant to any law, charter provision, mortgage or indenture or, in lieu of the foregoing, any Investment may be carried at its market value if the securities representing such Investment are publicly traded, (iv) patents, trademarks, copyrights, leasehold improvements not recoverable at the expiration of a lease and deferred charges (including, but not limited to, unamortized debt discount and expense, organization expenses, experimental and development expenses, but excluding prepaid expenses), (v) any amounts at which shares of capital stock of such corporation appear on the asset side of such balance sheet, (vi) any amount of Indebtedness not included on the liability side of such balance sheet and (vii) other comprehensive income or expense (as defined by GAAP), to the extent included in subclause (a), (b) or (c) above.

"10-K" is defined in Section 5.3.

"10-Qs" is defined in Section 5.3.

"Unrestricted Subsidiary" means any Subsidiary other than a Subsidiary which has been designated a Restricted Subsidiary. Any Subsidiary which is not expressly designated a Restricted Subsidiary or an Unrestricted Subsidiary shall be deemed designated an Unrestricted Subsidiary.

"Wholly-Owned Restricted Subsidiary" means any Restricted Subsidiary all of the equity interests (other than directors' qualifying shares) and voting interests at the time is owned directly or indirectly by the Company, or by one or more of its Wholly-Owned Restricted Subsidiaries or by the Company and one or more of its Wholly-Owned Restricted Subsidiaries.

SCHEDULE 4.9
CHANGES IN CORPORATE STRUCTURE

None.

SCHEDULE 5.4
SUBSIDIARIES OF THE COMPANY AND OWNERSHIP OF SUBSIDIARY STOCK

SUBSIDIARIES OF THE COMPANY

CORPORATE NAME	JURISDICTION OF INCORPORATION OR FORMATION	PERCENTAGE OF SHARES HELD OR BENEFICIALLY OWNED	RESTRICTED SUBSIDIARY (Y/N)
Stepan Europe S.A.	France	100%	N
Stepan Canada, Inc.	Canada	100%	N
Stepan Mexico, S.A. de C.V.	Mexico	100%	N
Stepan Quimica Ltda.	Brazil	100%	N
Stepan Colombiana de Quimicos	Colombia	100%	N
Stepan UK Limited	England and Wales	100% (by Stepan Europe S.A.)	N
Stepan Deutschland GmbH	Germany	100% (by Stepan Europe S.A.)	N

AFFILIATES OF THE COMPANY

CORPORATE NAME	JURISDICTION OF INCORPORATION OR FORMATION	PERCENTAGE OF SHARES HELD OR BENEFICIALLY OWNED	RESTRICTED SUBSIDIARY (Y/N)
Stepan Philippines S.A. (Joint Venture)	Philippines	50%	N

DIRECTORS AND SENIOR OFFICERS OF THE COMPANY

NAME	TITLE/OFFICE
F. Quinn Stepan	Chairman and Chief Executive Officer
F. Quinn Stepan, Jr.	President and Chief Operating Officer and Director
John V. Venegoni	Vice President and General Manager - Surfactants

DIRECTORS AND SENIOR OFFICERS OF THE COMPANY (CONT'D)

Robert J. Wood	Vice President and General Manager - Polymers
F. Samuel Eberts III	Vice President, General Counsel and Secretary
Anthony J. Zoglio	Vice President - Manufacturing and Engineering
James E. Hurlbutt	Vice President and Corporate Controller
Kathleen M. Owens	Senior Attorney and Assistant Corporate Secretary
James A. Hartlage	Director
Thomas F. Grojean	Director
Paul H. Stepan	Director
Robert D. Cadieux	Director
Robert G. Potter	Director

LIENS ON CAPITAL STOCK OF SUBSIDIARIES OF THE COMPANY

As guarantee of payment and reimbursement of all sums due in respect to Stepan Europe S.A. term loan, the stock of Stepan UK and Stepan Deutschland were pledged as security to Credit Lyonnais and Lyonnaise de Banque, both of Lyon, France.

In addition, Stepan Europe S.A. also assigned a EUR 3 million mortgage on the land and fixed assets located at Voreppe (Isere, France).

AGREEMENTS CONTAINING RESTRICTIONS ON ABILITY OF SUBSIDIARIES TO PAY DIVIDENDS

Stepan Europe S.A. term loan prohibits dividend payments.

AGREEMENTS WITH REQUIREMENTS AFFECTING PARENT COMPANY

Stepan Europe S.A. bank term loan requires inter-company loans from Stepan Company, as of any year-end, to be equal in amount to the balance then outstanding on the bank term loan.

SCHEDULE 5.5
FINANCIAL STATEMENTS

December 31, 2000 Form 10-K and Financial Statements (audited):

Consolidated Balance Sheets as of December 31, 2000 and 1999

Consolidated Statements of Income - December 31, 2000, 1999 and 1998

Consolidated Statements of Cash Flows - December 31, 2000, 1999 and 1998

December 31, 2001 Form 10-K and Financial Statements (audited):

Consolidated Balance Sheets as of December 31, 2001 and 2000

Consolidated Statements of Income - December 31, 2001, 2000 and 1999

Consolidated Statements of Cash Flows - December 31, 2001, 2000 and 1999

Interim (unaudited) quarterly Financial Statements - 2002

March 31, 2002 Form 10-Q

June 30, 2002 Form 10-Q

SCHEDULE 5.8
CERTAIN LITIGATION

None.

SCHEDULE 5.10
PRECAUTIONARY UCC FILINGS

SECURED PARTY	DEBTOR	FILING DATE/FILE #	FILING OFFICE	DOCUMENT TYPE -- PROPERTY COVERED
Forsythe/McArthur Associates, Inc., Lessor		2/25/93, 3089608	Illinois SOS	UCC-1: Leased computer, data processing, telecommunications and other equipment including attachments, accessories, replacements, products and proceeds relating thereto
Forsythe/McArthur Associates, Inc.		8/28/97, 3733310	Illinois SOS	UCC-3: Continues 3089608
Pitney Bowes Credit Corporation		10/27/97, 3755618	Illinois SOS	UCC-1: All equipment of whatever nature manufactured, sold or distributed by Pitney Bowes Credit Inc., Monarch Marketing Systems Inc., Pitney Bowes Credit Corp., Dictaphone Corp. and subject to lease between debtor and secured party, including proceeds, additions and replacements relating thereto
Minolta Business Systems, Inc.		11/21/97, 3766297	Illinois SOS	UCC-1: Leased Minolta Copier and Controller
Minolta Business Systems, Inc.		2/1/99, 3981526	Illinois SOS	UCC-1: Leased Minolta Controller
IBM Credit Corporation, Lessor		3/22/00, 4184547	Illinois SOS	UCC-1: Leased computer information processing and other peripheral equipment and goods wherever located, including additions, accessions, upgrades and replacements
Amcore Consumer Finance, Inc., Assignee		12/12/97, 1806897	New Jersey SOS	UCC-1: 4 leased Stainless Steel 350 Gal Tanks, includes proceeds

SCHEDULE 5.11
PATENTS, ETC.

None.

SCHEDULE 5.14
USE OF PROCEEDS

Loan proceeds will be used to repay existing debt as well as for capital expenditures, working capital, acquisitions, dividends and other corporate purposes.

SCHEDULE 5.15
EXISTING INDEBTEDNESS

INDEBTEDNESS OF THE COMPANY AND ITS SUBSIDIARIES OUTSTANDING ON JUNE 30, 2002

OBLIGOR	CREDITOR	DESCRIPTION OF INDEBTEDNESS (INCLUDING INTEREST RATE)	COLLATERAL (IF ANY)	MATURITY	OUTSTANDING PRINCIPAL AMOUNT ($000'S)
Stepan Company	The Northwestern Mutual Life Insurance Company	9.70% Notes	None	2003	$ 667
Stepan Company	The Northwestern Mutual Life Insurance Company	7.22% Notes	None	2007	$ 5,500
Stepan Company	The Northwestern Mutual Life Insurance Company	7.69% Notes	None	2005	$ 2,250
Stepan Company	The Northwestern Mutual Life Insurance Company	7.77% Notes	None	2010	$ 8,182
Stepan Company	The Northwestern Mutual Life Insurance Company	6.59% Notes	None	2013	$ 20,000
Stepan Company	Aid Association for Lutherans	7.22% Notes	None	2007	$ 5,500
Stepan Company	Aid Association for Lutherans	7.69% Notes	None	2005	$ 2,250
Stepan Company	Aid Association for Lutherans	7.77% Notes	None	2010	$ 8,182
Stepan Company	The Mutual Life Insurance Company of New York	7.22% Notes	None	2007	$ 5,500

Stepan Company	The Mutual Life Insurance Company of New York	7.69% Notes	None	2005	$ 1,500
Stepan Company	The Mutual Life Insurance Company of New York	7.77% Notes	None	2010	$ 5,454
Stepan Company	Connecticut General Life Insurance Company	6.59% Notes	None	2013	$ 10,000
Stepan Company	Bank One, NA (Agent)	Revolving Credit Agreement	None	2007	$ 35,700
Stepan Europe S.A.	Credit Lyonnais (50%) Lyonnaise de Banque (50%)	Term Loan	Shares of Stepan UK and Stepan Deutschland, EUR 3MM mortgage on the land & fixed assets located at Voreppe (Isere, France).	2008	EUR 13,400
Stepan Europe S.A.	Water Agency	Government Subsidy	None	2007	EUR 66
Stepan Deutschland GmbH	SEB AG	5.50% term loan	None	2006	EUR 1,265

AGREEMENTS PROVIDING FOR FUTURE LIENS ON PROPERTIES OF THE COMPANY AND ITS SUBSIDIARIES:

None.

SCHEDULE 5.18
ENVIRONMENTAL MATTERS

The company's site in Maywood, New Jersey and property formerly owned by the company adjacent to its current site, were listed on the National Priorities List in September 1993 pursuant to the provisions of the Comprehensive Environmental Response Compensation and Liabilities Act (CERCLA) because of certain alleged chemical contamination. Pursuant to an Administrative Order on Consent entered into between the United States Environmental Protection Agency (USEPA) and the company for property formerly owned by the company, and the issuance of an order by USEPA to the company for property currently owned by the company, the company completed a Remedial Investigation Feasibility Study (RI/FS) in 1994. The company has also submitted additional information regarding the remediation, most recently in February 2002. Discussions between USEPA and the company are continuing. The company is awaiting the issuance of a Record of Decision (ROD) from USEPA relating to the currently owned and formerly owned company property and the proposed remediation. The final ROD will be issued sometime after the public comment period.

In 1985, the company entered into a Cooperative Agreement with the United States of America represented by the Department of Energy (Agreement). Pursuant to this Agreement, the Department of Energy (DOE) took title to radiological contaminated materials and was to remediate, at its expense, all radiological waste on the company's property in Maywood, New Jersey. The Maywood property (and portions of the surrounding area) were remediated by the DOE under the Formerly Utilized Sites Remedial Action Program, a federal program under which the U.S. Government undertook to remediate properties which were used to process radiological material for the U.S. Government. In 1997, responsibility for this clean-up was transferred to the United States Army Corps of Engineers (USACE). On January 29, 1999, the company received a copy of a USACE Report to Congress dated January 1998 in which the USACE expressed their intention to evaluate, with the USEPA, whether the company and/or other parties might be responsible for cost recovery or contribution claims related to the Maywood site. Subsequent to the issuance of that report, the USACE advised the company that it had requested legal advice from the Department of Justice as to the impact of the Agreement.

By letter dated July 28, 2000, the Department of Justice advised the company that the USACE and USEPA had referred to the Justice Department claims against the company for response costs incurred or to be incurred by the USACE, USEPA and the DOE in connection with the Maywood site and the Justice Department stated that the United States is entitled to recovery of its response costs from the company under CERCLA. The letter referred to both radiological and non-radiological hazardous waste at the Maywood site and stated that the United States has incurred unreimbursed response costs to date of $138 million. Costs associated with radiological waste at the Maywood site, which the company believes represent all but a small portion of the amount referred to in the Justice Department letter, could be expected to aggregate substantially in excess of that amount. In the letter, the Justice Department invited the company to discuss settlement of the matter in order to avoid the need for litigation. The company believes that its liability, if any, for such costs has been resolved by the aforesaid Agreement. Despite the fact

that the company continues to believe that it has no liability to the United States for such costs, discussions with the Justice Department are currently ongoing to attempt to resolve this matter.

The company believes it has adequate reserves for claims associated with the Maywood site. However, depending on the results of the ongoing discussions regarding the Maywood site, the final cost of the remediation could differ from the current estimates.

As reported previously, the company has been named as a potentially responsible party (PRP) in the case USEPA v. Jerome Lightman (92 CV 4710 D. N. J.) which involves the Ewan and D'Imperio Superfund Sites located in New Jersey. Trial on the issue of the company's liability at these sites was completed in March 2000. The company is awaiting a decision from the court. If the company is found liable at either site, a second trial as to the company's allocated share of clean-up costs at these sites will likely be held in 2003. The company believes it has adequate defenses to the issue of liability. In the event of an unfavorable outcome related to the issue of liability, the company believes it has adequate reserves. On a related matter, the company has filed an appeal to the United States Third Circuit Court of Appeals objecting to the lodging of a partial consent decree in favor of the United States Government in this action. Under the partial consent decree, the government recovered past costs at the site from all PRPs including the company. The company paid its assessed share but by objecting to the partial consent decree, the company is seeking to recover back the sums it paid.

Regarding the D'Imperio Superfund Site, USEPA has indicated it will seek penalty claims against the company based on the company's alleged noncompliance with the modified Unilateral Administrative Order. The company is currently negotiating with USEPA to settle its proposed penalty against the company but does not believe that a settlement, if any, will have a material impact on the financial condition of the company. In addition, the company also received notice from the New Jersey Department of Environmental Protection (NJDEP) dated March 21, 2001, that NJDEP has indicated it will pursue cost recovery against the alleged responsible parties, including the company. The NJDEP's claims include costs related to remediation of the D'Imperio Superfund Site in the amount of $434,405.53 and alleged natural resource damages in the amount of $529,584.00 (as of November 3, 2000). The NJDEP settled such claims against the alleged responsible parties, resulting in the company paying its portion of $83,061.00 in July 2002. This payment is subject to reallocation after the allocation phase of the above-identified trial, if any. The payment did not have a material impact on the financial condition of the company.

As reported previously, the company received a Section 104(e) Request for Information from USEPA dated March 21, 2000, regarding the Lightman Drum Company Site located in Winslow Township, New Jersey. The company responded to this request on May 18, 2000. In addition, the company received a Notice of Potential Liability and Request to Perform RI/FS dated June 30, 2000, from USEPA. The company has decided that it will participate in the performance of the RI/FS. However, based on the current information known regarding this site, the company is unable to predict what its liability, if any, will be for this site.

SCHEDULE 10.5

EXISTING INVESTMENTS AS OF DECEMBER 31, 2001

Investment In	Amount of Investment* ($000's)
Stepan Europe S.A.	$ 26,762
Stepan Philippines S.A.	$ 8,814
Stepan Mexico S.A. de C.V.	$ 5,754
Stepan Colombiana de Quimicos	$ 4,311
Stepan Canada, Inc.	$ 880
Stepan Quimica Ltda.	$ 221

* Investments are shown at cost at the time of investment, without allowance for any subsequent write-offs, appreciation or depreciation, less any amounts repaid or recovered on account of capital or principal.

[FORM OF NOTE]

STEPAN COMPANY

6.86% Senior Note due September 1, 2015

No. _________ [Date]
$____________ PPN 858586 E@5

For Value Received, the undersigned, Stepan Company (herein called the "Company"), a corporation organized and existing under the laws of the State of Delaware, hereby promises to pay to ________________, or registered assigns, the principal sum of ________________ Dollars on September 1, 2015, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 6.86% per annum from the date hereof, payable semiannually, on the first day of each March and September in each year, commencing with the March 1 or September 1 next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreement referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 8.86% or (ii) the rate of interest publicly announced by Bank One, N.A. from time to time in Chicago, Illinois as its "base" or "prime" rate.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the Company's office in Northfield, Illinois or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of the Senior Notes (herein called the "Notes") issued pursuant to the Note Purchase Agreement, dated as of September 1, 2002 (as from time to time amended, the "Note Purchase Agreement"), among the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) to have made the representation set forth in Section 6.2 of the Note Purchase Agreement, provided that such holder may (in reliance upon information provided by the Company, which shall not be unreasonably withheld) make a representation to the effect that the purchase by such holder of any Note will not constitute a non-exempt prohibited transaction under Section 406(a) of ERISA.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the

Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

The Company will make required prepayments of principal on the dates and in the amounts specified in the Note Purchase Agreement. This Note is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of Illinois excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

STEPAN COMPANY

By

Name:
Title:

DESCRIPTION OF OPINION OF COUNSEL
TO THE COMPANY

The closing opinion of F. Samuel Eberts III, General Counsel of the Company, which is called for by Section 4.4(a) of the Note Purchase Agreement, shall be dated the date of the Closing and addressed to the Purchasers, shall be satisfactory in scope and form to the Purchasers and shall be to the effect that:

1. The Company is a corporation, duly incorporated, validly existing and in good standing under the laws of the State of Delaware, has the corporate power and the corporate authority to execute and perform the Note Purchase Agreement and to issue the Notes and has the full corporate power and the corporate authority to conduct the activities in which it is now engaged and is duly licensed or qualified and is in good standing as a foreign corporation in each jurisdiction in which the character of the properties owned or leased by it or the nature of the business transacted by it makes such licensing or qualification necessary.

2. Each Restricted Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and is duly licensed or qualified and is in good standing in each jurisdiction in which the character of the properties owned or leased by it or the nature of the business transacted by it makes such licensing or qualification necessary and all of the issued and outstanding shares of capital stock of each such Subsidiary have been duly issued, are fully paid and non-assessable and are owned by the Company, by one or more Subsidiaries, or by the Company and one or more Subsidiaries.

3. The Note Purchase Agreement has been duly authorized by all necessary corporate action on the part of the Company, has been duly executed and delivered by the Company and constitutes the legal, valid and binding contract of the Company enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).

4. The Notes have been duly authorized by all necessary corporate action on the part of the Company, have been duly executed and delivered by the Company and constitute the legal, valid and binding obligations of the Company enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).

5. No order, permission, consent or approval of any federal or state commission, board or regulatory body is required as a condition to the lawful execution and delivery of the Note Purchase Agreement or the Notes.

6. The issuance and sale of the Notes and the execution, delivery and performance by the Company of the Note Purchase Agreement do not conflict with or result in any breach of any of the provisions of or constitute a default under or result in the creation or imposition of any Lien upon any of the property of the Company pursuant to the provisions of the Certificate of Incorporation or By-laws of the Company, any law or any agreement or other instrument known to such counsel to which the Company is a party or by which the Company may be bound.

7. The issuance, sale and delivery of the Notes under the circumstances contemplated by the Note Purchase Agreement do not, under existing law, require the registration of the Notes under the Securities Act of 1933, as amended, or the qualification of an indenture under the Trust Indenture Act of 1939, as amended.

8. The issuance of the Notes being delivered at the Closing and the use of the proceeds of the sale of such Notes in accordance with the provisions of and contemplated by the Note Purchase Agreement do not violate Section 7 of the Exchange Act or Regulation T or X of the Board of Governors of the Federal Reserve System.

9. Except as set forth in the 10-K or in Schedule 5.8, there are no actions, suits or proceedings pending or, to the best knowledge and belief of such counsel, threatened against or affecting the Company, at law or in equity or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, an adverse determination with respect to which may result in any material adverse change in the business, properties, assets or condition, financial or otherwise, of the Company.

The opinion of F. Samuel Eberts III shall cover such other matters relating to the sale of the Notes as the Purchasers may reasonably request. With respect to matters of fact on which such opinion is based, such counsel shall be entitled to rely on appropriate certificates of public officials and officers of the Company.

DESCRIPTION OF OPINION OF SPECIAL COUNSEL TO THE PURCHASERS

The closing opinion of Chapman and Cutler, special counsel to the Purchasers, called for by Section 4.4(b) of the Note Purchase Agreement, shall be dated the date of the Closing and addressed to the Purchasers, shall be satisfactory in form and substance to the Purchasers and shall be to the effect that:

1. The Company is a corporation, validly existing and in good standing under the laws of the State of Delaware and has the corporate power and the corporate authority to execute and deliver the Note Purchase Agreement and to issue the Notes.

2. The Note Purchase Agreement has been duly authorized by all necessary corporate action on the part of the Company, has been duly executed and delivered by the Company and constitutes the legal, valid and binding contract of the Company enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).

3. The Notes have been duly authorized by all necessary corporate action on the part of the Company, and the Notes being delivered on the date hereof have been duly executed and delivered by the Company and constitute the legal, valid and binding obligations of the Company enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).

4. The issuance, sale and delivery of the Notes under the circumstances contemplated by the Note Purchase Agreement do not, under existing law, require the registration of the Notes under the Securities Act of 1933, as amended, or the qualification of an indenture under the Trust Indenture Act of 1939, as amended.

The opinion of Chapman and Cutler shall also state that the opinion of F. Samuel Eberts III is satisfactory in scope and form to Chapman and Cutler and that, in their opinion, the Purchasers are justified in relying thereon.

In rendering the opinion set forth in paragraph 1 above, Chapman and Cutler may rely solely upon an examination of the Certificate of Incorporation certified by, and a certificate of good standing of the Company from, the Secretary of State of the State of Delaware, the By-laws of the Company and the General Corporation Law of the State of Delaware. The opinion of Chapman and Cutler is limited to the laws of the State of Illinois, the General Corporation Law of the State of Delaware and the Federal laws of the United States.

With respect to matters of fact upon which such opinion is based, Chapman and Cutler may rely on appropriate certificates of public officials and officers of the Company and upon

representations of the Company and the Purchasers delivered in connection with the issuance and sale of the Notes.

EXHIBIT 99.3

EXECUTION COPY

==

REVOLVING CREDIT AGREEMENT
Dated as of May 3, 2002

among

STEPAN COMPANY,
as the Borrower,

THE FINANCIAL INSTITUTIONS NAMED HEREIN,
as the Banks,

and

BANK ONE, NA,
as Agent,

==

BANC ONE CAPITAL MARKETS, INC.
as Lead Arranger and Sole Book Runner

==

Sidley Austin Brown & Wood

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STEPAN COMPANY
REVOLVING CREDIT AGREEMENT
DATED AS OF
May 3, 2002

This Revolving Credit Agreement, dated as of May 3, 2002, is entered into by and among Stepan Company, the Banks and Bank One, NA, a national banking association having its principal office in Chicago, Illinois, as Agent and as LC Issuer. The parties hereto agree as follows:

ARTICLE I: DEFINITIONS

1.1 Definitions. As used in this Agreement:

"Absolute Rate" means, with respect to an Absolute Rate Loan made by a given Bank for the relevant Absolute Rate Interest Period, the rate of interest per annum (rounded to the nearest 1/1000 of 1%) offered by such Bank and accepted by the Company pursuant to Section 2.19.

"Absolute Rate Advance" means a borrowing hereunder consisting of the aggregate amount of the several Absolute Rate Loans made by some or all of the Banks to the Company at the same time and for the same Absolute Rate Interest Period.

"Absolute Rate Auction" means a solicitation of Competitive Bid Quotes setting forth Absolute Rates pursuant to Section 2.19.

"Absolute Rate Interest Period" means, with respect to an Absolute Rate Advance, a period of not less than 1 and not more than 30 days commencing on a Business Day selected by the Company pursuant to this Agreement. If such Absolute Rate Interest Period would end on a day which is not a Business Day, such Absolute Rate Interest Period shall end on the next succeeding Business Day.

"Absolute Rate Loan" means a Loan which bears interest at an Absolute Rate.

"Acquisition" means any transaction, or any series of related transactions, consummated on or after the Closing Date, by which the Company or any of its Subsidiaries (i) acquires any going business or all or substantially all of the assets of any firm, corporation or limited liability company, or division thereof, whether through purchase of assets, merger or otherwise or (ii) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the securities of a corporation which have ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) or a majority (by percentage or voting power) of the outstanding ownership interests of a partnership or limited liability company.

"Advance" means a Ratable Advance or a Competitive Bid Advance. The term "Advance" shall include Swing Line Loans unless otherwise expressly provided.

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

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

"Aggregate Commitment" means the aggregate of the Commitments of the Banks hereunder, as adjusted from time to time pursuant to the terms hereof.

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

"Agreement" means this revolving credit agreement, as it may be amended from time to time.

"Agreement Accounting Principles" means generally accepted principles of accounting in effect at the time of the preparation of the financial statements referred to in Section 5.4, applied in a manner consistent with that used in preparing such statements. If any change in accounting principles from the principles used in preparing such statements would have a material effect upon the results of any calculation required by or compliance with any provision of this Agreement, then the parties hereto agree to enter into negotiations in order to amend such provisions so as to equitably reflect such changes with the desired result that the criteria for evaluating Company's financial condition and operations shall be the same after such changes as if such changes had not been made.

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

"Applicable Fee Rate" means, at any time, the percentage rate per annum at which Commitment Fees are accruing on the unused portion of the Aggregate Commitment at such time as set forth in the Pricing Schedule.

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

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

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

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

"Authorized Officer" means any of the President, Vice President - Finance or the Vice President and Corporate Controller of the Company, acting singly.

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

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

"Banks" means the lending institutions listed on the signature pages of this Agreement as amended from time to time and their respective successors and assigns. Unless otherwise specified, the term "Banks" includes Bank One in its capacity as Swing Line Lender.

"Borrowing Date" means a date on which a Credit Extension is made hereunder.

"Borrowing Notice" means a Competitive Bid Borrowing Notice or a Ratable Borrowing Notice, as the context may require.

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

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

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

"Closing Date" means May 3, 2002.

"Collateral Shortfall Amount" is defined in Section 8.1.

"Commitment" means, for each Bank, the obligation of the Bank to make Ratable Loans to, and participate in Facility LCs issued upon the application of, the Company in an aggregate amount not exceeding the amount set forth on the Commitment Schedule or as set forth in any Assignment Agreement that has become effective pursuant to Section 13.3.1, as such amount may be modified from time to time.

"Commitment Schedule" means the Schedule identifying each Bank's Commitment as of the Closing Date attached hereto and identified as such.

"Company" means Stepan Company, a Delaware corporation, and its successors and assigns.

"Competitive Bid Advance" means a borrowing hereunder made by some or all of the Banks on the same Borrowing Date and consisting of the aggregate amount of the several Competitive Bid Loans of the same Type and for the same Interest Period.

"Competitive Bid Borrowing Notice" is defined in Section 2.19(F).

"Competitive Bid Loan" means a Eurodollar Bid Rate Loan or an Absolute Rate Loan, or both, as the case may be.

"Competitive Bid Margin" means the margin above or below the applicable Eurodollar Base Rate (adjusted for reserve costs, if applicable) offered for a Eurodollar Bid Rate Loan, expressed as a percentage (rounded to the nearest 1/1000 of 1%) to be added or subtracted from such Eurodollar Base Rate.

"Competitive Bid Note" means any promissory note issued at the request of a Bank pursuant to Section 2.13 to evidence its Competitive Bid Loans in the form of Exhibit A-2 hereto.

"Competitive Bid Quote" means a Competitive Bid Quote substantially in the form of Exhibit G hereto completed and delivered by a Bank to the Agent in accordance with Section 2.19(D).

"Competitive Bid Quote Request" means a Competitive Bid Quote Request substantially in the form of Exhibit E hereto completed and delivered by the Company to the Agent in accordance with Section 2.19(B).

"Consolidated Capitalization" means the sum of (i) Consolidated Funded Indebtedness plus (ii) Consolidated Tangible Net Worth plus (iii) long-term deferred tax liabilities for the Company and its Restricted Subsidiaries.

"Consolidated Current Liabilities" means, at any date as of which the amount thereof is to be determined, the amount which would be set forth as current liabilities on a consolidated balance sheet of the Company and the Restricted Subsidiaries prepared as of such date in accordance with Agreement Accounting Principles.

"Consolidated Earnings Before Interest and Taxes" means, for any fiscal quarter, the sum of (i) earnings before income taxes for such fiscal quarter, plus (ii) Consolidated Interest Expense for such fiscal quarter less (iii) equity earnings of Unrestricted Subsidiaries of the Company for such quarter determined on a consolidated basis for the Company and the Restricted Subsidiaries in accordance with Agreement Accounting Principles.

"Consolidated Tangible Assets" means, as at any date as of which the amount thereof is to be determined, an amount equal to the amount by which (a) the aggregate amount at which all assets of the Company and the Restricted Subsidiaries would be set forth on a consolidated balance sheet of the Company and the Restricted Subsidiaries prepared as of such date in accordance with Agreement Accounting Principles, exceeds (b) the sum of the amounts which would be set forth on such consolidated balance sheet as (i) any surplus resulting from any writeup of assets and (ii) the aggregate value of all patents, licenses, trade names, trademarks, copy-rights, good will and deferred charges (including, but not limited to, unamortized debt discount and expenses, organizational expenses and experimental and developmental expenses, but excluding prepaid expenses).

"Consolidated Tangible Net Worth" means, at any date as of which the amount thereof is to be determined, (a) the sum of the amounts which would be set forth as preferred stock, common stock, capital in excess of par value or paid-in surplus and retained earnings on a consolidated balance sheet of the Company and the Restricted Subsidiaries prepared as of such date in accordance with Agreement Accounting Principles, minus (b) the sum of the amounts which would be set forth on such consolidated balance sheet as (i) the cost of any shares of the Company's common stock held in the treasury, (ii) any surplus resulting from any writeup of assets, (iii) the aggregate value of all patents, licenses, trade names, trademarks, copy-rights, good will and deferred charges (including, but not limited to, unamortized debt discount and expenses, organizational expenses and experimental and developmental expenses, but excluding prepaid expenses), and (iv) other comprehensive income or expense (as defined by GAAP), in each case determined in accordance with Agreement Accounting Principles.

"Contingent Obligation" of a Person means any agreement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes liable upon, the obligation of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person or otherwise assures any creditor of such other Person against loss, including, without limitation, any operating agreement or take-or-pay contract and shall include, without limitation, the contingent liability of such Person in connection with any application for a letter of credit.

"Controlled Group" means all members of a controlled group of corporations or other business entities and all trades or businesses (whether or not incorporated) under common control which, together with the Company or any Subsidiary, are treated as a single employer under Section 414(b) or 414(c) of the Internal Revenue Code.

"Credit Extension" means the making of an Advance or the issuance of a Facility LC hereunder.

"Current Indebtedness" means all Indebtedness other than Funded Indebtedness, and, without limitation, shall include (i) all Indebtedness maturing on demand or within one year after the date as of which such determination is made, (ii) final maturities and prepayments of Indebtedness and sinking fund payments and (iii) all other items (including taxes accrued as estimated) which, in accordance with Agreement Accounting Principles, would be included as Consolidated Current Liabilities.

"Default" means an event described in Article VII.

"Domestic Subsidiary" means a Subsidiary of the Company organized under the laws of a jurisdiction located in the United States of America.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any rule or regulation issued thereunder.

"Eurodollar Advance" means a Eurodollar Ratable Advance, a Eurodollar Bid Rate Advance, or both, as the context may require.

"Eurodollar Base Rate" means, with respect to a Eurodollar Advance for the relevant Eurodollar Interest Period, the applicable British Bankers' Association LIBOR Rate for deposits in U.S. dollars as reported by any generally recognized financial information service as of 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Eurodollar Interest Period, and having a maturity equal to such Eurodollar Interest Period, provided that, if no such British Bankers' Association LIBOR Rate is available to the Agent, the applicable Eurodollar Base Rate for the relevant Eurodollar Interest Period shall instead be the rate determined by the Agent to be the rate at which Bank One offers to place deposits in U.S. dollars with first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Eurodollar Interest Period, in the approximate amount of Bank One's relevant Eurodollar Ratable Loan, or, in the case of a Eurodollar Bid Rate Advance, the amount of the Eurodollar Bid Rate Advance requested by the Company, and having a maturity equal to such Eurodollar Interest Period.

"Eurodollar Bid Rate" means, with respect to a Eurodollar Bid Rate Loan made by a given Bank for the relevant Eurodollar Interest Period, the sum of (i) the quotient of (a) the Eurodollar Base Rate applicable to such Eurodollar Interest Period, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Eurodollar Interest Period, plus (ii) the Competitive Bid Margin offered by such Bank and accepted by the Company.

"Eurodollar Bid Rate Advance" means a Competitive Bid Advance which bears interest at a Eurodollar Bid Rate.

"Eurodollar Bid Rate Loan" means a Loan which bears interest at a Eurodollar Bid Rate.

"Eurodollar Interest Period" means, with respect to a Eurodollar Advance, a period of one, two, three or six months commencing on a Business Day selected by the Company pursuant to this Agreement. Such Eurodollar Interest Period shall end on the day which corresponds numerically to such date one, two, three or six months thereafter, provided, however, that if there is no such numerically corresponding day in such next, second, third or sixth succeeding month, such Eurodollar Interest Period shall end on the last Business Day of such next, second, third or sixth succeeding month. If a Eurodollar Interest Period would otherwise end on a day which is not a Business Day, such Eurodollar Interest Period shall end on the next succeeding Business Day, provided, however, that if said next succeeding Business Day falls in a new calendar month, such Eurodollar Interest Period shall end on the immediately preceding Business Day.

"Eurodollar Loan" means a Eurodollar Ratable Loan or a Eurodollar Bid Rate Loan, or both, as the context may require an Advance or a Loan, as the case may be, which, except as otherwise provided in Section 2.11, bears interest at a Eurodollar Rate.

"Eurodollar Ratable Advance" means a Ratable Advance which bears interest at a Eurodollar Rate requested by the Company pursuant to Section 2.8.

"Eurodollar Ratable Loan" means a Ratable Loan which bears interest at a Eurodollar Rate requested by the Company pursuant to Section 2.8.

"Eurodollar Rate" means, with respect to a Eurodollar Ratable Advance for the relevant Eurodollar Interest Period, the sum of (i) the quotient of (a) the Eurodollar Base Rate applicable to such Eurodollar Interest Period, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Eurodollar Interest Period, plus (ii) the Applicable Margin.

"Existing Credit Agreement" means that certain Revolving Credit Agreement dated as of January 9, 1998, among the Company, Bank One, NA (formerly known as The First National Bank of Chicago) as agent for the banks, and the banks party thereto, as amended through the Closing Date.

"Facility LC" is defined in Section 2.20(A).

"Facility LC Application" is defined in Section 2.20(C).

"Facility LC Collateral Account" is defined in Section 2.20(J).

"Facility Termination Date" means May 2, 2007 or any earlier date on which the Aggregate Commitment is reduced to zero or otherwise terminated pursuant to the terms hereof.

"Federal Funds Effective Rate" means, for any day, an interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:00 a.m. (Chicago time) on such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by the Agent in its sole discretion.

"Fixed Rate" means the Eurodollar Rate, the Eurodollar Bid Rate or the Absolute Rate.

"Fixed Rate Advance" means an Advance which bears interest at a Fixed Rate.

"Fixed Rate Loan" means a Loan which bears interest at a Fixed Rate.

"Floating Rate" means, for any day, a rate per annum equal to (i) the Alternate Base Rate for such day plus (ii) the Applicable Margin, in each case, changing when and as the Alternate Base Rate changes. "Floating Rate Advance" and "Floating Rate Loan" mean an Advance or a

Loan, as the case may be, which, except as otherwise provided in Section 2.11, bears interest at the Floating Rate.

"Foreign Subsidiary" means a Subsidiary of the Company which is not a Domestic Subsidiary.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"Funded Indebtedness" means any liabilities or Indebtedness secured or unsecured with a maturity due date or expiration more than one year from any date of determination, including Capitalized Leases, (i) minus long-term deferred tax liabilities and (ii) plus Guarantees and Unfunded Liabilities. Funded Indebtedness determined on a consolidated basis for the Company and its Restricted Subsidiaries will be referred to herein as "Consolidated Funded Indebtedness".

"GAAP" is defined in Section 6.1.

"Guarantor" means the Company and each Restricted Subsidiary of the Company (other than an SPV) that is a Domestic Subsidiary as of the Closing Date and each other Restricted Subsidiary that has become a guarantor of the Obligations hereunder in accordance with the terms of Section 6.22.

"Guaranty" means that certain Guaranty (and any and all supplements thereto) executed from time to time by each Guarantor (other than the Company) in favor of the Agent for the benefit of itself and the Banks, in form and substance acceptable to the Agent, as amended, restated, supplemented or otherwise modified from time to time.

"Indebtedness" of a Person means such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (iii) obligations, whether or not assumed, secured by Liens or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, acceptances, or other instruments, (v) Capitalized Lease Obligations (vi) Off-Balance Sheet Liabilities, and (vii) obligations for which such Person is obligated pursuant to a Contingent Obligation or pursuant to a Letter of Credit.

"Interest Expense" means with respect to any period for which the amount thereof is to be determined, an amount equal to interest expense on Indebtedness, including payments in the nature of interest under Capitalized Lease Obligations and the discount or implied interest component of Off-Balance Sheet Liabilities, as determined in accordance with Agreement Accounting Principles. Interest Expense determined on a consolidated basis for the Company and its Restricted Subsidiaries will be referred to herein as "Consolidated Interest Expense."

"Interest Period" means a Eurodollar Interest Period or an Absolute Rate Interest Period.

"Investment" of a Person means any loan, advance, extension of credit (excluding accounts receivable arising in the ordinary course of business on terms customary in the trade),

deposit account or contribution of capital by such Person to any other Person or any investment in, or purchase or other acquisition of, the stock, notes, debentures or other securities of any other Person made by such Person.

"Invitation for Competitive Bid Quotes" means an Invitation for Competitive Bid Quotes substantially in the form of Exhibit F hereto, completed and delivered by the Agent to the Banks in accordance with Section 2.19(C).

"LC Fee" is defined in Section 2.20(D).

"LC Issuer" means Bank One (or any subsidiary or affiliate of Bank One designated by Bank One) in its capacity as issuer of Facility LCs hereunder.

"LC Obligations" means, at any time, the sum, without duplication, of (i) the aggregate undrawn stated amount under all Facility LCs outstanding at such time plus (ii) the aggregate unpaid amount at such time of all Reimbursement Obligations.

"LC Payment Date" is defined in Section 2.20(E).

"Lending Installation" means any office, branch, subsidiary or affiliate of any Bank or the Agent.

"Letter of Credit" of a Person means a letter of credit or similar instrument which is issued upon the application of such Person or upon which such Person is an account party or for which such Person is in any way liable.

"Lien" means any lien (statutory or other), mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, the interest of a vendor or lessor under any conditional sale, Capitalized Lease or other title retention agreement).

"Loan" means, with respect to a Bank, such Bank's loan made pursuant to Article II (or, in the case of any Ratable Loan, any conversion or continuation thereof).

"Loan Documents" means this Agreement, the Notes, the Guaranty and the Facility LC Applications, in each case as amended, restated, supplemented or otherwise modified from time to time.

"Modify" and "Modification" are defined in Section 2.20(A).

"Multiemployer Plan" means a Plan maintained pursuant to a collective bargaining agreement or any other arrangement to which the Company or any member of the Controlled Group is a party to which more than one employer is obligated to make contributions.

"Notes" means, collectively, all of the Competitive Bid Notes, all of the Ratable Notes and any note issued to the Swing Line Lender, in each case, which may be issued hereunder, and

"Note" means any one of the Notes, including any amendment, modification, renewal or replacement thereof.

"Obligations" means all unpaid principal of and accrued and unpaid interest on the Loans, all Reimbursement Obligations, all accrued and unpaid commitment fees and all other obligations of the Company to the Banks or to any Bank, the LC Issuer or the Agent arising under the Loan Documents.

"Off-Balance Sheet Liability" of a Person means (i) any repurchase obligation or liability of such Person or any of its Subsidiaries with respect to accounts or notes receivable sold by such Person or any of its Subsidiaries (calculated to include the unrecovered investment of purchasers or transferees of accounts or any other obligation of such Person or such transferor to purchasers/transferees of interests in accounts or notes receivable or the agent for such purchasers/transferees), (ii) any liability under any sale and leaseback transaction which is not a Capitalized Lease, (iii) any liability under any financing lease or Synthetic Lease or "tax ownership operating lease" transaction entered into by such Person, including any Synthetic Lease Obligations, or (iv) any obligation arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the balance sheets of such Person, but excluding from this clause (iv) Operating Leases.

"Operating Lease" of a Person means any lease of Property (other than a Capitalized Lease) by such Person as lessee which has an original term (including any required renewals and any renewals effective at the option of the lessor) of one year or more.

"Outstanding Credit Exposure" means, as to any Bank at any time, the sum of (i) the aggregate principal amount of its Loans (including all Ratable Loans and Competitive Bid Loans of such Bank) outstanding at such time, plus (ii) an amount equal to its Pro Rata Share of the aggregate principal amount of Swing Line Loans outstanding at such time, plus (iii) an amount equal to its Pro Rata Share of the LC Obligations at such time.

"Phthalic Anhydride Line" means any product manufactured by the Company from Orthoxylene.

"Payment Date" means the last day of January, April, July, and October.

"PBGC" means the Pension Benefit Guaranty Corporation and its successors and assigns.

"Person" means any corporation, natural person, firm, joint venture, partnership, limited liability company, trust, unincorporated organization, enterprise, government or any department or agency of any government.

"Plan" means an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code as to which the Company or any Subsidiary may have any liability.

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

"Prime Rate" means a rate per annum equal to the prime rate of interest announced from time to time by Bank One or its parent (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

"Property" of a Person means any and all property, whether real, personal, tangible, intangible, or mixed, of such Person, or other assets owned, leased or operated by such Person.

"Pro Rata Share" means, with respect to a Bank, a portion equal to a fraction the numerator of which is such Bank's Commitment and the denominator of which is the Aggregate Commitment.

"Ratable Advance" means a borrowing hereunder (i) made by the Banks on the same Borrowing Date, or (ii) converted or continued by the Banks on the same date of conversion or continuation, consisting, in either case, of the aggregate amount of the several Ratable Loans of the same Type and, in the case of Eurodollar Ratable Loans, for the same Interest Period.

"Ratable Borrowing Notice" is defined in Section 2.8.

"Ratable Loan" means a Loan made by a Bank pursuant to its commitment to lend set forth in Section 2.1 (or any conversion or continuation thereof).

"Ratable Note" means any promissory note issued at the request of a Bank pursuant to Section 2.13 to evidence its Ratable Loans in the form of Exhibit A-1 hereto.

"Rate Option" means the Eurodollar Rate or the Floating Rate.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System from time to time in effect and shall include any successor or other regulation or official interpretation of said Board of Governors relating to reserve requirements applicable to member banks of the Federal Reserve System.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System from time to time in effect and shall include any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by banks, non-banks and non-broker-dealers for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System.

"Reimbursement Obligations" means, at any time, the aggregate of all obligations of the Company then outstanding under Section 2.20 to reimburse the LC Issuer for amounts paid by the LC Issuer in respect of any one or more drawings under Facility LCs.

"Rentals" of a Person means the aggregate fixed amounts payable by such Person under any lease of real or personal property having an original term (including any required renewals or any renewals at the option of the lessor or lessee) of one year or more but does not include any amounts payable under Capitalized Leases of such Person.

"Reportable Event" means a reportable event as defined in Section 4043 of ERISA and the regulations issued under such Section, with respect to a Plan, excluding, however, such

events as to which the PBGC has by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event, provided that a failure to meet the minimum funding standard of Section 412 of the Internal Revenue Code and of Section 302 of ERISA shall be a reportable event regardless of the issuance of any such waivers in accordance with Section 412(d) of the Internal Revenue Code.

"Required Banks" means Banks in the aggregate having at least 66-2/3% of the Aggregate Commitment or, if the Aggregate Commitment has been terminated, Banks in the aggregate holding at least 66-2/3% of the Aggregate Outstanding Credit Exposure.

"Reserve Requirement" means, with respect to a Eurodollar Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on Eurocurrency liabilities as defined in Regulation D).

"Restricted Subsidiary" means any Subsidiary of the Company which (i) is organized under the laws of any state of the United States of America or under the laws of Canada or any province thereof, (ii) has substantially all of its assets located within, and operates substantially within, the United States of America or Canada, (iii) at least 50% of the outstanding voting stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned by the Company, by one or more of its Wholly-Owned Restricted Subsidiaries or by the Company and one or more of its Wholly-Owned Restricted Subsidiaries, and (iv) which the Company designates as a Restricted Subsidiary; provided, however, that the Company may not subsequently change the description of any such Subsidiary from Restricted Subsidiary to Unrestricted Subsidiary.

"Sale and Leaseback Transaction" means any sale or other transfer of Property by any Person with the intent to lease such Property as lessee.

"Section" means a numbered section of this Agreement, unless another document is specifically referenced.

"Single Employer Plan" means a Plan maintained by the Company or any member of the Controlled Group for employees of the Company or any member of the Controlled Group.

"SPV" means any special purpose entity established in connection with the incurrence of Off-Balance Sheet Liabilities permitted under the terms of this Agreement.

"Stepan Family" means the Estate of Mary Louise Stepan, F. Quinn Stepan and family, Paul H. Stepan and family, Charlotte Stepan Flanagan and family, Mary Louise Wehman and family, Alfred C. Stepan III and family, John A. Stepan and family, Stratford E. Stepan and family and Stepan Venture I and Stepan Venture II.

"Subordinated Indebtedness" means any Indebtedness the payment of which is subordinated to payment of the Obligations to the written satisfaction of the Banks.

"Subsidiary" means (i) any corporation more than 50% of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by the Company or by one or more Subsidiaries or by the Company and one or more Subsidiaries, or (ii) any partnership, limited liability company, association, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise expressly provided, all references herein to a "Subsidiary" shall mean a Subsidiary of the Company.

"Swing Line Borrowing Notice" is defined in Section 2.18(B).

"Swing Line Commitment" means the obligation of the Swing Line Lender to make Swing Line Loans up to a maximum principal amount of $5,000,000 at any one time outstanding.

"Swing Line Lender" means Bank One or such other Bank which may succeed to its rights and obligations as Swing Line Lender pursuant to the terms of this Agreement.

"Swing Line Loan" means a Loan made available to the Company by the Swing Line Lender pursuant to Section 2.18.

"Taxes" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and any and all liabilities with respect to the foregoing, but excluding in the case of each Bank or applicable Lending Installation and the Agent, taxes imposed on its overall net income, and franchise taxes imposed on it, by (i) the jurisdiction under the laws of which such Bank or the Agent is incorporated or organized or (ii) the jurisdiction in which the Agent's or such Bank's principal executive office or such Bank's applicable Lending Installation is located.

"Transferee" is defined in Section 13.4.

"Type" means, with respect to any Advance, its nature as a Floating Rate Advance, an Absolute Rate Advance, a Eurodollar Bid Rate Advance or a Eurodollar Ratable Advance, and with respect to any Loan, its nature as a Floating Rate Loan, an Absolute Rate Loan, a Eurodollar Bid Rate Loan or a Eurodollar Ratable Loan.

"Unfriendly Acquisition" means any Acquisition unless the board of directors (or other person exercising similar functions) of the issuer of the securities to be acquired shall have approved such Acquisition and recommended it to the holders of the securities to be acquired.

"Unfunded Liabilities" means, (i) in the case of Single Employer Plans, the amount (if any) by which the present value of all vested nonforfeitable benefits under such Plan exceeds the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, and (ii) in the case of Multiemployer Plans, the withdrawal liability of the Company and Subsidiaries.

"Unmatured Default" means an event which but for the lapse of time or the giving of notice, or both, would constitute a Default.

"Unrestricted Subsidiary" means any Subsidiary other than a Restricted Subsidiary.

"Wholly-Owned Subsidiary" means (i) any Subsidiary all of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by the Company or one or more Wholly-Owned Subsidiaries, or by the Company and one or more Wholly-Owned Subsidiaries, or (ii) any partnership, limited liability company, association joint venture or similar business organization 100% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled.

1.2 Singular and Plural. The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

ARTICLE II: THE CREDITS

2.1 Commitment. From and including the Closing Date and prior to the Facility Termination Date, (i) each Bank severally agrees, on the terms and conditions set forth in this Agreement, (a) to make Ratable Loans to the Company from time to time, and (b) to participate in Facility LCs issued upon the request of the Company from time to time, provided, that, after giving effect to the making of each such Ratable Loan and the issuance of each such Facility LC, such Bank's Outstanding Credit Exposure shall not exceed its Commitment, and (ii) each Bank may, in its sole discretion, make bids to make Competitive Bid Loans to the Company in accordance with Section 2.19. In no event may the Aggregate Outstanding Credit Exposure (including, without limitation, the Ratable Advances and the Competitive Bid Advances) exceed the Aggregate Commitment. Subject to the terms of this Agreement, the Company may borrow, repay and reborrow at any time prior to the Facility Termination Date. The Commitments to lend hereunder shall expire on the Facility Termination Date. The LC Issuer will issue Facility LCs hereunder on the terms and conditions set forth in Section 2.20.

2.2 Ratable Loans. Each Ratable Advance hereunder shall consist of Loans made from the several Banks ratably in proportion to the ratio that their respective Commitments bear to the Aggregate Commitment. The aggregate outstanding amount of Competitive Bid Advances shall reduce each Bank's Commitment ratably in the proportion such Bank's Commitment bears to the Aggregate Commitment regardless of which Bank or Banks make such Competitive Bid Advances.

2.3 Rate Options. The Ratable Advances may be Floating Rate Advances or Eurodollar Advances, or a combination thereof, selected by the Company in accordance with Section 2.8, or Swing Line Loans selected by the Company in accordance with Section 2.18.

2.4 Mandatory Principal Payments. The Aggregate Outstanding Credit Exposure and all other unpaid Obligations shall be paid in full by the Company on the Facility Termination Date.

2.5 Optional Principal Payments. The Company may from time to time pay all outstanding Floating Rate Advances (other than Swing Line Loans), or, in a minimum aggregate amount of $100,000 or any integral multiple thereof, any portion of the outstanding Floating Rate Advances (other than Swing Line Loans) upon one Business Day's prior notice to the Agent without penalty or premium. The Company may at any time pay, without penalty or

premium, all outstanding Swing Line Loans, or, in a minimum amount of $100,000 and increments of $50,000 in excess thereof, any portion of the outstanding Swing Line Loans, with notice to the Agent and the Swing Line Lender by 11:00 a.m. (Chicago time) on the date of repayment. The Company may from time to time pay, subject to the payment of any fundings indemnification amounts required by Section 3.3 but without penalty or premium, all outstanding Eurodollar Ratable Advances, or, in a minimum aggregate amount of $100,000 or any integral multiple of $100,000 in excess thereof, any portion of the outstanding Eurodollar Ratable Advances upon three Business Days' prior notice to the Agent. A Competitive Bid Loan may not be prepaid prior to the last day of the applicable Interest Period.

2.6 Commitment Fee and Reduction of Commitments. The Company agrees to pay to the Agent on each Payment Date for the account of each Bank a commitment fee at a per annum rate equal to the Applicable Fee Rate multiplied by the Available Aggregate Commitment from the Closing Date through and including the date on which this Agreement is terminated in full and all of the Obligations hereunder have been paid in full; provided, that Swing Line Loans and Competitive Bid Loans shall not count as usage of any Bank's Commitment for the purpose of calculating the commitment fee due hereunder. The Company may permanently reduce the Aggregate Commitment in whole, or in part ratably among the Banks, in integral multiples of $1,000,000, upon at least three Business Days' written notice to the Agent, which shall specify the amount of any such reduction, provided, however, that the amount of the Aggregate Commitment may not be reduced below the Aggregate Outstanding Credit Exposure. All accrued commitment fees shall be payable on the effective date of any termination of the obligations of the Banks to make Credit Extensions hereunder.

2.7 Method of Borrowing. Not later than noon Chicago time on each Borrowing Date, each Bank shall make available its Loan or Loans in funds immediately available in Chicago, to the Agent at its address specified pursuant to Article XII. The Agent will make the funds so received from the Banks available to the Company at the Agent's aforesaid address. Notwithstanding the foregoing provisions of this Section, to the extent that a Loan made by a Bank matures on the Borrowing Date of a requested Loan, such Bank shall apply the proceeds of the Loan it is then making to the repayment of the maturing Loan.

2.8 Method of Selecting Rate Options and Interest Periods. The Company shall select the Rate Option for Ratable Advances and, in the case of each Eurodollar Ratable Advance, the Interest Period applicable thereto from time to time. The Company shall give the Agent irrevocable notice (a "Ratable Borrowing Notice") not later than 11:00 a.m. Chicago time on the Borrowing Date of each Floating Rate Advance (other than a Swing Line Loan) and three (3) Business Days before the Borrowing Date for each Eurodollar Ratable Advance. Notwithstanding the foregoing, a Ratable Borrowing Notice for a Floating Rate Advance may be given not later than 12:00 noon (Chicago time) on the Borrowing Date for a Floating Rate Advance (other than a Swing Line Loan) if the Company is required to reject one or more bids offered in connection with an Absolute Rate Auction pursuant to Section 2.19, and a Ratable Borrowing Notice for a Eurodollar Ratable Advance may be given not later than 12:00 noon (Chicago time) three (3) Business Days before the Borrowing Date for a Eurodollar Ratable Advance if the Company is required to reject one or more bids offered in connection with a Eurodollar Auction pursuant to Section 2.19. A Ratable Borrowing Notice shall specify:

(i) the Borrowing Date, which shall be a Business Day, of such Ratable Advance,

(ii) the aggregate amount of such Ratable Advance,

(iii) the Rate Option selected for such Ratable Advance, and

(iv) in the case of each Eurodollar Ratable Advance, the Interest Period applicable thereto.

Each Floating Rate Advance (other than a Swing Line Loan) shall bear interest on the outstanding principal amount thereof, for each day from and including the date such Advance is made or is automatically converted from a Eurodollar Ratable Advance into a Floating Rate Advance pursuant to Section 2.9, to but excluding the date it is paid or is converted into a Eurodollar Ratable Advance pursuant to Section 2.9 hereof, at a rate per annum equal to the Floating Rate for such day. Each Swing Line Loan shall bear interest on the outstanding principal amount thereof, for each day from and including the day such Swing Line Loan is made to but excluding the date it is paid, at a rate per annum equal to the Floating Rate for such day. Changes in the rate of interest on that portion of any Advance maintained as a Floating Rate Advance will take effect simultaneously with each change in the Alternate Base Rate. Each Fixed Rate Advance shall bear interest on the outstanding principal amount thereof from and including the first day of the Interest Period applicable thereto to (but not including) the last day of such Interest Period at the interest rate determined as applicable to such Fixed Rate Advance. No Interest Period may end after the Facility Termination Date.

2.9 Conversion and Continuation of Outstanding Ratable Advances. Floating Rate Advances (other than Swing Line Loans) shall continue as Floating Rate Advances unless and until such Floating Rate Advances are converted into Eurodollar Ratable Advances pursuant to this Section 2.9 or are repaid in accordance with Section 2.5. Each Eurodollar Ratable Advance shall continue as a Eurodollar Ratable Advance until the end of the then applicable Interest Period therefor, at which time such Eurodollar Ratable Advance shall be automatically converted into a Floating Rate Advance unless (x) such Eurodollar Ratable Advance is or was repaid in accordance with Section 2.5 or (y) the Company shall have given the Agent a Conversion/Continuation Notice (as defined below) requesting that, at the end of such Interest Period, such Eurodollar Ratable Advance continue as a Eurodollar Ratable Advance for the same or another Interest Period. Subject to the terms of Section 2.5, the Company may elect from time to time to convert all or any part of a Floating Rate Advance (other than a Swing Line Loan) or into a Eurodollar Ratable Advance. The Company shall give the Agent irrevocable notice (a "Conversion/Continuation Notice") of each conversion of a Floating Rate Advance into a Eurodollar Ratable Advance or continuation of a Eurodollar Ratable Advance not later than 11:00 a.m. (Chicago time) at least three Business Days prior to the date of the requested conversion or continuation, specifying:

(i) the requested date, which shall be a Business Day, of such conversion or continuation,

(ii) the aggregate amount and Rate Option selected for the Ratable Advance which is to be converted or continued, and

(iii) the amount of such Ratable Advance which is to be converted into or continued as a Eurodollar Ratable Advance and the duration of the Interest Period applicable thereto.

2.10 Minimum Amount of Each Advance. Each Eurodollar Ratable Advance shall be in the minimum amount of $500,000 (and in multiples of $100,000 if in excess thereof), and each Floating Rate Advance (other than an Advance to repay Swing Line Loans) shall be in the minimum amount of $100,000 (and in multiples of $100,000 if in excess thereof), provided, however, that any Floating Rate Advance may be in the amount of the unused Aggregate Commitment. Each Competitive Bid Advance shall be in the minimum amount of $500,000 (and in multiples of $100,000 if in excess thereof). The Company shall not request a Fixed Rate Advance if, after giving effect to the requested Fixed Rate Advance, more than five (5) separate Fixed Rate Advances would be outstanding.

2.11 Rate after Default. Notwithstanding anything to the contrary contained in Section 2.8 or 2.9, during the continuance of a Default or Unmatured Default the Required Banks may, at their option, by notice to the Company (which notice may be revoked at the option of the Required Banks notwithstanding any provision of Section 8.2 requiring unanimous consent of the Banks to changes in interest rates), declare that no Ratable Advance may be made as, converted into or continued as a Eurodollar Ratable Advance. During the continuance of a Default the Required Banks may, at their option, by notice to the Company (which notice may be revoked at the option of the Required Banks notwithstanding any provision of Section 8.2 requiring unanimous consent of the Banks to changes in interest rates), declare that (i) each Fixed Rate Advance shall bear interest for the remainder of the applicable Interest Period at the rate otherwise applicable to such Interest Period plus 2% per annum, (ii) each Floating Rate Advance shall bear interest at a rate per annum equal to the Floating Rate in effect from time to time plus 2% per annum and (iii) the LC Fee shall be increased by 2% per annum, provided that, during the continuance of a Default under Section 7.6 or 7.7, the interest rates set forth in clauses (i) and (ii) above and the increase in the LC Fee set forth in clause (iii) above shall be applicable to all Credit Extensions without any election or action on the part of the Agent or any Bank.

2.12 Method of Payment. All payments of principal, interest, and fees hereunder shall be made in immediately available funds, by noon (local time) on the date when due and shall (except with respect to (i) repayments of Swing Line Loans and (ii) Reimbursement Obligations for which the LC Issuer has not been fully indemnified by the Banks, or as otherwise specifically required hereunder) be made ratably among the Banks entitled thereto, to the Agent at the Agent's address specified pursuant to Article XII or at any other Lending Installation of the Agent specified in writing by the Agent to the Company. Each payment delivered to the Agent for the account of any Bank shall be delivered promptly by the Agent to such Bank in the same type of funds which the Agent received at its address specified pursuant to Article XII or at any Lending Installation specified in a notice received by the Agent from such Bank. The Agent is hereby authorized to charge the account of the Company maintained with Bank One for each payment of principal, interest, Reimbursement Obligations and fees as it becomes due hereunder. Each reference to the Agent in this Section 2.12 shall also

be deemed to refer, and shall apply equally, to the LC Issuer, in the case of payments required to be made by the Company to the LC Issuer pursuant to Section 2.20(F).

2.13 Notes; Telephonic Notices. Each Bank is hereby authorized to record the principal amount of each of its Credit Extensions and each repayment on the schedule attached to its Note provided, however, that the failure to so record shall not affect the Company's obligations under such Note. The Company hereby authorizes the Banks and the Agent to extend Credit Extensions, effect Rate Option selections and submit Competitive Bid Quotes based on telephonic notices made by any person or persons the Agent or any Bank in good faith believes to be acting on behalf of the Company. The Company agrees to deliver promptly to the Agent a written confirmation of each telephonic notice signed by an Authorized Officer. If the written confirmation differs in any material respect from the action taken by the Agent and the Banks in response to any telephonic notice, the records of the Agent and the Banks shall govern absent manifest error.

2.14 Interest Payment Dates; Interest Basis. Interest accrued on each Fixed Rate Advance shall be payable on the last day of its applicable Interest Period and on any date on which the Advance is prepaid, whether due to acceleration or otherwise. Interest accrued on each Fixed Rate Advance having an Interest Period longer than three months shall also be payable on the last day of each three-month interval during such Interest Period. Interest accrued on each Floating Rate Advance shall be payable on each Payment Date and on any date on which the Advance is prepaid, whether due to acceleration or otherwise. Interest accrued on that portion of the outstanding principal amount of any Floating Rate Advance converted into a Eurodollar Ratable Advance on a day other than a Payment Date shall be payable on the date of conversion. Interest and commitment fees shall be calculated for actual days elapsed on the basis of a 360-day year. Interest shall be payable for the day an Advance is made but not for the day of any payment on the amount paid if payment is received prior to noon (local time) at the place of payment. If any payment of principal of or interest on an Advance shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest in connection with such payment.

2.15 Notification of Advances, Interest Rates, Prepayments and Commitment Reductions. Promptly after receipt thereof, the Agent will notify each Bank of the contents of each Aggregate Commitment reduction notice, Ratable Borrowing Notice, Swing Line Borrowing Notice, Competitive Bid Borrowing Notice, conversion/continuation notice and repayment notice received by it hereunder. The Agent will notify each Bank of the interest rate applicable to each Eurodollar Advance promptly upon determination of such interest rate and will give each Bank prompt notice of each change in the Prime Rate.

2.16 Lending Installations. Each Bank may book its Credit Extensions at any Lending Installation selected by such Bank and the LC Issuer may book the Facility LCs at any Lending Installation selected by the LC Issuer, as the case may be, and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and the Loans, Facility LCs, participations in LC Obligations and any Notes issued hereunder shall be deemed held by each Bank or the LC Issuer, as the case may be, for the benefit of such Lending Installation. Each Bank and the LC Issuer may, by written or telex

notice to the Agent and the Company, designate a Lending Installation through which Credit Extensions will be made by it and for whose account payments with respect to Credit Extensions are to be made.

2.17 Non-Receipt of Funds by the Agent. Unless the Company or a Bank, as the case may be, notifies the Agent prior to the date on which it is scheduled to make payment to the Agent of (i) in the case of a Bank, the proceeds of a Credit Extension or (ii) in the case of the Company, a payment of principal, interest or fees to the Agent for the account of the Banks, that it does not intend to make such payment, the Agent may assume that such payment has been made. The Agent may, but shall not be obligated to, make the amount of such payment available to the intended recipient in reliance upon such assumption. If such Bank or the Company, as the case may be, has not in fact made such payment to the Agent, the recipient of such payment shall, on demand by the Agent, repay to the Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Agent until the date the Agent recovers such amount at a rate per annum equal to (i) in the case of payment by a Bank, the Federal Funds Effective Rate for such day for the first three days and thereafter, the interest rate applicable to the relevant Loan or (ii) in the case of payment by the Company, the interest rate applicable to the relevant Loan.

2.18 Swing Line Loans.

(A) Amount of Swing Line Loans. Upon the satisfaction of the conditions precedent set forth in Section 4.2 and, if such Swing Line Loan is to be made on the date of the initial Credit Extension hereunder, the satisfaction of the conditions precedent set forth in Section 4.1 as well, from and including the Closing Date and prior to the Facility Termination Date, the Swing Line Lender agrees, on the terms and conditions set forth in this Agreement, to make Swing Line Loans to the Company from time to time in an aggregate principal amount not to exceed the Swing Line Commitment, provided that the Aggregate Outstanding Credit Exposure shall not at any time exceed the Aggregate Commitment, and provided further that at no time shall the sum of (i) the Swing Line Lender's Pro Rata Share of the Swing Line Loans, plus (ii) the outstanding Ratable Loans made by the Swing Line Lender pursuant to Section 2.1, exceed the Swing Line Lender's Commitment at such time. Subject to the terms of this Agreement, the Company may borrow, repay and reborrow Swing Line Loans at any time prior to the Facility Termination Date.

(B) Borrowing Notice. The Company shall deliver to the Agent and the Swing Line Lender irrevocable notice (a "Swing Line Borrowing Notice") not later than noon (Chicago time) on the Borrowing Date of each Swing Line Loan, specifying (i) the applicable Borrowing Date (which date shall be a Business Day), and (ii) the aggregate amount of the requested Swing Line Loan which shall be an amount not less than $500,000 and in integral multiples of $100,000 in excess thereof. The Swing Line Loans shall bear interest at a rate per annum equal to (a) the Floating Rate or such other rate as shall be agreed to by the Swing Line Lender and the Company plus (b) the then Applicable Margin for Floating Rate Loans, changing as and when the Applicable Margin changes.

(C) Making of Swing Line Loans. Promptly after receipt of a Swing Line Borrowing Notice, the Agent shall notify each Bank by fax, or other similar form of transmission, of the requested Swing Line Loan. Not later than 2:00 p.m. (Chicago time) on the applicable Borrowing Date, the Swing Line Lender shall make available the Swing Line Loan, in funds immediately available in Chicago, to the Agent at its address specified pursuant to Article XII. The Agent will promptly make the funds so received from the Swing Line Lender available to the Company on the Borrowing Date at the Agent's aforesaid address.

(D) Repayment of Swing Line Loans. Each Swing Line Loan shall be paid in full by the Company on or before the seventh (7th) Business Day after the Borrowing Date for such Swing Line Loan. In addition, the Swing Line Lender (i) may at any time in its sole discretion with respect to any outstanding Swing Line Loan, or (ii) shall on the seventh (7th) Business Day after the Borrowing Date of any Swing Line Loan, require each Bank (including the Swing Line Lender) to make a Ratable Loan in the amount of such Bank's Pro Rata Share of such Swing Line Loan (including, without limitation, any interest accrued and unpaid thereon), for the purpose of repaying such Swing Line Loan. Not later than noon (Chicago time) on the date of any notice received pursuant to this Section 2.18(D), each Bank shall make available its required Ratable Loan, in funds immediately available in Chicago to the Agent at its address specified pursuant to Article XII. Ratable Loans made pursuant to this Section 2.18(D) shall initially be Floating Rate Loans and thereafter may be continued as Floating Rate Loans or converted into Eurodollar Loans in the manner provided in Section 2.10 and subject to the other conditions and limitations set forth in this Article II. Unless a Bank shall have notified the Swing Line Lender, prior to its making any Swing Line Loan, that any applicable condition precedent set forth in Sections 4.1 or 4.2 had not then been satisfied, such Bank's obligation to make Ratable Loans pursuant to this Section 2.18(D) to repay Swing Line Loans shall be unconditional, continuing, irrevocable and absolute and shall not be affected by any circumstances, including, without limitation, (a) any set-off, counterclaim, recoupment, defense or other right which such Bank may have against the Agent, the Swing Line Lender or any other Person, (b) the occurrence or continuance of a Default or Unmatured Default, (c) any adverse change in the condition (financial or otherwise) of the Company, or (d) any other circumstances, happening or event whatsoever. In the event that any Bank fails to make payment to the Agent of any amount due under this Section 2.18(D), the Agent shall be entitled to receive, retain and apply against such obligation the principal and interest otherwise payable to such Bank hereunder until the Agent receives such payment from such Bank or such obligation is otherwise fully satisfied. In addition to the foregoing, if for any reason any Bank fails to make payment to the Agent of any amount due under this Section 2.18(D), such Bank shall be deemed, at the option of the Agent, to have unconditionally and irrevocably purchased from the Swing Line Lender, without recourse or warranty, an undivided interest and participation in the applicable Swing Line Loan in the amount of such Ratable Loan, and such interest and participation may be recovered from such Bank together with interest thereon at the Federal Funds Effective Rate for each day during the period commencing on the date of demand and ending on the date such amount is received. On the Facility Termination Date, the Company shall repay in full the outstanding principal balance of the Swing Line Loans.

2.19 Competitive Bid Advances.

(A) Competitive Bid Option. In addition to Ratable Advances pursuant to this Article II, but subject to the terms and conditions of this Agreement (including, without limitation, the limitation set forth in Section 2.1 as to the maximum aggregate principal amount of all outstanding Advances hereunder), the Company may, as set forth in this Section 2.19, request the Banks, prior to the Facility Termination Date, to make offers to make Competitive Bid Advances to the Company. Each Bank may, but shall have no obligation to, make such offers and the Company may, but shall have no obligation to, accept any such offers in the manner set forth in this Section 2.19. Each Competitive Bid Advance shall be repaid by the Company on the last day of the Interest Period applicable thereto.

(B) Competitive Bid Quote Request. When the Company wishes to request offers to make Competitive Bid Loans under this Section 2.19, it shall transmit to the Agent by telecopy a Competitive Bid Quote Request so as to be received no later than (i) 10:00 a.m. (Chicago time) at least three (3) Business Days prior to the Borrowing Date proposed therein, in the case of a Eurodollar Auction, or (ii) 9:00 a.m. (Chicago time) on the Borrowing Date proposed therein, in the case of an Absolute Rate Auction, specifying:

(a) the proposed Borrowing Date, which shall be a Business Day, for such Competitive Bid Advance,

(b) the aggregate principal amount of such Competitive Bid Advance,

(c) whether the Competitive Bid Quotes requested are to set forth a Competitive Bid Margin or an Absolute Rate, or both, and

(d) the Interest Period applicable thereto (which may not end after the Facility Termination Date).

The Company may request offers to make Competitive Bid Loans for more than one Interest Period and for a Eurodollar Auction and an Absolute Rate Auction in a single Competitive Bid Quote Request. A Competitive Bid Quote Request that does not conform substantially to the format of Exhibit E hereto shall be rejected, and the Agent shall promptly notify the Company of such rejection.

(C) Invitation for Competitive Bid Quotes. Promptly and in any event before the close of business on the same Business Day of receipt of a Competitive Bid Quote Request that is not rejected pursuant to Section 2.19(B), the Agent shall send to each of the Banks by telecopy an Invitation for Competitive Bid Quotes substantially in the form of Exhibit G hereto, which shall constitute an invitation by the Company to each Bank to submit Competitive Bid Quotes offering to make the Competitive Bid Loans to which such Competitive Bid Quote Request relates in accordance with this Section 2.19.

(D) Submission and Contents of Competitive Bid Quotes.

(i) Each Bank may, in its sole discretion, submit a Competitive Bid Quote containing an offer or offers to make Competitive Bid Loans in response to any Invitation for Competitive Bid Quotes. Each Competitive Bid Quote must comply with the requirements of this Section 2.19(D) and must be submitted to the Agent by telecopy at its offices specified in or pursuant to Article XII not later than (a) 10:30 a.m. (Chicago time) at least three (3) Business Days prior to the proposed Borrowing Date, in the case of a Eurodollar Auction or (b) 10:30 a.m. (Chicago time) on the proposed Borrowing Date, in the case of an Absolute Rate Auction (or, in either case upon reasonable prior notice to the Banks, such other time and date as the Company and the Agent may agree); provided that Competitive Bid Quotes submitted by Bank One may only be submitted if the Agent or Bank One notifies the Company of the terms of the offer or offers contained therein not later than 15 minutes prior to the latest time at which the relevant Competitive Bid Quotes must be submitted by the other Banks. Subject to Articles IV and VIII, any Competitive Bid Quote so made shall be irrevocable except with the written consent of the Agent given on the instructions of the Company.

(ii) Each Competitive Bid Quote shall be in substantially the form of Exhibit G hereto and shall in any case specify:

(a) the proposed Borrowing Date, which shall be the same as that set forth in the applicable Invitation for Competitive Bid Quotes,

(b) the principal amount of the Competitive Bid Loan for which each such offer is being made, which principal amount (1) may be greater than, less than or equal to the Commitment of the quoting Bank, (2) must be at least $500,000 and an integral multiple of $100,000, and (3) may not exceed the principal amount of Competitive Bid Loans for which offers were requested,

(c) in the case of a Eurodollar Auction, the Competitive Bid Margin offered for each such Competitive Bid Loan,

(d) the minimum amount, if any, of the Competitive Bid Loan which may be accepted by the Company,

(e) in the case of an Absolute Rate Auction, the Absolute Rate offered for each such Competitive Bid Loan,

(f) the maximum aggregate amount, if any, of Competitive Bid Loans offered by the quoting Bank which may be accepted by the Company, and

(g) the identity of the quoting Bank.

(iii) The Agent shall reject any Competitive Bid Quote that:

(a) is not substantially in the form of Exhibit G hereto or does not specify all of the information required by this Section 2.19(D)(ii),

(b) contains qualifying, conditional or similar language, other than any such language contained in Exhibit G hereto,

(c) proposes terms other than or in addition to those set forth in the applicable Invitation for Competitive Bid Quotes, or

(d) arrives after the time set forth in Section 2.19(D)(i).

If any Competitive Bid Quote shall be rejected pursuant to this Section 2.19(D)(iii), then the Agent shall notify the relevant Bank of such rejection as soon as practical.

(E) Notice to Company. The Agent shall promptly notify the Company of the terms (i) of any Competitive Bid Quote submitted by a Bank that is in accordance with Section 2.19(D) and (ii) of any Competitive Bid Quote that amends, modifies or is otherwise inconsistent with a previous Competitive Bid Quote submitted by such Bank with respect to the same Competitive Bid Quote Request. Any such subsequent Competitive Bid Quote shall be disregarded by the Agent unless such subsequent Competitive Bid Quote specifically states that it is submitted solely to correct a manifest error in such former Competitive Bid Quote. The Agent's notice to the Company shall specify 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 and the respective principal amounts and Eurodollar Bid Rates or Absolute Rates, as the case may be, so offered.

(F) Acceptance and Notice by Company. Not later than (i) 11:00 a.m. (Chicago time) at least three Business Days prior to the proposed Borrowing Date, in the case of a Eurodollar Auction or (ii) 11:00 a.m. (Chicago time) on the proposed Borrowing Date, in the case of an Absolute Rate Auction (or, in either case upon reasonable prior notice to the Banks, such other time and date as the Company and the Agent may agree), the Company shall notify the Agent of its acceptance or rejection of the offers so notified to it pursuant to Section 2.19(E); provided, however, that the failure by the Company to give such notice to the Agent shall be deemed to be a rejection of all such offers. In the case of acceptance, such notice (a "Competitive Bid Borrowing Notice") shall specify the aggregate principal amount of offers for each Interest Period that are accepted. The Company may accept any Competitive Bid Quote in whole or in part (subject to the terms of Section 2.19(D)(ii)(d)); provided that:

(a) the aggregate principal amount of each Competitive Bid Advance may not exceed the applicable amount set forth in the related Competitive Bid Quote Request,

(b) acceptance of offers may only be made on the basis of ascending Eurodollar Bid Rates or Absolute Rates, as the case may be, and

(c) the Company may not accept any offer that is described in Section 2.19(D)(iii) or that otherwise fails to comply with the requirements of this Agreement.

(G) Allocation by Agent. If offers are made by two or more Banks with the same Eurodollar Bid Rates or Absolute Rates, as the case may be, for a greater aggregate principal amount than the amount in respect of which 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 Agent among such Banks as nearly as possible (in such multiples, not greater than $100,000, as the Agent may deem appropriate) ratably based on each such Banks' Pro Rata Share as a percentage of the aggregate of the Pro Rata Shares of all such Banks; provided, however, that no Bank shall be allocated a portion of any Competitive Bid Advance which is less than the minimum amount which such Bank has indicated that it is willing to accept. Allocations by the Agent of the amounts of Competitive Bid Loans shall be conclusive in the absence of manifest error. The Agent shall promptly, but in any event on the same Business Day, notify each Bank of its receipt of a Competitive Bid Borrowing Notice and the aggregate principal amount of such Competitive Bid Advance allocated to each participating Bank.

2.20 Facility LCs.

(A) Issuance. The LC Issuer hereby agrees, on the terms and conditions set forth in this Agreement, to issue standby and commercial letters of credit (each, a "Facility LC") and to renew, extend, increase, decrease or otherwise modify each Facility LC ("Modify," and each such action a "Modification"), from time to time from and including the Closing Date and prior to the Facility Termination Date upon the request of the Company; provided that immediately after each such Facility LC is issued or Modified, (i) the aggregate amount of the outstanding LC Obligations shall not exceed $5,000,000 and (ii) the Aggregate Outstanding Credit Exposure shall not exceed the Aggregate Commitment. No Facility LC shall have an expiry date later than (x) the fifth Business Day prior to the Facility Termination Date and (y) one year after its issuance; provided, that any Facility LC with a one-year tenor may provide for the renewal thereof for additional one year periods (which in no event shall extend beyond the date referred to in clause (x) above.

(B) Participations. Upon the issuance or Modification by the LC Issuer of a Facility LC in accordance with this Section 2.20, the LC Issuer shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably sold to each Bank, and each Bank shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably purchased from the LC Issuer, a participation in such Facility LC (and each Modification thereof) and the related LC Obligations in proportion to its Pro Rata Share.

(C) Notice. Subject to Section 2.20(A), the Company shall give the LC Issuer notice prior to 10:00 a.m. (Chicago time) at least five Business Days prior to the proposed date of issuance or Modification of each Facility LC, specifying the beneficiary, the proposed date of issuance (or Modification) and the expiry date of such Facility LC, and describing the proposed terms of such Facility LC and the nature of the transactions proposed to be supported thereby. Upon receipt of such notice, the LC Issuer shall promptly notify the Agent, and the Agent shall promptly notify each Bank, of the contents thereof and of the amount of such Bank's participation in such proposed Facility

LC. The issuance or Modification by the LC Issuer of any Facility LC shall, in addition to the conditions precedent set forth in Article IV (the satisfaction of which the LC Issuer shall have no duty to ascertain), be subject to the conditions precedent that such Facility LC shall be satisfactory to the LC Issuer and that the Company shall have executed and delivered such application agreement and/or such other instruments and agreements relating to such Facility LC as the LC Issuer shall have reasonably requested (each, a "Facility LC Application"). In the event of any conflict between the terms of this Agreement and the terms of any Facility LC Application, the terms of this Agreement shall control.

(D) LC Fees. The Company shall pay to the Agent, for the account of the Banks ratably in accordance with their respective Pro Rata Shares, (i) with respect to each standby Facility LC, a letter of credit fee at a per annum rate equal to the Applicable Margin for Eurodollar Ratable Loans in effect from time to time on the average daily undrawn stated amount under such standby Facility LC, such fee to be payable in arrears on each Payment Date, and (ii) with respect to each commercial Facility LC, a letter of credit fee at a per annum rate equal to seventy-five percent (75%) of the Applicable Margin for Eurodollar Ratable Loans in effect from time to time on the average daily undrawn stated amount under such commercial Facility LC, such fee to be payable in arrears on each Payment Date (each such fee described in this sentence an "LC Fee"). The Company shall also pay to the LC Issuer for its own account (x) at the time of issuance of each Facility LC, a fronting fee in an amount equal to 0.15% of the initial stated amount (or, with respect to a Modification of any such Facility LC which increases the stated amount thereof, such increase in the stated amount) thereof, and (y) documentary and processing charges in connection with the issuance or Modification of and draws under Facility LCs in accordance with the LC Issuer's standard schedule for such charges as in effect from time to time.

(E) Administration; Reimbursement by Banks. Upon receipt from the beneficiary of any Facility LC of any demand for payment under such Facility LC, the LC Issuer shall notify the Agent and the Agent shall promptly notify the Company and each other Bank as to the amount to be paid by the LC Issuer as a result of such demand and the proposed payment date (the "LC Payment Date"). The responsibility of the LC Issuer to the Company and each Bank shall be only to determine that the documents (including each demand for payment) delivered under each Facility LC in connection with such presentment shall be in conformity in all material respects with such Facility LC. The LC Issuer shall endeavor to exercise the same care in the issuance and administration of the Facility LCs as it does with respect to letters of credit in which no participations are granted, it being understood that in the absence of any gross negligence or willful misconduct by the LC Issuer, each Bank shall be unconditionally and irrevocably liable without regard to the occurrence of any Default or any condition precedent whatsoever, to reimburse the LC Issuer on demand for (i) such Bank's Pro Rata Share of the amount of each payment made by the LC Issuer under each Facility LC to the extent such amount is not reimbursed by the Company pursuant to Section 2.20(F) below, plus (ii) interest on the foregoing amount to be reimbursed by such Bank, for each day from the date of the LC Issuer's demand for such Reimbursement (or, if such demand is made after 11:00 a.m. (Chicago time) on such date, from the next succeeding Business

Day) to the date on which such Bank pays the amount to be reimbursed by it, at a rate of interest per annum equal to the Federal Funds Effective Rate for the first three days and, thereafter, at a rate of interest equal to the rate applicable to Floating Rate Advances.

(F) Reimbursement by Company. The Company shall be irrevocably and unconditionally obligated to reimburse the LC Issuer on or before the applicable LC Payment Date for any amounts to be paid by the LC Issuer upon any drawing under any Facility LC, without presentment, demand, protest or other formalities of any kind; provided that neither the Company nor any Bank shall hereby be precluded from asserting any claim for direct (but not consequential) damages suffered by the Company or such Bank to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the LC Issuer in determining whether a request presented under any Facility LC issued by it complied with the terms of such Facility LC or (ii) the LC Issuer's failure to pay under any Facility LC issued by it after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC. All such amounts paid by the LC Issuer and remaining unpaid by the Company shall bear interest, payable on demand, for each day until paid at a rate per annum equal to (x) the rate applicable to Floating Rate Advances for such day if such day falls on or before the applicable LC Payment Date and (y) the sum of 2% plus the rate applicable to Floating Rate Advances for such day if such day falls after such LC Payment Date. The LC Issuer will pay to each Bank ratably in accordance with its Pro Rata Share all amounts received by it from the Company for application in payment, in whole or in part, of the Reimbursement Obligation in respect of any Facility LC issued by the LC Issuer, but only to the extent such Bank has made payment to the LC Issuer in respect of such Facility LC pursuant to Section 2.20(E). Subject to the terms and conditions of this Agreement (including without limitation the submission of a Borrowing Notice in compliance with Section 2.8 and the satisfaction of the applicable conditions precedent set forth in Article IV), the Company may request an Advance hereunder for the purpose of satisfying any Reimbursement Obligation.

(G) Obligations Absolute. The Company's obligations under this Section 2.20 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Company may have or have had against the LC Issuer, any Bank or any beneficiary of a Facility LC. The Company further agrees with the LC Issuer and the Banks that the LC Issuer and the Banks shall not be responsible for, and the Company's Reimbursement Obligation in respect of any Facility LC shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged, or any dispute between or among the Company, any of its Affiliates, the beneficiary of any Facility LC or any financing institution or other party to whom any Facility LC may be transferred or any claims or defenses whatsoever of the Company or of any of its Affiliates against the beneficiary of any Facility LC or any such transferee. The LC Issuer shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Facility LC. The Company agrees that any action taken or omitted by the LC Issuer or any Bank under or in connection with each Facility LC and the related drafts and documents, if done without gross

negligence or willful misconduct, shall be binding upon the Company and shall not put the LC Issuer or any Bank under any liability to the Company. Nothing in this Section 2.20(G) is intended to limit the right of the Company to make a claim against the LC Issuer for damages as contemplated by the proviso to the first sentence of Section 2.20(F).

(H) Actions of LC Issuer. The LC Issuer shall be entitled to rely, and shall be fully protected in relying, upon any Facility LC, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the LC Issuer. The LC Issuer shall be fully justified in failing or refusing to take any action under this Agreement unless it shall first have received such advice or concurrence of the Required Banks as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Notwithstanding any other provision of this Section 2.20, the LC Issuer shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement in accordance with a request of the Required Banks, and such request and any action taken or failure to act pursuant thereto shall be binding upon the Banks and any future holders of a participation in any Facility LC.

(I) Indemnification. The Company hereby agrees to indemnify and hold harmless each Bank, the LC Issuer and the Agent, and their respective directors, officers, agents and employees from and against any and all claims and damages, losses, liabilities, costs or expenses which such Bank, the LC Issuer or the Agent may incur (or which may be claimed against such Bank, the LC Issuer or the Agent by any Person whatsoever) by reason of or in connection with the issuance, execution and delivery or transfer of or payment or failure to pay under any Facility LC or any actual or proposed use of any Facility LC, including, without limitation, any claims, damages, losses, liabilities, costs or expenses which the LC Issuer may incur by reason of or in connection with (i) the failure of any other Bank to fulfill or comply with its obligations to the LC Issuer hereunder (but nothing herein contained shall affect any rights the Company may have against any defaulting Bank) or (ii) by reason of or on account of the LC Issuer issuing any Facility LC which specifies that the term "Beneficiary" included therein includes any successor by operation of law of the named Beneficiary, but which Facility LC does not require that any drawing by any such successor Beneficiary be accompanied by a copy of a legal document, satisfactory to the LC Issuer, evidencing the appointment of such successor Beneficiary; provided that the Company shall not be required to indemnify any Bank, the LC Issuer or the Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (x) the willful misconduct or gross negligence of the LC Issuer in determining whether a request presented under any Facility LC complied with the terms of such Facility LC or (y) the LC Issuer's failure to pay under any Facility LC after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC. Nothing in this

Section 2.20(I) is intended to limit the obligations of the Company under any other provision of this Agreement.

(J) Banks' Indemnification. Each Bank shall, ratably in accordance with its Pro Rata Share, indemnify the LC Issuer, its affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Company) against any cost, expense (including reasonable counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitees' gross negligence or willful misconduct or the LC Issuer's failure to pay under any Facility LC after the presentation to it of a request strictly complying with the terms and conditions of the Facility LC) that such indemnitees may suffer or incur in connection with this Section 2.20 or any action taken or omitted by such indemnitees hereunder.

(K) Facility LC Collateral Account. The Company agrees that it will, upon the request of the Agent or the Required Banks and until the final expiration date of any Facility LC and thereafter as long as any amount is payable to the LC Issuer or the Banks in respect of any Facility LC, maintain a special, interest-bearing collateral account pursuant to arrangements satisfactory to the Agent (the "Facility LC Collateral Account") at the Agent's office at the address specified pursuant to Article XII, in the name of such Company but under the sole dominion and control of the Agent, for the benefit of the Banks and in which such Company shall have no interest other than as set forth in Section 8.1. The Company hereby pledges, assigns and grants to the Agent, on behalf of and for the ratable benefit of the Banks and the LC Issuer, a security interest in all of the Company's right, title and interest in and to all funds which may from time to time be on deposit in the Facility LC Collateral Account to secure the prompt and complete payment and performance of the Obligations. The Agent will invest any funds on deposit from time to time in the Facility LC Collateral Account in certificates of deposit of Bank One having a maturity not exceeding 30 days. Nothing in this Section 2.20(K) shall either obligate the Agent to require the Company to deposit any funds in the Facility LC Collateral Account or limit the right of the Agent to release any funds held in the Facility LC Collateral Account in each case other than as required by Section 8.1.

(L) Rights as a Bank. In its capacity as a Bank, the LC Issuer shall have the same rights and obligations as any other Bank.

2.21 Increase of Commitments. At any time prior to the Facility Termination Date, the Company may, on the terms set forth below, request that the Aggregate Commitment hereunder be increased; provided, that (i) the Aggregate Commitment hereunder at no time shall exceed $75,000,000 minus the aggregate amount of all reductions in the Aggregate Commitment previously made pursuant to section 2.6, (ii) each such request shall be in a minimum amount of at least $5,000,000 and in increments of $1,000,000 in excess thereof, (iii) an increase in the Aggregate Commitment hereunder may only be made at a time when no Default or Unmatured Default shall have occurred and be continuing, (iv) no Bank's Commitment shall be increased under this Section 2.11(d) without its consent. In the event of such a requested increase in the Aggregate Commitment, any financial institution (including, without limitation, any existing Bank) which the Company and the Agent invite to become a Bank or to increase its Commitment may set the amount of its Commitment at a level agreed to by the Company and the Agent. In

the event that the Company and one or more of the Banks (or other financial institutions) shall agree upon such an increase in the Aggregate Commitment (i) the Company, the Agent and each Bank or other financial institution increasing its Commitment or extending a new Commitment shall enter into an amendment to this Agreement setting forth the amounts of the Commitments, as so increased, providing that the financial institutions extending new Commitments shall be Banks for all purposes under this Agreement, and setting forth such additional provisions as the Agent and the Company shall consider reasonably appropriate and (ii) the Company shall furnish, if requested, a new Note to each financial institution that is extending a new Commitment or increasing its Commitment. No such amendment shall require the approval or consent of any Bank whose Commitment is not being increased. Upon the execution and delivery of such amendment as provided above, and upon satisfaction of such other conditions as the Agent may reasonably specify upon the request of the financial institutions that are extending new Commitments (including, without limitation, the Agent administering the reallocation of any outstanding Loans ratably among the Banks after giving effect to each such increase in the Aggregate Commitment, and the delivery of certificates, evidence of corporate authority and legal opinions on behalf of the Company), this Agreement shall be deemed to be amended accordingly.

ARTICLE III: CHANGE IN CIRCUMSTANCES

3.1 Yield Protection. If any law or any governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any interpretation thereof, or compliance of any Bank with such,

(i) subjects any Bank, the LC Issuer or any applicable Lending Installation to any Taxes or changes the basis of taxation of payments to any Bank or the LC Issuer in respect of its Credit Extensions (including any participations in Facility LCs) or other amounts due it hereunder, or

(ii) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank, the LC Issuer or any applicable Lending Installation (other than reserves and assessments taken into account in determining the interest rate applicable to Eurodollar Advances), or

(iii) imposes any other condition the result of which is to increase the cost to any Bank, the LC Issuer or any applicable Lending Installation of making, funding or maintaining Credit Extensions (including any participations in Facility LCs) or reduces any amount receivable by any Bank, the LC Issuer or any applicable Lending Installation in connection with Credit Extensions (including any participations in Facility LCs), or requires any Bank, the LC Issuer or any applicable Lending Installation to make any payment calculated by reference to the amount of Credit Extensions (including any participations in Facility LCs) held or interest received by it, by an amount deemed material by such Bank or the LC Issuer, except any special charge imposed on a Bank or the LC Issuer separate from the Assessment Rate that is imposed on such Bank or the LC Issuer, as applicable, as a result of its non-performing loans or

(iv) affects the amount of capital required or expected to be maintained by any Bank, the LC Issuer or Lending Office or any corporation controlling any Bank or the LC Issuer and such Bank or the LC Issuer, as applicable, determines the amount of capital required is increased by or based upon the existence of this Agreement or its obligation to make Credit Extensions (including any participations in Facility LCs) hereunder or of commitments of this type,

then, within 15 days of demand by such Bank or the LC Issuer, as applicable, the Company shall pay such Bank or the LC Issuer, as applicable, that portion of such increased expense incurred (including, in the case of Section 3.1(iv), any reduction in the rate of return on capital to an amount below that which it could have achieved but for such change in regulation after taking into account such Bank's or the LC Issuer's policies as to capital adequacy) or reduction in an amount received which such Bank or the LC Issuer, as applicable, determines is attributable to making, funding and maintaining its Credit Extensions and its Commitment. The Company will not be liable for any amounts incurred by the Banks or the LC Issuer more than one year prior to the receipt by the Company of a notice from the Bank or the LC Issuer, as applicable, demanding payment of such amounts.

3.2 Availability of Rate Options. If (x) any Bank determines that maintenance of its Eurodollar Ratable Loans or Eurodollar Bid Rate Loans at a suitable Lending Installation would violate any applicable law, rule, regulation, or directive, whether or not having the force of law, or (y) any Bank determines that (i) deposits of a type and maturity appropriate to match fund Eurodollar Ratable Advances are not available or (ii) a Rate Option does not accurately reflect the cost of making or maintaining a Credit Extension at such Rate Option, then the Agent shall, in the case of clause (x) above, suspend the availability of the affected Rate Option and require any Eurodollar Ratable Advances or Eurodollar Bid Rate Advances outstanding under an affected Rate Option to be repaid, subject to the payment of any funding indemnification amounts required by Section 3.3, and in the case of clause (y) above, suspend the availability of Eurodollar Ratable Advances and require any affected Eurodollar Ratable Advances to be repaid or converted to Floating Rate Advances, subject to the payment of any funding indemnification amounts required by Section 3.3.

3.3 Funding Indemnification. If any payment of a Fixed Rate Advance occurs on a date which is not the last day of the applicable Interest Period, whether because of acceleration, prepayment or otherwise, or a Fixed Rate Advance is not made on the date specified by the Company for any reason other than default by the Banks, the Company will indemnify each Bank for any loss or cost incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits acquired to fund or maintain the Fixed Rate Advance.

3.4 Taxes.

(i) All payments by the Company to or for the account of any Bank, the LC Issuer or the Agent hereunder or under any Note shall be made free and clear of and without deduction for any and all Taxes. If the Company shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Bank, the LC Issuer or the Agent, (a) the sum payable shall be increased as necessary so that after making all required deductions

(including deductions applicable to additional sums payable under this Section 3.5) such Bank, the LC Issuer or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (b) the Company shall make such deductions, (c) the Company shall pay the full amount deducted to the relevant authority in accordance with applicable law and (d) the Company shall furnish to the Agent the original copy of a receipt evidencing payment thereof within 30 days after such payment is made.

(ii) In addition, the Company hereby agrees to pay any present or future stamp or documentary taxes and any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under any Note or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note ("Other Taxes").

(iii) The Company hereby agrees to indemnify the Agent, the LC Issuer and each Bank for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed on amounts payable under this Section 3.5) paid by the Agent, the LC Issuer or such Bank and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. Payments due under this indemnification shall be made within 30 days of the date the Agent, the LC Issuer or such Bank makes demand therefor pursuant to Section 3.5.

(iv) Each Bank that is not incorporated under the laws of the United States of America or a state thereof (each a "Non-U.S. Bank") agrees that it will, not more than ten Business Days after the Closing Date, or, if later, not more than ten Business Days after becoming a Bank hereunder, (i) deliver to each of the Company and the Agent two (2) duly completed copies of United States Internal Revenue Service Form W8BEN or W8ECI, certifying in either case that such Bank is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, and (ii) deliver to each of the Company and the Agent a United States Internal Revenue Form W-8 or W-9, as the case may be, and certify that it is entitled to an exemption from United States backup withholding tax. Each Non-U.S. Bank further undertakes to deliver to each of the Company and the Agent (x) renewals or additional copies of such form (or any successor form) on or before the date that such form expires or becomes obsolete, and (y) after the occurrence of any event requiring a change in the most recent forms so delivered by it, such additional forms or amendments thereto as may be reasonably requested by the Company or the Agent. All forms or amendments described in the preceding sentence shall certify that such Bank is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Bank from duly completing and delivering any such form or amendment with respect to it and such Bank advises the Company and the Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

(v) For any period during which a Non-U.S. Bank has failed to provide the Company with an appropriate form pursuant to clause (iv), above (unless such failure is due to a change in treaty, law or regulation, or any change in the interpretation or administration thereof by any governmental authority, occurring subsequent to the date on which a form originally was

required to be provided), such Non-U.S. Bank shall not be entitled to indemnification under this Section 3.4 with respect to Taxes imposed by the United States; provided that, should a Non-U.S. Bank which is otherwise exempt from or subject to a reduced rate of withholding tax become subject to Taxes because of its failure to deliver a form required under clause (iv), above, the Company shall take such steps as such Non-U.S. Bank shall reasonably request to assist such Non-U.S. Bank to recover such Taxes.

(vi) Any Bank that is entitled to an exemption from or reduction of withholding tax with respect to payments under this Agreement or any Note pursuant to the law of any relevant jurisdiction or any treaty shall deliver to the Company (with a copy to the Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate.

(vii) If the U.S. Internal Revenue Service or any other governmental authority of the United States or any other country or any political subdivision thereof asserts a claim that the Agent did not properly withhold tax from amounts paid to or for the account of any Bank (because the appropriate form was not delivered or properly completed, because such Bank failed to notify the Agent of a change in circumstances which rendered its exemption from withholding ineffective, or for any other reason), such Bank shall indemnify the Agent fully for all amounts paid, directly or indirectly, by the Agent as tax, withholding therefor, or otherwise, including penalties and interest, and including taxes imposed by any jurisdiction on amounts payable to the Agent under this subsection, together with all costs and expenses related thereto (including attorneys fees and time charges of attorneys for the Agent, which attorneys may be employees of the Agent). The obligations of the Banks under this Section 3.4(vii) shall survive the payment of the Obligations and termination of this Agreement.

3.5 Bank Certificates; Survival of Indemnity. To the extent reasonably possible, each Bank shall designate an alternate Lending Installation with respect to its Eurodollar Loans to reduce any liability of the Company to such Bank under Section 3.1 or to avoid the unavailability of a Rate Option under Section 3.2, so long as such designation is not disadvantageous to such Bank. A certificate of a Bank as to the amount due under Section 3.1, 3.3 and 3.4 shall be final, conclusive and binding on the Company in the absence of manifest error. Determination of amounts payable under such Sections in connection with a Eurodollar Loan shall be calculated as though each Bank funded its Eurodollar Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the Eurodollar Rate or Eurodollar Bid Rate, as the case may be, applicable to such Loan, whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the certificate shall be payable on demand after receipt by the Company of the certificate. The obligations of the Company under Sections 3.1, 3.3 or 3.4 shall survive payment of the Obligations and termination of this Agreement.

ARTICLE IV: CONDITIONS PRECEDENT

4.1 Initial Credit Extension. The Banks shall not be required to make the initial Credit Extension hereunder unless the Company has furnished to the Agent, with sufficient copies for the Banks:

(a) Copies of the articles or certificate of incorporation (or similar constitutive documents) of the Company and each Guarantor (collectively, the "Loan Parties"), together with all amendments, and a certificate of good standing, both certified by the appropriate governmental officer in its jurisdiction of organization.

(b) Copies, certified by the Secretary or Assistant Secretary of each Loan Party, of its By-Laws (or similar constitutive documents) and of its Board of Directors' resolutions (and resolutions of other bodies, if any are deemed necessary by counsel for any Bank) authorizing the execution of the Loan Documents to which it is a party.

(c) An incumbency certificate, executed by the Secretary or Assistant Secretary of each Loan Party, which shall identify by name and title and bear the signature of the officers of such Loan Party authorized to sign the Loan Documents to which it is a party and to make borrowings hereunder, upon which certificate the Banks shall be entitled to rely until informed of any change in writing by the Company.

(d) A certificate, signed by an Authorized Officer of the Company, stating that as of the date of the initial Credit Extension no Default or Unmatured Default has occurred and is continuing.

(e) A written opinion of the Loan Parties' counsel, addressed to the Banks in substantially the form of Exhibit B hereto.

(f) Notes payable to the order of each of the Banks.

(g) Evidence satisfactory to the Banks that the Existing Credit Agreement shall have been, or shall simultaneously with any initial Credit Extension hereunder be, terminated and all indebtedness and obligations thereunder shall have been, or shall simultaneously with any initial Credit Extension hereunder be, paid in full.

(h) Such other documents as any Bank or its counsel may have reasonably requested.

4.2 Each Credit Extension. No Bank shall be required to make any Credit Extension (including the initial Credit Extension, but except as otherwise set forth in Section 2.18(D) with respect to Ratable Loans for the purpose of repaying Swing Line Loans), unless on the applicable Borrowing Date:

(a) There exists no Default or Unmatured Default.

(b) The representations and warranties (other than the representation contained in Section 5.5 which shall be made only as of the Closing Date) contained in Article V are true and correct as of such Borrowing Date except for changes in the Schedules hereto reflecting transactions permitted by this Agreement.

(c) All legal matters incident to the making of such Credit Extension shall be satisfactory to the Banks and their counsel.

Each Ratable Borrowing Notice or Swing Line Borrowing Notice and Competitive Bid Borrowing Notice, or request for issuance of a Facility LC, as the case may be, with respect to each such Credit Extension shall constitute a representation and warranty by the Company that the conditions contained in Sections 4.2(a) and (b) have been satisfied. Any Bank may require a duly completed compliance certificate in substantially the form of Exhibit C hereto as a condition to making a Credit Extension.

ARTICLE V: REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to the Banks that:

5.1 Existence and Standing. Each of the Company and the Subsidiaries is a corporation, partnership (in the case of Subsidiaries only) or limited liability company duly and properly incorporated or organized, as the case may be, validly existing and (to the extent such concept applies to such entity) in good standing under the laws of its jurisdiction of incorporation or organization and has all requisite authority to conduct its business in each jurisdiction in which its business is conducted except in those instances in which the failure to maintain such authority does not materially adversely affect the business or condition of the Company and the Subsidiaries taken as a whole.

5.2 Authorization and Validity. The Company has the corporate power and authority and legal right to execute and deliver the Loan Documents and to perform its obligations thereunder. The execution and delivery by the Company of the Loan Documents and the performance of its obligations thereunder have been duly authorized by proper corporate proceedings, and the Loan Documents constitute legal, valid and binding obligations of the Company enforceable against the Company in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

5.3 No Conflict; Government Consent. Neither the execution and delivery by the Company of the Loan Documents, nor the consummation of the transactions therein contemplated, nor compliance with the provisions thereof will violate (i) any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Company or any Restricted Subsidiary or (ii) the Company's or any Restricted Subsidiary's articles or certificate of incorporation, partnership agreement, certificate of partnership, articles or certificate of organization, by-laws, or operating or other management agreement, as the case may be, or (iii) the provisions of any indenture, instrument or agreement to which the Company or any Restricted Subsidiary is a party or is subject, or by which it, or its property, is bound, or conflict with or constitute a default thereunder, or result in the creation or imposition of any Lien in, of or on the property of the Company or a Restricted Subsidiary pursuant to the terms of any such indenture, instrument or agreement. No order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any governmental or public body or authority, or any subdivision thereof, is required to authorize, or is required in connection with the execution, delivery and performance of, or the legality, validity, binding effect or enforceability of, any of the Loan Documents.

5.4 Financial Statements. The December 31, 2001 audited consolidated financial statements and the September 30, 2001 unaudited consolidated financial statements of the Company and the Restricted Subsidiaries heretofore delivered to the Banks were prepared in accordance with generally accepted accounting principles in effect on the date such statements were prepared and fairly present the consolidated financial condition and operations of the Company and the Restricted Subsidiaries at such date and the consolidated results of their operations for the period then ended.

5.5 Material Adverse Change. No material adverse change in the business, financial condition, prospects or results of operations of the Company and the Restricted Subsidiaries has occurred since the date of the financial statements referred to in Section 5.4.

5.6 Taxes. The Company and the Restricted Subsidiaries have filed all United States federal tax returns and all other tax returns which are required to be filed and have paid all taxes due pursuant to said returns or pursuant to any assessment received by the Company or any Subsidiary, except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided. The United States income tax returns of the Company and the Subsidiaries have been audited by the Internal Revenue Service through the fiscal year ended December 31, 1997. No tax liens have been filed and no claims are being asserted with respect to any such taxes. To the best of the Company's knowledge and belief, the charges, accruals and reserves on the books of the Company and the Restricted Subsidiaries in respect of any taxes or other governmental charges are adequate.

5.7 Litigation. Except as disclosed in the Company's financial statements referred to in Section 5.4 and the opinion of the Company's counsel referred to in Section 4.1(e), there is no litigation or proceeding pending or, to the knowledge of any of their officers, threatened against or affecting the Company or any Restricted Subsidiary which might materially adversely affect the business, financial condition or results of operations of the Company or the ability of the Company to perform its obligations under the Loan Documents. No material adverse change, as evidenced by the filing of a Form 8-K, in the litigation referred to in the opinion of the Company's counsel referred to in Section 4.1(e) has occurred since the Closing Date. The Company is not, to the best of its knowledge and belief (i) in default with respect to any order, writ, injunction or decree of any court or (ii) in default in any material respect under any order, regulations (including but not limited to any environmental regulation), permit, license or demand of any federal, state, municipal or other governmental agency, the consequences of which would materially and adversely affect the business, properties or assets or the condition, financial or otherwise, of the Company.

5.8 Subsidiaries. Schedule 1 hereto contains an accurate list of all of the presently existing Subsidiaries of the Company, setting forth, among other things, their respective jurisdictions of organization and the percentage of their respective capital stock or other ownership interests owned by the Company or other Subsidiaries and whether each Subsidiary is a Restricted Subsidiary or an Unrestricted Subsidiary. All of the issued and outstanding shares of capital stock or other ownership interests of such Subsidiaries have been (to the extent such concepts are relevant with respect to such ownership interests) duly authorized and issued and are fully paid and non-assessable.

5.9 ERISA. The Unfunded Liabilities of all Plans do not in the aggregate exceed $5,000,000. Each Plan complies in all material respects with all applicable requirements of law and regulations and no Reportable Event has occurred with respect to any Plan.

5.10 Accuracy of Information. No information, exhibit or report furnished by the Company or any Subsidiary to the Agent or to any Bank in connection with the negotiation of the Loan Documents contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not misleading.

5.11 Regulation U. Margin stock (as defined in Regulation U) constitutes less than 25% of the book value of those assets of the Company and its Subsidiaries which are subject to any limitation on sale, pledge, or other restriction hereunder.

5.12 Material Agreements. Neither the Company nor any Subsidiary is a party to any agreement or instrument or subject to any charter or other corporate restriction materially and adversely affecting its business, properties or assets, operations or condition (financial or otherwise). Neither the Company nor any Subsidiary is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in (i) any agreement to which it is a party, which default might have a material adverse effect on the business, properties or assets, operations, or condition (financial or otherwise) of the Company and its Subsidiaries or (ii) any agreement or instrument evidencing or governing Indebtedness.

5.13 Subordinated Indebtedness. The Obligations constitute senior indebtedness which will be entitled to the benefits of the subordination provisions of all outstanding Subordinated Indebtedness.

5.14 Compliance with Environmental Laws. Except as disclosed in the Company's financial statements referred to in Section 5.4, the Company and its Subsidiaries comply with all applicable Federal, state and local laws, statutes, rules, regulations and ordinances relating to public health, safety or the environment including, without limitation, relating to releases, discharges, emissions or disposals to air, water, land or ground water, to the withdrawal or use of ground water, to the use, handling or disposal of polychlorinated biphenyls (PCBs), asbestos or urea formaldehyde, to the treatment, storage, disposal or management of hazardous substances (including, without limitation, petroleum, its derivatives, by-products or other hydrocarbons), to exposure to toxic, hazardous or other controlled, prohibited or regulated substances, to the transportation, storage, disposal, management or release of gases or liquid substances, the failure to comply with which could have a materially adverse effect on the Company, its Subsidiaries, their business and properties, taken as a whole. Except as disclosed in the Company's financial statements referred to in Section 5.4, the Company does not know of any liability of the Company or any Subsidiary under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 (42 U.S.C. Section 9601 et seq.) which could have a material adverse effect on the Company and its Subsidiaries on a consolidated basis.

5.15 Compliance With Laws. The Company and its Subsidiaries have complied with all applicable statutes, rules, regulations, orders and restrictions of any domestic or foreign government or any instrumentality or agency thereof having jurisdiction over the

conduct of their respective businesses or the ownership of their respective Property, except for any failure to comply with any of the foregoing which could not reasonably be expected to have a material adverse effect on the Company and its Subsidiaries on a consolidated basis.

5.16 Ownership of Properties. Except as set forth on Schedule 2, on the Closing Date, the Company and its Subsidiaries will have good title, free of all Liens other than those permitted by Section 6.14, to all of the Property and assets reflected in the Company's most recent consolidated financial statements provided to the Agent as owned by the Company and its Subsidiaries.

5.17 Plan Assets; Prohibited Transactions. The Company is not an entity deemed to hold "plan assets" within the meaning of 29 C.F.R. Section 2510.3-101 of an employee benefit plan (as defined in Section 3(3) of ERISA) which is subject to Title I of ERISA or any plan (within the meaning of Section 4975 of the Code), and neither the execution of this Agreement nor the making of Loans hereunder gives rise to a prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code.

5.18 Investment Company Act. Neither the Company nor any Subsidiary is an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

5.19 Public Utility Holding Company Act. Neither the Company nor any Subsidiary is a "holding company" or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

ARTICLE VI: COVENANTS

During the term of this Agreement, and until the Obligations are paid in full, unless the Required Banks shall otherwise consent in writing:

6.1 Financial Reporting. The Company will maintain, for itself and each Subsidiary, a system of accounting established and administered in accordance with generally accepted accounting principles ("GAAP"), and furnish to the Banks:

(a) Annual Reports and Financial Statements. As soon as reasonably possible, and in any event within 90 days after the close of each fiscal year of the Company, (1) the balance sheet of the Company and the Restricted Subsidiaries as of the end of such fiscal year, setting forth in comparative form the corresponding figures as of the end of the preceding fiscal year, and (2) the statements of income, stockholders' equity and cash flows of the Company and the Restricted Subsidiaries for such fiscal year, setting forth in comparative form the corresponding figures for the preceding fiscal year. Such balance sheet and statements shall be prepared in reasonable detail and in accordance with Agreement Accounting Principles and shall be prepared on a consolidated basis under the circumstances set forth in the first paragraph following subsection (i) of this Section 6.1; and such balance sheets and statements shall be accompanied by an opinion of independent public accountants of recognized national standing acceptable to the Banks, which opinion shall state that such financial statements

were prepared in accordance with GAAP. In addition, such accountants will furnish to you a letter stating that in making their examination of such financial statements nothing came to their attention which caused them to believe that there was any Default by the Company in the performance or observance of any covenant of the Company contained herein insofar as such covenants pertain to accounting matters, provided that if in the course of their regular auditing procedure such accountants become aware of any other type of default, they shall disclose the same but such accountants shall have no responsibility for ascertaining the existence of any such Default. The Company agrees to supply you promptly with a copy of any letter, certificate or other writing supplied by its independent public accountants to any other person pertaining to whether such accountants have cause to believe that there has been any default by the Company under any other agreement or evidence of Indebtedness.

(b) Quarterly Financial Statements. As soon as reasonably possible, and in any event within 60 days after the close of each of the first three fiscal quarters of the Company, (1) the balance sheet of the Company and its Restricted Subsidiaries as of the end of such quarter, setting forth in comparative form the corresponding figures for the corresponding quarter of the preceding fiscal year, and (2) the income and stockholders' equity and cash flows statements of the Company and Restricted Subsidiaries for such quarter and for the portion of the fiscal year ended with such quarter, setting forth in comparative form the corresponding figures for the corresponding periods of the preceding fiscal year, all in reasonable detail (and prepared on a consolidated basis under the circumstances set forth in the first paragraph following subsection (i) of this Section 6.1) and certified as complete and correct by a principal financial officer of the Company.

(c) Together with the financial statements required hereunder, a compliance certificate in substantially the form of Exhibit C hereto signed by the Vice President - Finance and Administration or the Vice President and Corporate Controller of the Company showing the calculations necessary to determine compliance with this Agreement and stating that no Default or Unmatured Default exists, or if any Default or Unmatured Default exists, stating the nature and status thereof.

(d) During each fiscal year, within 30 days of receipt, a statement of the Unfunded Liabilities of each Plan, certified as correct by an actuary enrolled under ERISA.

(e) As soon as possible and in any event within 10 days after the Company knows that any Reportable Event has occurred with respect to any Plan, a statement, signed by the Vice President - Finance and Administration or the Vice President and Corporate Controller of the Company, describing said Reportable Event and the action which the Company proposes to take with respect thereto.

(f) Promptly upon the furnishing thereof to the shareholders of the Company, copies of all financial statements, reports and proxy statements so furnished.

(g) Promptly upon the filing thereof, copies of all registration statements and annual, quarterly, monthly or other regular reports which the Company or any Restricted Subsidiary files with the Securities and Exchange Commission.

(h) Promptly after the end of each fiscal quarter revised Schedules 1, 2 and 3 to the Agreement if there are any additions or deletions to those Schedules.

(i) Such other information (including non-financial information) as the Agent or any Bank may from time to time reasonably request.

If, and so long as, the Company has (i) one or more Restricted Subsidiaries, the financial statements referred to in subsections (a) and (b) of this Section 6.1 shall be on a consolidated basis prepared in accordance with Agreement Accounting Principles, or (ii) one or more Unrestricted Subsidiaries, the Company shall deliver to the Agent, promptly after receipt thereof, copies of balance sheets and income and surplus and cash flows statements of each such Subsidiary, prepared in accordance with Agreement Accounting Principles, which are not included in the financial statements furnished pursuant to subsection (a) of this Section 6.1, in the form delivered to the Company for the fiscal year of each such Subsidiary.

6.2 Use of Proceeds. The Company will, and will cause each Restricted Subsidiary to, use the proceeds of the Credit Extensions to finance Acquisitions, other than Unfriendly Acquisitions, for working capital and general corporate purposes. The Company will not, nor will it permit any Restricted Subsidiary to, use any of the proceeds of the Loans to purchase or carry any "margin stock" (as defined in Regulation U).

6.3 Financial Covenants.

(A) Interest Coverage Ratio. The Company and the Restricted Subsidiaries will maintain a ratio of Consolidated Earnings Before Interest and Taxes to Consolidated Interest Expense, as of the end of each fiscal quarter of the Company, such that the ratio calculated for such fiscal quarter and the preceding three fiscal quarters taken as one accounting period is at least 2.0 to 1.0.

(B) Funded Indebtedness Limitation. At no time shall the Company permit the ratio of (i) Consolidated Funded Indebtedness of the Company and the Restricted Subsidiaries to (ii) Consolidated Capitalization to exceed 0.55 to 1.00; provided that for purposes of this Section 6.3(B) all obligations incurred pursuant to Sections 6.18(2), (3), and (4) shall constitute Funded Indebtedness.

6.4 Notice of Default. The Company will, and will cause each Restricted Subsidiary to, give prompt notice in writing to the Banks of the occurrence of any Default or Unmatured Default and of any other development, financial or otherwise, which might materially adversely affect its business, properties or affairs or the ability of the Company to repay the Obligations within five days after the Company's senior management shall have the knowledge that an event constituting a Default or Unmatured Default or such a development has occurred.

6.5 Conduct of Business. The Company will, and will cause each Restricted Subsidiary to, carry on and conduct its business in the fields of manufacturing, developing,

producing and selling products which are primarily in the chemical field and to do all things necessary to remain duly incorporated, validly existing and in good standing as a domestic corporation in its jurisdiction of incorporation and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted except on those instances in which the failure to maintain all such authority does not materially adversely affect the business of the Company and the Restricted Subsidiaries taken as a whole.

6.6 Taxes. The Company will, and will cause each Restricted Subsidiary to, pay when due all taxes, assessments and governmental charges and levies upon it or its income, profits or property, except those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been set aside.

6.7 Insurance. The Company will, and will cause each Restricted Subsidiary to, maintain with financially sound and reputable insurance companies insurance on all their property in such amounts and covering such risks as is consistent with sound business practice, and the Company will furnish to any Bank upon request full information as to the insurance carried.

6.8 Compliance with Laws. The Company will, and will cause each Restricted Subsidiary to, comply with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject except to the extent that such laws, rules, regulations, orders, writs, judgments, decrees or awards (or the application of any thereof to the Company or a Restricted Subsidiary thereof) are being contested by the Company by appropriate proceedings provided that neither the Company nor any Restricted Subsidiary shall be required to maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted in those instances where the failure to maintain all such authority does not materially adversely affect the business or condition of the Company and the Restricted Subsidiaries taken as a whole.

6.9 Maintenance of Properties. The Company will, and will cause each Restricted Subsidiary to, do all things necessary to maintain, preserve, protect and keep its properties in good repair, working order and condition, and make all necessary and proper repairs, renewals and replacements so that its business carried on in connection therewith may be properly conducted at all times except to the extent that compliance with this Section 6.9 is made impossible by fire, flood, earthquakes, storm, natural disaster, strikes, accidents, inability to secure labor or other causes beyond the control of the Company and the Restricted Subsidiaries.

6.10 Inspection. The Company will, and will cause each Restricted Subsidiary to, permit the Banks, by their respective representatives and agents, to inspect any of the properties, corporate books and financial records of the Company and each Restricted Subsidiary, to examine and make copies of the books of accounts and other financial records of the Company and each Restricted Subsidiary, and to discuss the affairs, finances and accounts of the Company and each Restricted Subsidiary with, and to be advised as to the same by, their respective officers at such reasonable times and intervals as the Banks may designate.

6.11 Dividends. The Company will not declare or pay, or set apart any funds for the payment of, any dividends (other than dividends payable in common stock of the

Company) on any shares of capital stock of any class of the Company, or apply any of its funds, property or assets to, or set apart any funds, property or assets for, the purchase, redemption or other retirement of, or make any other distribution, by reduction of capital or otherwise, in respect of, any shares of capital stock of any class of the Company (collectively referred to as "Restricted Payments"), unless, immediately after giving effect to such action:

the sum of

(1) the amounts declared and paid or payable as, or set apart for, dividends (other than dividends paid or payable in common stock of the Company) on, or distributions (taken at cost to the Company or fair value at time of distribution, whichever is higher) in respect of, all shares of capital stock of all classes of the Company subsequent to December 31, 2001, and

(2) the excess, if any, of the amounts applied to, or set apart for, the purchase, redemption or retirement of all shares of capital stock of all classes of the Company subsequent to December 31, 2001, over the sum of (i) such amounts as shall have been received as the net cash proceeds of sales of shares of capital stock of all classes of the Company subsequent to December 31, 2001, plus (ii) the aggregate principal amount of all indebtedness of the Company and its Subsidiaries converted into or exchanged for shares of capital stock of the Company subsequent to December 31, 2001,

will not be in excess of (x) $30,000,000 plus (or minus in the case of a deficit) (y) the consolidated net income of the Company and its Restricted Subsidiaries accrued subsequent to December 31, 2001. The foregoing provisions of this Section 6.11 to the contrary notwithstanding (i) the Company may pay any dividend within 90 days of the date of its declaration if, on the date of declaration, such dividend could properly have been paid within the limitations of this Section 6.11 and (ii) the Company may pay regular dividends on or make payments or purchases required to be made at the time when made by the terms of any sinking fund, purchase fund or mandatory redemption requirement in respect of any outstanding shares of preferred stock of the Company originally issued for cash but all amounts so paid or applied pursuant to clauses (i) and (ii) above shall be included in any subsequent computation of Restricted Payments under this Section 6.11. The Company will not declare any dividend payable more than 90 days after the date of declaration thereof. The Company will not declare any dividend if a Default or Unmatured Default shall have occurred and be continuing.

6.12 Indebtedness.

(A) The Company will not create, incur, issue, assume, permit to exist or become or be liable, contingently or otherwise, in respect of any Current Indebtedness or Funded Indebtedness other than:

(1) Unsecured Current Indebtedness arising in the ordinary course of business;

(2) Indebtedness represented by dividends declared as permitted by Section 6.11, but not yet paid;

(3) Unsecured Current Indebtedness for borrowed money;

(4) Current Indebtedness representing amounts payable within one year in respect of any Funded Indebtedness permitted by this Section 6.12;

(5) Funded Indebtedness, provided that after giving effect to the incurrence thereof the Company would be in compliance with Section 6.3(B).

(B) Limitations on Restricted Subsidiaries. The Company will not cause, suffer or permit any Restricted Subsidiary to:

(1) Issue or sell any shares of its capital stock or securities convertible into such capital stock except (a) issuance or sale of directors' qualifying shares, (b) issuance or sale to the Company or to any Wholly-Owned Restricted Subsidiary and (c) issuance or sale of additional shares of stock of any such Subsidiary to any holders thereof entitled to receive or purchase such additional shares through the declaration of a stock dividend or through the exercise of preemptive rights; or

(2) Sell, assign, transfer or otherwise dispose of any shares of capital stock of any class of any other Restricted Subsidiary, or any other security of, or any Indebtedness owing to it by, any other Restricted Subsidiary (except in each case to the Company or to a Wholly-Owned Restricted Subsidiary) unless such sale, assignment, transfer or other disposition shall meet all the conditions set forth in Section 6.20 which would be applicable to a similar disposition made by the Company; or

(3) Consolidate with or merge into any other corporation or permit any other corporation to merge into it, except a merger into or consolidation with (a) the Company, (b) any Wholly-Owned Restricted Subsidiary or (c) any other corporation if, immediately thereafter, the surviving corporation shall be a Restricted Subsidiary and the Company shall be in full compliance with all the terms and provisions of this Agreement; or

(4) Sell, lease, transfer or otherwise dispose of all or any substantial part of its property and assets except (a) to the Company or any Wholly-Owned Restricted Subsidiary or (b) in the case of a sale to any other person, in compliance with all applicable requirements of Section 6.21 and Section 6.14; or

(5) make any Investments or commitments to make Investments except as expressly permitted by Section 6.16.

Any corporation which becomes a Restricted Subsidiary after the Closing Date shall for all purposes of this Section 6.12(B) be deemed to have created, assumed or incurred, at the time it becomes a Restricted Subsidiary, all Indebtedness of such corporation existing immediately after it becomes a Restricted Subsidiary.

6.13 Mergers and Consolidations. The Company will not consolidate with or merge into any other corporation, or permit any other corporation to merge into the Company, unless (a) the surviving or continuing corporation shall be the Company, and (b) no Default or Unmatured Default shall exist at the time of, or result from, such merger or consolidation, and

(c) after giving effect to such consolidation or merger the Company would be in compliance with Section 6.3(B).

6.14 Sale of Assets. The Company will not, nor will it permit any Restricted Subsidiary to, lease, sell or otherwise dispose of all, or a substantial portion of, its property, assets or business to any other Person except for:

(a) Sales of inventory in the ordinary course of business,

(b) In addition to sales of inventory permitted by Section 6.14 (a), the Company and the Restricted Subsidiaries may sell, lease and otherwise dispose of property, assets and businesses including the Phthalic Anhydride Line provided that, after giving effect to any such sale, lease or other disposition, the aggregate fair market value of all property, assets and businesses (other than inventory sold in the ordinary course of business and excluding the Phthalic Anhydride Line) sold, leased or otherwise disposed of by the Company and the Restricted Subsidiaries during any one fiscal year of the Company shall not exceed 15% of Consolidated Tangible Assets as of the last day of the immediately preceding fiscal year of the Company. Notwithstanding the above-referenced annual limitation on the fair market value of all assets sold, leased or disposed of, excluding the Phthalic Anhydride line, the aggregate amount of all assets, sold leased or otherwise disposed of pursuant to this Section 6.14 after December 31, 2001 shall not exceed $50,000,000 on a cumulative basis.

The Company will not, nor will it permit any Restricted Subsidiary to, sell or otherwise dispose of any notes receivable or accounts receivable, with or without recourse.

6.15 Sale and Leaseback. The Company will not, nor will it permit any Restricted Subsidiary to enter into any arrangement, directly or indirectly, with any Person whereby the Company or any Restricted Subsidiary shall sell or transfer any manufacturing plant or equipment owned or acquired by the Company or any Restricted Subsidiary and then or thereafter rent or lease, as lessee, such property or any part thereof, or other property which the Company or any Restricted Subsidiary, as the case may be, intends to use for substantially the same purpose or purposes as the property being sold or transferred, unless (a) the lease covering such property shall be for a term of not less than three years and (b) the Company could then incur Funded Indebtedness pursuant to Section 6.12 in an amount not less than the capitalized value of the rentals payable by the Company or any Restricted Subsidiary, as the case may be, under such lease determined in accordance with Agreement Accounting Principles.

6.16 Investments. The Company will not, nor will it permit any Restricted Subsidiary to, make or suffer to exist any Investments (including without limitation, loans and advances to, and other Investments in, Subsidiaries), or commitments therefor, or to create any Subsidiary or to become or remain a partner in any partnership or joint venture, or to make any Acquisition of any Person, except:

(a) Short-term obligations of, or fully guaranteed by, the United States of America,

(b) Commercial paper rated A-l or better by Standard and Poor's Rating Services, a division of The McGraw Hill Companies, Inc. or P-l or better by Moody's Investors Service, Inc.,

(c) Demand deposit accounts maintained in the ordinary course of business,

(d) Certificates of deposit issued by and time deposits with commercial banks (whether domestic or foreign) having capital and surplus in excess of $50,000,000,

(e) Loans to officers and employees made in connection with their relocation and purchase of housing,

(f) Loans to officers and employees in addition to those permitted by Section 6.16(e) provided that the aggregate amount of such additional loans shall not exceed $1,000,000 in the aggregate for the Company and the Restricted Subsidiaries at any one time outstanding,

(g) Investments made by a Restricted Subsidiary in the Company or another Restricted Subsidiary, and

(h) Investments of cash made by the Company or a Restricted Subsidiary in Persons other than the Company or a Restricted Subsidiary, provided, however, that notwithstanding any of the foregoing, the Company will not, nor will it permit any Restricted Subsidiary to make any Investment, or any commitment to any Investment, if immediately after giving effect to any such proposed Investment, whether made before or after the Closing Date, the aggregate amount of all of the Investments (other than such Investments existing as of December 31, 2001 as set forth on Schedule 3 attached hereto) (all such Investments to be taken at the cost thereof at the time of making such Investment without allowance for any subsequent write-offs or appreciation or depreciation thereof, but less any amount repaid or recovered on account of capital or principal), shall exceed 30% of the Consolidated Tangible Net Worth plus long-term deferred tax liabilities of the Company and its Restricted Subsidiaries.

6.17 Guaranties. The Company will not, nor will it permit any Restricted Subsidiary to, Guarantee any dividend, or Guarantee any obligation or Indebtedness, enter into or remain liable upon any Contingent Obligation of any other Person other than (i) an obligation or Indebtedness of a Restricted Subsidiary which such Subsidiary shall be authorized to incur pursuant to the provisions of this Agreement exclusive of Indebtedness permitted by clause (iii) of this Section 6.17 and obligations or Indebtedness secured by mortgages or Liens permitted under clauses (2), (3) and (4) of Section 6.18, (ii) Guaranties incurred in the ordinary course of business of the Company or of a Restricted Subsidiary and (iii) Indebtedness guaranteed by the Company to the extent permitted by Section 6.12(A)(5).

6.18 Liens. The Company will not, and will not permit any Restricted Subsidiary to, create or incur or suffer to be created or incurred or to exist any mortgage, Lien, security interest, charge or encumbrance of any kind on, or pledge of, any property or assets of any kind, real or personal, tangible or intangible, of the Company or any such Restricted Subsidiary, whether owned before or after the Closing Date, or acquire or agree to acquire any

property or assets of any kind under a conditional sale agreement or other title retention agreement or file or permit the filing of any financing statement under the Uniform Commercial Code or other similar notice under any other similar statute without equally and ratably securing this Agreement; provided, however, that the provisions of this Section 6.18 shall not prevent or restrict the creation, incurring or existence of any of the following:

(1) Any mortgage, lien, security interest, charge or encumbrance on, or pledge of, any property or assets of any Restricted Subsidiary to secure Indebtedness owing by it to the Company or a Wholly-Owned Restricted Subsidiary;

(2) Purchase money mortgages or other liens on real property (including leaseholds) and fixtures thereon, acquired by the Company or any Restricted Subsidiary, to secure the purchase price of such property (or to secure Indebtedness incurred solely for the purpose of financing the acquisition of any such property to be subject to such mortgage or other lien), or mortgages or other liens existing on any such property at the time of acquisition of such property by the Company or by Restricted Subsidiary, whether or not assumed, or any mortgage or Lien on real property of Restricted Subsidiary, provided that at the time of the acquisition of the property by the Company or a Restricted Subsidiary, or at the time of the acquisition of the Restricted Subsidiary by the Company, as the case may be, (a) the principal amount of the Indebtedness secured by each such mortgage or Lien, plus the principal amount of all other indebtedness secured by mortgages or Liens on the same property, shall not exceed 75% of the fair value thereof (without deduction of the Indebtedness secured by mortgages or Liens on such property) at the time of the acquisition thereof by the Company or Restricted Subsidiary, whichever is the lesser, (b) every mortgage or Lien shall apply only to the property originally subject thereto and fixed improvements constructed thereon.

(3) Refundings or extensions of the mortgages or Liens permitted in the foregoing subsection 6.18(2) for amounts not exceeding the principal amounts of the indebtedness so refunded or extended at the time of the refunding or extension thereof, and applying only to the same property theretofore subject to the same and fixed improvements constructed thereon;

(4) the owning or acquiring or agreeing to acquire machinery or equipment useful for the business of the Company or any Restricted Subsidiary subject to or upon chattel mortgages or conditional sale agreements or other title retention agreements;

(5) Deposits, liens or pledges to enable the Company or any Restricted Subsidiary to exercise any privilege or license, or to secure payments of workmen's compensation, unemployment insurance, old age pensions or other social security, or to secure the performance of bids, tenders, contracts (other than for the payment of money) or leases to which the Company or any Restricted Subsidiary is a party, or to secure public or statutory obligations of the Company or any Restricted Subsidiary, or to secure surety, stay or appeal bonds to which the Company or any Restricted Subsidiary is a party, but, as to all of the foregoing, only if the same shall arise and continue in the ordinary course of business; or other similar deposits or pledges made and continued in the ordinary course of business;

(6) Mechanic's, workmen's, repairmen's or carriers' Liens, but only if arising, and only so long as continuing, in the ordinary course of business; or other similar Liens arising and continuing in the ordinary course of business; or deposits or pledges in the ordinary course of business to obtain the release of any such Liens;

(7) Liens arising out of judgments or awards against the Company or any Restricted Subsidiary with respect to which the Company or such Restricted Subsidiary shall in good faith be prosecuting an appeal or proceedings for review; or liens incurred by the Company or any such Restricted Subsidiary for the purpose of obtaining a stay or discharge in the course of any legal proceeding to which the Company or such Restricted Subsidiary is a party;

(8) Liens for taxes not yet subject to penalties for non-payment or contested in good faith where adequate reserves have been set aside, or minor survey exceptions, or minor encumbrances, easements or reservations of, or rights of others for, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real properties, which encumbrances, easements, reservations, rights and restrictions do not in the aggregate materially detract from the value of said properties or materially impair their use in the operation of the business of the Company or of such Restricted Subsidiary owning the same;

(9) Liens in favor of the United States of America or any department or agency thereof or in favor of a prime contractor under a United States Government contract, and resulting from the acceptance of progress or partial payments under United States Government contracts or subcontracts thereunder;

(10) Inchoate liens arising under the ERISA to secure contingent liabilities; and

(11) Any arrangement permitted by Section 6.15 of Article VI.

provided, however, that (i) the aggregate amount of all liens permitted by Section 6.18(2) and Sections 6.18(3) and 6.18(4) shall not exceed an amount equal to 15% of Consolidated Tangible Net Worth plus long-term deferred tax liabilities and (ii) the aggregate unpaid principal amount of all Indebtedness of the Company or any Restricted Subsidiary secured pursuant to the provisions of Section 6.18(2), 6.18(3) and 6.18(4) shall not at any time exceed 30% of Consolidated Tangible Net Worth plus long-term deferred tax liabilities.

6.19 Purchase of Stocks. The Company will not, nor will it permit any Restricted Subsidiary to extend credit to others for the purpose of purchasing or carrying any "margin stock" (as defined in Regulation U) or use any of the proceeds of the loans made under this Agreement (a) to purchase or carry any "margin stock" if, after giving effect to such purchase, more that 25% of the book value of the consolidated assets of the Company and the Restricted Subsidiaries subject to Section 6.14 or Section 6.18 consist of "margin stock" or (b) to acquire any security in any transaction which is subject to Sections 13 and 14 of the Securities Exchange Act of 1934.

6.20 Limitations on Dispositions of Stock or Indebtedness of Restricted Subsidiaries. The Company will not sell, assign, transfer or otherwise dispose of (except to a

wholly-owned Restricted Subsidiary) any shares of capital stock of any class of any Restricted Subsidiary, or any other security of, or any Indebtedness owing to it by, any such Restricted Subsidiary, unless (i) all of the capital stock and other securities and the entire Indebtedness of such Restricted Subsidiary at the time owned by the Company and by all its other Restricted Subsidiaries shall be sold, assigned, transferred or otherwise disposed of, at the same time, for cash, (ii) such Restricted Subsidiary shall not, at the time of such sale, assignment, transfer or other disposition, own either (a) any shares of capital stock of any class or any other security or any Indebtedness of any other Restricted Subsidiary of the Company which is not being simultaneously disposed of as permitted by this Section 6.20 or (b) any Indebtedness of the Company, and (iii) such sales, assignment or transfer is permitted by Section 6.13 or Section 6.14 hereof.

6.21 Affiliates. The Company will not, and will not permit any Restricted Subsidiary to, enter into any transaction (including, without limitation, the purchase or sale of any Property or service) with, or make any payment or transfer to, any Affiliate except in the ordinary course of business and pursuant to the reasonable requirements of the Company's or such Restricted Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Restricted Subsidiary than the Company or such Restricted Subsidiary would obtain in a comparable arms-length transaction.

6.22 Addition of Guarantors. As promptly as possible but in any event within thirty (30) days after any Domestic Subsidiary (other than any SPV) becomes a Restricted Subsidiary of the Company, the Company shall cause each such Restricted Subsidiary to deliver to the Agent a duly executed Guaranty pursuant to which such Restricted Subsidiary agrees to be bound by the terms and provisions of the Guaranty.

ARTICLE VII: DEFAULTS

The occurrence of any one or more of the following events shall constitute a Default:

7.1 Breach of Representations and Warranties. Any representation or warranty made or deemed made by or on behalf of the Company or any Restricted Subsidiary to the Banks or the Agent under or in connection with this Agreement, any Credit Extension, or any certificate or information delivered in connection with this Agreement or any other Loan Document shall be materially false as of the date on which made or deemed made.

7.2 Payment Default. Nonpayment of principal of any Loan when due, nonpayment of any Reimbursement Obligation within one Business Day after the same becomes due, or nonpayment of interest upon any Loan or of any commitment fee, LC Fee or other obligations under any of the Loan Documents within five days after the same becomes due.

7.3 Breach of Certain Covenants. The breach by the Company of any of the terms or provisions of Article VI.

7.4 Breach of Other Provisions. The breach by the Company (other than a breach which constitutes a Default under Section 7.1, 7.2 or 7.3) of any of the terms or provisions of this Agreement which is not remedied within five days after written notice from the Agent or any Bank.

7.5 Default on Material Indebtedness. Failure of the Company or any Restricted Subsidiary to pay any Indebtedness in a principal amount greater than $2,500,000 when due; or the default by the Company or any Restricted Subsidiary in the performance of any term, provision or condition contained in any agreement under which any Indebtedness was created or is governed, the effect of which is to cause, or to permit the holder or holders of such Indebtedness to cause, such Indebtedness to become due prior to its stated maturity; or any Indebtedness shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the stated maturity thereof.

7.6 Voluntary Insolvency Proceedings. The Company or any Restricted Subsidiary shall (a) have an order for relief entered with respect to it under the Federal Bankruptcy Code, (b) not pay, or admit in writing its inability to pay, its debts generally as they become due, (c) make an assignment for the benefit of creditors, (d) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its property, (e) institute any proceeding seeking an order for relief under the Federal Bankruptcy Code or seeking to adjudicate it a bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (f) take any corporate action to authorize or effect any of the foregoing actions set forth in this Section 7.6 or (g) fail to contest in good faith any appointment or proceeding described in Section 7.7.

7.7 Involuntary Insolvency Proceedings. Without the application, approval or consent of the Company or any Restricted Subsidiary, a receiver, trustee, examiner, liquidator or similar official shall be appointed for the Company or any Restricted Subsidiary or any substantial part of its property, or a proceeding described in Section 7.6(e) shall be instituted against the Company or any Restricted Subsidiary and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of 30 consecutive days.

7.8 Condemnation. Any court, government or governmental agency shall condemn, seize or otherwise appropriate, or take custody or control of all or any substantial portion of the property of the Company or any Restricted Subsidiary.

7.9 Judgments. The Company or any Subsidiary shall fail within 60 days to pay, bond or otherwise discharge any judgment or order for the payment of money in excess of $1,000,000, which is not stayed on appeal or otherwise being appropriately contested in good faith.

7.10 ERISA Matters. The Unfunded Liabilities of all Plans shall exceed in the aggregate $5,000,000 or any Reportable Event shall occur in connection with any Plan.

7.11 Change of Control. Any Person or Persons other than Stepan Family acting in concert shall acquire beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of thirty percent (30%) or more of the outstanding shares of voting stock of the Company; or during any period of twelve (12) consecutive months, commencing before or after the Closing Date,

individuals who at the beginning of such twelve-month period were directors of the Company cease for any reason to constitute a majority of the board of directors of the Company.

7.12 Off-Balance Sheet Liabilities. Other than at the request of an Affiliate of the Company party thereto (as permitted thereunder), an event shall occur which (i) permits the investors in respect of Off-Balance Sheet Liabilities of the Company or any of its Subsidiaries in an amount, individually or in the aggregate, in excess of $2,500,000, to require amortization or liquidation of such Off-Balance Sheet Liabilities and (x) such event is not remedied within ten (10) days after the occurrence thereof or (y) such investors shall require amortization or liquidation of such Off-Balance Sheet Liabilities as a result of such event, or (ii) results in the termination or reinvestment of collections or proceeds of accounts or note receivables, as applicable, under the documents and other agreements evidencing such Off-Balance Sheet Liabilities.

7.13 Guarantor Revocation. Any guarantor of the Obligations shall deny, disaffirm, terminate or revoke any of its obligations under the applicable Guaranty (except in accordance with Section 10.15 hereof) or breach any of the material terms of such Guaranty.

ARTICLE VIII: ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES

8.1 Acceleration; Facility LC Collateral Account.

(i) If any Default described in Section 7.6 or 7.7 occurs, the obligations of the Banks to make Loans hereunder and the obligation and power of the LC Issuer to issue Facility LCs shall automatically terminate and the Obligations shall immediately become due and payable without any election or action on the part of the Agent, the LC Issuer or any Bank and the Company will be and become thereby unconditionally obligated, without any further notice, act or demand, to pay to the Agent an amount in immediately available funds, which funds shall be held in the Facility LC Collateral Account, equal to the difference of (x) the amount of LC Obligations at such time, less (y) the amount on deposit in the Facility LC Collateral Account at such time which is free and clear of all rights and claims of third parties and has not been applied against the Obligations (such difference, the "Collateral Shortfall Amount"). If any other Default occurs, the Required Banks may (a) terminate or suspend the obligations of the Banks to make Loans hereunder and the obligation and power of the LC Issuer to issue Facility LCs, or declare the Obligations to be due and payable, or both, whereupon the Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which the Company hereby expressly waives, and (b) upon notice to the Company and in addition to the continuing right to demand payment of all amounts payable under this Agreement, make demand on the Company to pay, and the Company will, forthwith upon such demand and without any further notice or act, pay to the Agent the Collateral Shortfall Amount, which funds shall be deposited in the Facility LC Collateral Account.

(ii) If at any time while any Default is continuing, the Agent determines that the Collateral Shortfall Amount at such time is greater than zero, the Agent may make

demand on the Company to pay, and the Company will, forthwith upon such demand and without any further notice or act, pay to the Agent the Collateral Shortfall Amount, which funds shall be deposited in the Facility LC Collateral Account.

(iii) The Agent may at any time or from time to time after funds are deposited in the Facility LC Collateral Account, apply such funds to the payment of the Obligations and any other amounts as shall from time to time have become due and payable by the Company to the Banks or the LC Issuer under the Loan Documents.

(iv) At any time while any Default is continuing, neither the Company nor any Person claiming on behalf of or through the Company shall have any right to withdraw any of the funds held in the Facility LC Collateral Account. After all of the Obligations have been indefeasibly paid in full and the Aggregate Commitment has been terminated, any funds remaining in the Facility LC Collateral Account shall be returned by the Agent to the Company or paid to whomever may be legally entitled thereto at such time.

(v) If, within 30 days after acceleration of the maturity of the Obligations or termination of the obligations of the Banks to make Loans and the obligation and power of the LC Issuer to issue Facility LCs hereunder as a result of any Default (other than any Default as described in Section 7.6 or 7.7 with respect to the Company) and any judgment or decree for the payment of the Obligations due shall have been obtained or entered, the Required Banks (in their sole discretion) shall so direct, the Agent shall, by notice to the Company, rescind and annul such acceleration and/or termination.

8.2 Amendments. Subject to the provisions of this Article VIII, the Required Banks (or the Agent with the consent in writing of the Required Banks) and the Company may enter into agreements supplemental hereto for the purpose of adding or modifying any provisions to the Loan Documents or changing in any manner the rights of the Banks or the Company hereunder or waiving any Default hereunder; provided, however, that no such supplemental agreement shall, without the consent of all of the Banks:

(i) Extend the final maturity of any Loan, or extend the expiry date of any Facility LC to a date after the Facility Termination Date or forgive all or any portion of the principal amount thereof or any Reimbursement Obligation related thereto, or reduce the rate or extend the time of payment of interest or fees thereon.

(ii) Reduce the percentage specified in the definition of Required Banks.

(iii) Extend or reduce the amount or extend the payment date for, the mandatory payments required under Section 2.4, or increase the amount of the Commitment of any Bank hereunder or the commitment to issue Facility LCs, or permit the Company to assign its rights under this Agreement.

(iv) Other than pursuant to a transaction permitted by the terms of this Agreement, release any guarantor of the Obligations or any substantial portion of the collateral, if any, securing the Obligations.

(v) Amend this Section 8.2.

No amendment of any provision of this Agreement relating to the Agent shall be effective without the written consent of the Agent, and no amendment of any provision relating to the LC Issuer shall be effective without the written consent of the LC Issuer. No amendment of any provision of this Agreement relating to the Swing Line Lender or any Swing Line Loans shall be effective without the written consent of the Swing Line Lender.

8.3 Preservation of Rights. No delay or omission of the Banks, the LC Issuer or the Agent to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Default or an acquiescence therein, and the making of a Credit Extension notwithstanding the existence of a Default or the inability of the Company to satisfy the conditions precedent to such Credit Extension shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the Banks required pursuant to Section 8.2, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Agent, the LC Issuer and the Banks until the Obligations have been paid in full.

ARTICLE IX: GENERAL PROVISIONS

9.1 Survival of Representations. All representations and warranties of the Company contained in this Agreement shall survive delivery of the Notes and the making of the Credit Extensions herein contemplated.

9.2 Governmental Regulation. Anything contained in this Agreement to the contrary notwithstanding, neither the LC Issuer nor any Bank shall be obligated to extend credit to the Company in violation of any limitation or prohibition provided by any applicable statute or regulation.

9.3 Taxes. Any taxes (excluding income taxes) payable or ruled payable by Federal or State authority in respect of the Loan Documents shall be paid by the Company, together with interest and penalties, if any.

9.4 Headings. Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

9.5 Entire Agreement. The Loan Documents embody the entire agreement and understanding among the Company, the Agent, the LC Issuer and the Banks and supersede all prior agreements and understandings among the Company, the Agent, the LC Issuer and the Banks relating to the subject matter thereof other than the fee letter described in Section 10.13.

9.6 Several Obligations. The respective obligations of the Banks hereunder are several and not joint and no Bank shall be the partner or agent of any other (except to the extent to which the Agent is authorized to act as such). The failure of any Bank to perform any

of its obligations hereunder shall not relieve any other Bank from any of its obligations hereunder. This Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns, provided, however, that the parties hereto expressly agree that the Arranger shall enjoy the benefits of the provisions of Section 9.7, 9.11 and 10.11 to the extent specifically set forth therein and shall have the right to enforce such provisions on its own behalf and in its own name to the same extent as if it were a party to this Agreement.

9.7 Expenses; Indemnification. The Company shall reimburse the Agent, the Arranger, the LC Issuer and the Banks for any costs, internal charges and out-of-pocket expenses (including attorneys' fees and time charges of attorneys for the Agent, the Arranger, the LC Issuer and the Banks, which attorneys may be employees of the Agent, the Arranger, the LC Issuer or the Banks) paid or incurred by the Agent, the Arranger, the LC Issuer or any Bank in connection with the preparation, review, execution, delivery, amendment, modification, administration, collection and enforcement of the Loan Documents. The Company further agrees to indemnify the Agent, the Arranger, the LC Issuer and each Bank, its directors, officers and employees against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all expenses of litigation or preparation therefor whether or not the Agent, the Arranger, the LC Issuer or any Bank is a party thereto) which any of them may pay or incur arising out of or relating to this Agreement, the other Loan Documents, the transactions contemplated hereby or the direct or indirect application or proposed application of the proceeds of any Credit Extension hereunder. The obligations of the Company under this Section shall survive the termination of this Agreement.

9.8 Numbers of Documents. All statements, notices, closing documents, and requests hereunder shall be furnished to the Agent with sufficient counterparts so that the Agent may furnish one to each of the Banks.

9.9 Accounting. Except as provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with Agreement Accounting Principles.

9.10 Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

9.11 Nonliability of Banks. The relationship between the Company on the one hand and the Banks, the LC Issuer and the Agent on the other hand shall be solely that of borrower and lender. Neither the Agent, the Arranger, the LC Issuer nor any Bank shall have any fiduciary responsibilities to the Company. Neither the Agent, the Arranger, the LC Issuer nor any Bank undertakes any responsibility to the Company to review or inform the Company of any matter in connection with any phase of the Company's business or operations. The Company agrees that neither the Agent, the Arranger, the LC Issuer nor any Bank shall have liability to the Company (whether sounding in tort, contract or otherwise) for losses suffered by the Company in connection with, arising out of, or in any way related to, the transactions

contemplated and the relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, unless it is determined in a final non-appealable judgment by a court of competent jurisdiction that such losses resulted from the gross negligence or willful misconduct of the party from which recovery is sought. Neither the Agent, the Arranger, the LC Issuer nor any Bank shall have any liability with respect to, and the Company hereby waives, releases and agrees not to sue for, any special, indirect or consequential damages suffered by the Company in connection with, arising out of, or in any way related to the Loan Documents or the transactions contemplated thereby.

9.12 Confidentiality. Each Bank agrees to hold any confidential information which it may receive from the Company pursuant to this Agreement in confidence, except for disclosure (i) to its Affiliates and to other Banks and their respective Affiliates, (ii) to legal counsel, accountants, and other professional advisors to such Bank or to a Transferee, (iii) to regulatory officials, (iv) to any Person as requested pursuant to or as required by law, regulation, or legal process, (v) to any Person in connection with any legal proceeding to which such Bank is a party, (vi) to such Bank's direct or indirect contractual counterparties in swap agreements or to legal counsel, accountants and other professional advisors to such counterparties, (vii) permitted by Section 13.4 and (viii) to rating agencies if requested or required by such agencies in connection with a rating relating to the Credit Extensions hereunder.

9.13 Nonreliance. Each Bank hereby represents that it is not relying on or looking to any margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System) for the repayment of the Credit Extensions provided for herein.

9.14 Disclosure. The Company and each Bank hereby acknowledge and agree that Bank One and/or its Affiliates from time to time may hold investments in, make other loans to or have other relationships with the Company and its Affiliates.

ARTICLE X: THE AGENT

10.1 Appointment; Nature of Relationship. The Bank One, NA is hereby appointed by each of the Banks as its contractual representative (herein referred to as the "Agent") hereunder and under each other Loan Document, and each of the Banks irrevocably authorizes the Agent to act as the contractual representative of such Bank with the rights and duties expressly set forth herein and in the other Loan Documents. The Agent agrees to act as such contractual representative upon the express conditions contained in this Article X. Notwithstanding the use of the defined term "Agent," it is expressly understood and agreed that the Agent shall not have any fiduciary responsibilities to any Bank by reason of this Agreement or any other Loan Document and that the Agent is merely acting as the contractual representative of the Banks with only those duties as are expressly set forth in this Agreement and the other Loan Documents. In its capacity as the Banks' contractual representative, the Agent (i) does not hereby assume any fiduciary duties to any of the Banks, (ii) is a "representative" of the Banks within the meaning of the term "secured party" as defined in the Illinois Uniform Commercial Code and (iii) is acting as an independent contractor, the rights and duties of which are limited to those expressly set forth in this Agreement and the other Loan Documents. Each of the Banks hereby agrees to assert no claim against the Agent on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims each Bank hereby waives.

10.2 Powers. The Agent shall have and may exercise such powers under the Loan Documents as are specifically delegated to the Agent by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Agent shall have no implied duties to the Banks, or any obligation to the Banks to take any action thereunder except any action specifically provided by the Loan Documents to be taken by the Agent.

10.3 General Immunity. Neither the Agent nor any of its directors, officers, agents or employees shall be liable to the Company, the Banks or any Bank for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith except to the extent such action or inaction is determined in a final non-appealable judgment by a court of competent jurisdiction to have arisen from the gross negligence or willful misconduct of such Person.

10.4 No Responsibility for Loans, Recitals, etc. Neither the Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into, or verify (a) any statement, warranty or representation made in connection with any Loan Document or any borrowing hereunder; (b) the performance or observance of any of the covenants or agreements of any obligor under any Loan Document, including, without limitation, any agreement by an obligor to furnish information directly to each Bank; (c) the satisfaction of any condition specified in Article IV, except receipt of items required to be delivered solely to the Agent; (d) the existence or possible existence of any Default or Unmatured Default; (e) the validity, enforceability, effectiveness, sufficiency or genuineness of any Loan Document or any other instrument or writing furnished in connection therewith; or (f) the financial condition of the Company or of any of the Company's Subsidiaries. The Agent shall have no duty to disclose to the Banks information that is not required to be furnished by the Company to the Agent at such time, but is voluntarily furnished by the Company to the Agent (either in its capacity as Agent or in its individual capacity).

10.5 Action on Instructions of Banks. The Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Loan Document in accordance with written instructions signed by the Required Banks, and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Banks. The Banks hereby acknowledge that the Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement or any other Loan Document unless it shall be requested in writing to do so by the Required Banks. The Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Loan Document unless it shall first be indemnified to its satisfaction by the Banks pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

10.6 Employment of Agents and Counsel. The Agent may execute any of its duties as Agent hereunder and under any other Loan Document by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Banks, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Agent shall be entitled to advice of counsel concerning the contractual arrangement between the Agent and the Banks and all matters pertaining to the Agent's duties hereunder and under any other Loan Document.

10.7 Reliance on Documents; Counsel. The Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect to legal matters, upon the opinion of counsel selected by the Agent, which counsel may be employees of the Agent.

10.8 Agent's Reimbursement and Indemnification. The Banks agree to reimburse and indemnify the Agent ratably in proportion to their respective Commitments (or, if the Commitments have been terminated, in proportion to their Commitments immediately prior to such termination) (i) for any amounts not reimbursed by the Company for which the Agent is entitled to reimbursement by the Company under the Loan Documents, (ii) for any other reasonable expenses incurred by the Agent on behalf of the Banks, in connection with the preparation, execution, delivery, administration and enforcement of the Loan Documents and (iii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of the Loan Documents or any other document delivered in connection therewith or the transactions contemplated thereby or the enforcement of any of the terms of the Loan Documents or of any such other documents, provided that no Bank shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Agent. The obligations of the Banks under this Section 10.8 shall survive payment of the Obligations and termination of this Agreement.

10.9 Notice of Default. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Unmatured Default hereunder unless the Agent has received written notice from a Bank or the Company referring to this Agreement describing such Default or Unmatured Default and stating that such notice is a "notice of default". In the event that the Agent receives such a notice, the Agent shall give prompt notice thereof to the Banks.

10.10 Rights as a Bank. In the event the Agent is a Bank, the Agent shall have the same rights and powers hereunder and under any other Loan Document with respect to its Commitment and its Credit Extensions as any Bank and may exercise the same as though it were not the Agent, and the term "Bank" or "Banks" shall, at any time when the Agent is a Bank, unless the context otherwise indicates, include the Agent in its individual capacity. The Agent and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of trust, debt, equity or other transaction, in addition to those contemplated by this Agreement or any other Loan Document, with the Company or any of its Subsidiaries in which the Company or such Subsidiary is not restricted hereby from engaging with any other Person.

10.11 Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Agent, the Arranger or any other Bank and based on the financial statements prepared by the Company and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and the other Loan Documents. Each Bank also acknowledges that it will, independently and without reliance upon the Agent, the Arranger or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents.

10.12 Successor Agent. The Agent may resign at any time by giving written notice thereof to the Banks and the Company, such resignation to be effective upon the appointment of a successor Agent or, if no successor Agent has been appointed, forty-five days after the retiring Agent gives notice of its intention to resign. The Agent may be removed at any time with or without cause by written notice received by the Agent from the Required Banks, such removal to be effective on the date specified by the Required Banks. Upon any such resignation or removal, the Required Banks shall have the right to appoint, on behalf of the Company and the Banks, a successor Agent. If no successor Agent shall have been so appointed by the Required Banks within thirty days after the resigning Agent's giving notice of its intention to resign, then the resigning Agent may appoint, on behalf of the Company and the Banks, a successor Agent. Notwithstanding the previous sentence, the Agent may at any time without the consent of the Company or any Bank, appoint any of its Affiliates which is a commercial bank as a successor Agent hereunder. If the Agent has resigned or been removed and no successor Agent has been appointed, the Banks may perform all the duties of the Agent hereunder and the Company shall make all payments in respect of the Obligations to the applicable Bank and for all other purposes shall deal directly with the Banks. No successor Agent shall be deemed to be appointed hereunder until such successor Agent has accepted the appointment. Any such successor Agent shall be a commercial bank having capital and retained earnings of at least $100,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning or removed Agent. Upon the effectiveness of the resignation or removal of the Agent, the resigning or removed Agent shall be discharged from its duties and obligations hereunder and under the Loan Documents. After the effectiveness of the resignation or removal of an Agent, the provisions of this Article X shall continue in effect for the benefit of such Agent in respect of any actions taken or omitted to be taken by it while it was acting as the Agent hereunder and under the other Loan Documents. In the event that there is a successor to the Agent by merger, or the Agent assigns its duties and obligations to an Affiliate pursuant to this Section 10.12, then the term "Prime Rate" as used in this Agreement shall mean the prime rate, base rate or other analogous rate of the new Agent.

10.13 Agent's Fee. The Company agrees to pay to the Agent, for its own account, the fees agreed to by the Company and the Agent pursuant to that certain letter agreement dated April 4, 2002, or as otherwise agreed from time to time.

10.14 Delegation to Affiliates. The Company and the Banks agree that the Agent may delegate any of its duties under this Agreement to any of its Affiliates. Any such Affiliate (and such Affiliate's directors, officers, agents and employees) which performs duties in connection with this Agreement shall be entitled to the same benefits of the indemnification, waiver and other protective provisions to which the Agent is entitled under Articles IX and X.

10.15 Release of Guarantors. Upon the liquidation or dissolution of any Guarantor, or the sale of all of the capital stock of any Guarantor owned by the Company and its Subsidiaries, in each case which does not violate the terms of any Loan Document or is otherwise consented to in writing by the Required Banks or all of the Banks, as applicable, such Guarantor shall be automatically released from all obligations under the Guaranty and any other Loan Documents to which it is a party (other than contingent indemnity obligations), and upon at least five (5) Business Days' prior written request by the Company, the Agent shall (and is

hereby irrevocably authorized by the Banks to) execute such documents as may be necessary to evidence the release of the applicable Guarantor from its obligations under the Guaranty and such other Loan Documents; provided, however, that (i) the Agent shall not be required to execute any such document on terms which, in the Agent's reasonable opinion, would expose the Agent to liability or create any obligation or entail any consequence other than the release of such Guarantor without recourse or warranty, and (ii) such release shall not in any manner discharge, affect or impair the Obligations of the Company, any other Guarantor's obligations under the Guaranty, or, if applicable, any obligations of the Company or any Subsidiary in respect of the proceeds of any such sale retained by the Company or any Subsidiary.

ARTICLE XI: SETOFF; RATABLE PAYMENTS

11.1 Setoff. In addition to, and without limitation of, any rights of the Banks under applicable law, if the Company becomes insolvent, however evidenced, or any Default or Unmatured Default occurs, any indebtedness from any Bank to the Company (including all account balances, whether provisional or final and whether or not collected or available) may be offset and applied toward the payment of the Obligations owing to such Bank, whether or not the Obligations, or any part hereof, shall then be due. The Company agrees that any holder of a participation in a loan may, to the fullest extent permitted by law, exercise all its rights of payment with respect to such participation as if such holder were the direct creditor of the Company in the amount of the participation.

11.2 Ratable Payments.

(A) At any time when no Default shall be continuing, if any Bank, whether by setoff or otherwise, has payment made to it upon its Outstanding Credit Exposure (other than payments received pursuant to Sections 3.1, 3.2, 3.3 or 3.4 or payments of principal or interest on Competitive Bid Loans when due) in a greater proportion than that received by any other Bank, such Bank agrees, promptly upon demand, to purchase a portion of the Aggregate Outstanding Credit Exposure (calculated exclusive of all outstanding Competitive Bid Loans) held by the other Banks so that after such purchase each Bank will hold its Pro Rata Share of the Aggregate Outstanding Credit Exposure (calculated exclusive of all outstanding Competitive Bid Loans).

(B) At any time a Default shall be continuing, if any Bank, whether by setoff or otherwise, has payment made to it upon its Outstanding Credit Exposure (other than payments received pursuant to Sections 3.1, 3.2, 3.3 or 3.4) in a greater proportion than that received by any other Bank, such Bank agrees, promptly upon demand, to purchase a portion of the Aggregate Outstanding Credit Exposure held by the other Banks so that after such purchase each Bank will hold its Pro Rata Share of the Aggregate Outstanding Credit Exposure.

(C) If any Bank, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Obligations or such amounts which may be subject to set off, such Bank agrees, promptly upon demand, to take such action necessary such that all Banks share in the benefits of such collateral ratably in proportion to their respective Pro Rata Shares of the Aggregate Outstanding

Credit Exposure. In case any such payment described in this Section 11.2 is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

ARTICLE XII: NOTICES

12.1 Notices. Except as otherwise permitted by Section 2.13 with respect to borrowing notices, all notices, requests and other communications to any party hereunder shall be in writing (including electronic transmission, facsimile transmission or similar writing) and shall be given to such party: (x) in the case of the Company or the Agent, at its address or facsimile number set forth on the signature pages hereof, (y) in the case of any Bank, at its address or facsimile number set forth below its signature hereto or (z) in the case of any party, at such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Agent and the Company in accordance with the provisions of this Section 12.1. Each such notice, request or other communication shall be effective (i) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (iii) if given by any other means, when delivered (or, in the case of electronic transmission, received) at the address specified in this Section; provided that notices to the Agent under Article II shall not be effective until received.

12.2 Change of Address. The Company, the Agent and any Bank may each change the address for service of notice upon it by a notice in writing to the other parties hereto.

ARTICLE XIII: BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS

13.1 Successors and Assigns. The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Company and the Banks and their respective successors and assigns, except that (i) the Company shall not have the right to assign its rights or obligations under the Loan Documents and (ii) any assignment by any Bank must be made in compliance with Section 13.3.1. The parties to this Agreement acknowledge that clause (ii) of this Section 13.1 relates only to absolute assignments and this Section 13.1 does not prohibit assignments creating security interests, including, without limitation, (x) any pledge or assignment by any Bank of all or any portion of its rights under this Agreement and any Note to a Federal Reserve Bank or (y) in the case of a Bank which is a Fund, any pledge or assignment of all or any portion of its rights under this Agreement and any Note to its trustee in support of its obligations to its trustee; provided, however, that no such pledge or assignment creating a security interest shall release the transferor Bank from its obligations hereunder unless and until the parties thereto have complied with the provisions of Section 13.3. The Agent may treat the Person which made any Credit Extension or which holds any Note as the owner thereof for all purposes hereof unless and until such Person complies with Section 13.3.1. in the case of an assignment thereof or, in the case of any other transfer, a written notice of the transfer is filed with the Agent. Any assignee or transferee of the rights to any Outstanding Credit Exposure or any Note agrees by acceptance of such transfer or assignment to be bound by all the terms and provisions of the Loan Documents. Any request, authority or consent of any Person, who at the time of making such request or giving such authority or consent is the owner of the rights to any Outstanding Credit Exposure (whether or not a Note has been issued in evidence thereof), shall

be conclusive and binding on any subsequent holder, transferee or assignee of the rights to such Outstanding Credit Exposure.

13.2 Participations.

13.2.1. Permitted Participants; Effect. Any Bank may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more banks or other entities ("Participants") participating interests in any Outstanding Credit Exposure owing to such Bank, any Note held by such Bank, any Commitment of such Bank or any other interest of such Bank under the Loan Documents. In the event of any such sale by a Bank of participating interests to a Participant, such Bank's obligations under the Loan Documents shall remain unchanged, such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, such Bank shall remain the owner of its Outstanding Credit Exposure and the holder of any Note issued to it in evidence thereof for all purposes under the Loan Documents, all amounts payable by the Company under this Agreement shall be determined as if such Bank had not sold such participating interests, and the Company and the Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under the Loan Documents.

13.2.2. Voting Rights. Each Bank shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Credit Extension or Commitment in which such Participant has an interest which forgives principal, interest or fees or reduces the interest rate or fees payable with respect to any such Credit Extension or Commitment, extends the Facility Termination Date, postpones any date fixed for any regularly-scheduled payment of principal of, or interest or fees on, any such Credit Extension or Commitment, releases any guarantor of any such Credit Extension or releases all or substantially all of the collateral, if any, securing any such Credit Extension.

13.2.3. Benefit of Setoff. The Company agrees that each Participant shall be deemed to have the right of setoff provided in Section 11.1 in respect of its participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Bank under the Loan Documents, provided that each Bank shall retain the right of setoff provided in Section 11.1 with respect to the amount of participating interests sold to each Participant. The Banks agree to share with each Participant, and each Participant, by exercising the right of setoff provided in Section 11.1, agrees to share with each Bank, any amount received pursuant to the exercise of its right of setoff, such amounts to be shared in accordance with Section 11.2 as if each Participant were a Bank.

13.3 Assignments.

13.3.1. Permitted Assignments. Any Bank may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other entities ("Purchasers") all or any part of its rights and obligations under the Loan

Documents pursuant to an Assignment Agreement substantially in the form of Exhibit D or in such other form as may be agreed to by the parties thereto (an "Assignment Agreement"). The consent of the Company and the Agent shall be required prior to an Assignment Agreement becoming effective with respect to a Purchaser which is not a Bank or an Affiliate thereof or an Approved Fund; provided, however, that if a Default has occurred and is continuing, the consent of the Company shall not be required. Such consent shall not be unreasonably withheld or delayed. Each such assignment pursuant to an Assignment Agreement (other than an assignment to a Purchaser that is a Bank or an Affiliate of a Bank or an Approved Fund) shall (unless each of the Company and the Agent otherwise consents) be in an amount not less than the lesser of (i) $1,000,000 or (ii) the remaining amount of the assigning Bank's Commitment (calculated as at the date of such assignment).

13.3.2. Effect; Effective Date. Upon (i) delivery to the Agent of an Assignment Agreement, together with any consents required by Section 13.3.1, and (ii) payment of a $4,000 fee to the Agent for processing such Assignment Agreement, such Assignment Agreement shall become effective on the effective date specified therein. The Assignment Agreement shall contain a representation by the Purchaser to the effect that none of the consideration used to make the purchase of the Commitment and Outstanding Credit Exposure under the applicable Assignment Agreement are "plan assets" as defined under ERISA and that the rights and interests of the Purchaser in and under the Loan Documents will not be "plan assets" under ERISA. On and after the effective date of such Assignment Agreement, such Purchaser shall for all purposes be a Bank party to this Agreement and any other Loan Document executed by or on behalf of the Banks and shall have all the rights and obligations of a Bank under the Loan Documents, to the same extent as if it were an original party hereto, and no further consent or action by the Company, the Banks or the Agent shall be required to release the transferor Bank with respect to the percentage of the Aggregate Commitment and Outstanding Credit Exposure assigned to such Purchaser. In the case of an assignment covering all of the assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a Bank hereunder but shall continue to be entitled to the benefits of, and subject to, those provisions of this Agreement and the other Loan Documents which survive payment of the Obligations and termination of the applicable agreement. Any assignment or transfer by a Bank of rights or obligations under this Agreement that does not comply with this Section 13.3 shall be treated for purposes of this Agreement as a sale by such Bank of a participation in such rights and obligations in accordance with Section 13.2. Upon the consummation of any assignment to a Purchaser pursuant to this Section 9.1(f), the transferor Bank, the Agent and the Company shall, if the transferor Bank or the Purchaser desires that its Outstanding Credit Exposure be evidenced by Notes, make appropriate arrangements so that new Notes or, as appropriate, replacement Notes are issued to such transferor Bank and new Notes or, as appropriate, replacement Notes, are issued to such Purchaser, in each case in principal amounts reflecting their respective Commitments, as adjusted pursuant to such assignment.

13.3.3 Register. The Agent, acting solely for this purpose as an agent of the Company, shall maintain at one of its offices in Chicago, Illinois a copy of each Assignment Agreement delivered to it and a register for the recordation of the names and

addresses of the Banks, and the Commitments of, and principal amounts of the Loans and other Credit Extensions owing to, such Bank pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Company, the Agent and the Banks may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Bank hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Company and any Bank, at any reasonable time and from time to time upon reasonable prior notice.

13.4 Dissemination of Information. The Company authorizes each Bank to disclose to any Participant or Purchaser or any other Person acquiring an interest in the Loan Documents by operation of law (each a "Transferee") and any prospective Transferee any and all information in such Bank's possession concerning the creditworthiness of the Company and its Subsidiaries, including without limitation any information contained in any Reports.

13.5 Tax Treatment. If any interest in any Loan Document is transferred to any Transferee which is organized under the laws of any jurisdiction other than the United States or any State thereof, the transferor Bank shall cause such Transferee, concurrently with the effectiveness of such transfer, to comply with the provisions of Section 3.4(iv).

ARTICLE XIV: COUNTERPARTS

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement shall be effective when it has been executed by the Company, the Agent, the LC Issuer and the Banks and each party has notified the Agent by telex or telephone, that it has taken such action.

ARTICLE XV: CHOICE OF LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL

15.1 CHOICE OF LAW. THE LOAN DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW PROVISION) SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (INCLUDING, WITHOUT LIMITATION, 735 ILCS SECTION 105/5-1 ET SEQ, BUT OTHERWISE WITHOUT REGARD TO THE LAW OF CONFLICTS) OF THE STATE OF ILLINOIS, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

15.2 CONSENT TO JURISDICTION. THE COMPANY HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR ILLINOIS STATE COURT SITTING IN CHICAGO, ILLINOIS IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENTS AND THE COMPANY HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF

ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE AGENT, THE LC ISSUER OR ANY BANK TO BRING PROCEEDINGS AGAINST THE COMPANY IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY THE COMPANY AGAINST THE AGENT, THE LC ISSUER OR ANY BANK OR ANY AFFILIATE OF THE AGENT, THE LC ISSUER OR ANY BANK INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT SHALL BE BROUGHT ONLY IN A COURT IN CHICAGO, ILLINOIS.

15.3 WAIVER OF JURY TRIAL. THE COMPANY, THE AGENT, THE LC ISSUER AND EACH BANK HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the Company, the Banks, the LC Issuer and the Agent have executed this Agreement as of the date first above written.

STEPAN COMPANY

By:

Name: James E. Hurlbutt
Title: Vice President and Corporate Controller

Edens and Winnetka Road
Northfield, Illinois 60093
Attention: Treasury Department
Facsimile No.: (847) 446-2843
Confirmation No: (847) 501-2164
E-Mail Address: jhurlbutt@stepan.com

BANK ONE, NA (MAIN OFFICE-CHICAGO),
as Agent, as LC Issuer and as a Bank

By:

Name: Diane Faunda
Title: Director, Capital Markets

Bank One Plaza
Chicago, Illinois 60670
Attention: Diane M. Faunda,
Director, Capital Markets
Facsimile No.: (312) 732-5161
Confirmation No: (312) 732-1612
E-Mail Address: diane_m_faunda@bankone.com

HARRIS TRUST AND SAVINGS BANK, as a Bank

By:

Name: Mark W. Piekos
Title: Vice President

111 West Monroe Street
Chicago, Illinois 60690
Attention: Mark W. Piekos (111/10W)
Facsimile No.: (312) 293-4856
Confirmation No: (312) 461-2246
E-Mail Address: mark.piekos@harrisbank.com

BANK OF AMERICA, N.A., as a Bank

By:

Name:
Title:

231 South LaSalle Street
Chicago, Illinois 60697
Attention: Chris Buckner
Facsimile No.: (312) 974-2109
Confirmation No: (312)828-2732
E-Mail Address: chris.buckner@bankofamerica.com

PRICING SCHEDULE

APPLICABLE MARGIN	LEVEL I STATUS	LEVEL II STATUS	LEVEL III STATUS	LEVEL IV STATUS
Eurodollar Rate	0.625%	0.750%	1.000%	1.375%
Alternate Base Rate	0.000%	0.000%	0.000%	0.125%

APPLICABLE FEE RATE	LEVEL I STATUS	LEVEL II STATUS	LEVEL III STATUS	LEVEL IV STATUS
Commitment Fee	0.125%	0.150%	0.200%	0.250%

For the purposes of this Schedule, the following terms have the following meanings, subject to the final paragraph of this Schedule:

"Financials" means the annual or quarterly financial statements of the Company delivered pursuant to Section 6.1(a) or (b).

"Level I Status" exists at any date if, as of the last day of the fiscal quarter of the Company referred to in the most recent Financials, the ratio of Consolidated Funded Indebtedness to Consolidated Capitalization is less than 0.35 to 1.00.

"Level II Status" exists at any date if, as of the last day of the fiscal quarter of the Company referred to in the most recent Financials, (i) the Company has not qualified for Level I Status and (ii) the ratio of Consolidated Funded Indebtedness to Consolidated Capitalization is less than or equal to 0.45 to 1.00.

"Level III Status" exists at any date if, as of the last day of the fiscal quarter of the Company referred to in the most recent Financials, (i) the Company has not qualified for Level I Status or Level II Status and (ii) the ratio of Consolidated Funded Indebtedness to Consolidated Capitalization is less than or equal to 0.50 to 1.00.

"Level IV Status" exists at any date if the Company has not qualified for Level I Status, Level II Status or Level III Status.

"Status" means either Level I Status, Level II Status, Level III Status or Level IV Status.

The Applicable Margin and Applicable Fee Rate shall be determined in accordance with the foregoing table based on the Company's Status as reflected in the then most recent Financials. Adjustments, if any, to the Applicable Margin or Applicable Fee Rate shall be effective five Business Days after the Agent has received the applicable Financials. If the

Company fails to deliver the Financials to the Agent at the time required pursuant to Section 6.1, then the Applicable Margin and Applicable Fee Rate shall be the highest Applicable Margin and Applicable Fee Rate set forth in the foregoing table until five days after such Financials are so delivered.

COMMITMENT SCHEDULE

BANK	COMMITMENT
Bank One, NA	$ 25,000,000
Harris Trust & Saving Bank	$ 20,000,000
Bank of America, N.A.	$ 15,000,000
AGGREGATE COMMITMENT	$ 60,000,000

EXHIBIT A-1

RATABLE NOTE

$____________ [_________], 2002

On the Facility Termination Date, Stepan Company, a Delaware corporation (the "Company"), promises to pay to the order of (the "Bank") the lesser of the principal sum of ___________________________ Dollars or the aggregate unpaid principal amount of all Ratable Loans made by the Bank to the Company pursuant to Article II of the Revolving Credit Agreement (the "Agreement") hereinafter referred to, in immediately available funds at the main office of Bank One, NA in Chicago, Illinois, as Agent, together with interest on the unpaid principal amount hereof at the rates and on the dates set forth in the Agreement.

The Bank shall, and is hereby authorized to, record on the schedule attached hereto, or to otherwise record in accordance with its usual practice, the date and amount of each Ratable Loan and the date and amount of each principal payment hereunder.

This Ratable Note is one of the Notes issued pursuant to, and is entitled to the benefits of, the Revolving Credit Agreement, dated as of May 3, 2002 among the Company, Bank One, NA, individually and as Agent, and the banks named therein, to which Agreement, as it may be amended from time to time, reference is hereby made for a statement of the terms and conditions under which this Ratable Note may be prepaid or its maturity date accelerated. Capitalized terms used herein and not otherwise defined herein are used with the meanings attributed to them in the Agreement.

STEPAN COMPANY

By:

Title:

SCHEDULE OF LOANS AND PAYMENTS OF PRINCIPAL
TO
RATABLE NOTE OF STEPAN COMPANY,
DATED [_________], 2002

Date	Principal Amount of Loan	Maturity of Interest Period	Principal Amount Paid	Unpaid Balance

EXHIBIT A-2

COMPETITIVE BID NOTE

[Date]

Stepan Company, a Delaware corporation (the "Company"), promises to pay to the order of ____________________________________ (the "Bank") the aggregate unpaid principal amount of all Competitive Bid Loans made by the Bank to the Company pursuant to Section 2.19 of the Agreement (as hereinafter defined), in immediately available funds at the main office of Bank One, NA in Chicago, Illinois, as Agent, together with interest on the unpaid principal amount hereof at the rates and on the dates set forth in the Agreement. The Company shall pay the principal of and accrued and unpaid interest on each Competitive Bid Loan on the last day of the Interest Period applicable thereto.

The Bank shall, and is hereby authorized to, record on the schedule attached hereto, or to otherwise record in accordance with its usual practice, the date and amount of each Competitive Bid Loan and the date and amount of each principal payment hereunder.

This Competitive Bid Note is one of the Notes issued pursuant to, and is entitled to the benefits of, the Revolving Credit Agreement, dated as of May 3, 2002 among the Company, Bank One, NA, individually and as Agent, and the banks named therein, to which Agreement, as it may be amended from time to time, to which Agreement reference is hereby made for a statement of the terms and conditions governing this Competitive Bid Note, including the terms and conditions under which this Competitive Bid Note may be prepaid or its maturity date accelerated. Capitalized terms used herein and not otherwise defined herein are used with the meanings attributed to them in the Agreement.

STEPAN COMPANY

By:

Title:

SCHEDULE OF LOANS AND PAYMENTS OF PRINCIPAL
TO
COMPETITIVE BID NOTE OF STEPAN COMPANY,
DATED [_________], 2002

Date	Principal Amount of Loan	Maturity of Interest Period	Principal Amount Paid	Unpaid Balance

Sidley Austin Brown & Wood

EXHIBIT B

May 3, 2002

The Banks who are parties to the
Credit Agreement described below.

Gentlemen/Ladies:

I am counsel for Stepan Company (the "Company") and have represented the Company in connection with its execution and delivery of an Revolving Credit Agreement among the Company, Bank One, NA, individually, as LC Issuer and as Agent, and the Banks named therein, providing for Credit Extensions in the original aggregate principal amount up to $60,000,000 and dated as of May 3, 2002 (the "Agreement"). All capitalized terms used in this opinion shall have the meanings attributed to them in the Agreement.

I have examined the Company's articles of incorporation, by-laws, resolutions, the Loan Documents and such other matters of fact and law which we deem necessary in order to render this opinion. Based upon the foregoing, it is my opinion that:

l. Each of the Company and each Subsidiary is a corporation, partnership or limited liability company duly incorporated or organized, as the case may be, validly existing and (to the extent such concept applies to such entity) in good standing under the laws of its jurisdiction of incorporation or organization and has all requisite authority to conduct its business in each jurisdiction in which its business is conducted.

2. The execution and delivery of the Loan Documents by the Company and the performance by the Company of the Obligations have been duly authorized by all necessary corporate action and proceedings on the part of the Company and will not:

(a) require any consent of the Company's shareholders;

(b) violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Company or any Subsidiary or the Company's or any Subsidiary's articles of incorporation or by-laws or any indenture, instrument or agreement binding upon the Company or any Subsidiary; or

(c) result in, or require, the creation or imposition of any Lien pursuant to the provisions of any indenture, instrument or agreement binding upon the Company or any Subsidiary.

3. The Loan Documents have been duly executed and delivered by the Company and constitute legal, valid and binding obligations of the Company enforceable against the Company in accordance with their terms except to the extent the enforcement thereof may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights

generally and subject also to the availability of equitable remedies if equitable remedies are sought.

4. Except as disclosed in the Company's financial statements referred to in Section 5.4 of the Credit Agreement, there is no litigation or proceeding against the Company or any Subsidiary which, if adversely determined, would materially adversely affect the business or condition of the Company or any Subsidiary.

5. No approval, authorization, consent, adjudication or order of any governmental authority, which has not been obtained by the Company or any Subsidiary, is required to be obtained by the Company or any Subsidiary in connection with the execution and delivery of the Loan Documents, the borrowings under the Agreement or in connection with the payment by the Company of the Obligations.

This opinion may be relied upon by the Agent, the LC Issuer the Banks and their participants, assignees and other transferees.

Very truly yours,

Name:

Vice President, Secretary and General Counsel

EXHIBIT C

COMPLIANCE CERTIFICATE

To: The Banks parties to the
Credit Agreement Described Below

This Compliance Certificate is furnished pursuant to that certain Revolving Credit Agreement dated as of May 3, 2002, among the Company, the banks party thereto and Bank One, NA as Agent for the Banks (the "Agreement"). Unless otherwise defined herein, capitalized terms used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected [Vice President - Finance and Administration][Vice President and Corporate Controller] of the Company;

2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Company and its Subsidiaries during the accounting period covered by the attached financial statements;

3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes a Default or Unmatured Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below; and

4. Schedule I attached hereto sets forth financial data and computations evidencing the Company's compliance with certain covenants of the Agreement, all of which data and computations are true, complete and correct.

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Company has taken, is taking, or proposes to take with respect to each such condition or event:

- ---
- ---
- ---

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this ____ day of __________, 20_____.

Name:---------------------
Title:

[SAMPLE]

SCHEDULE I TO COMPLIANCE REPORT

Calculation Test

1. Interest Coverage Ratio

a.	Consolidated Earnings Before Interest and Taxes for quarter ended __________ plus preceding three quarters		_________	
b.	Consolidated Interest Expense for quarter ended _________ plus preceding three quarters		_________	
		a : b		___to 1.0 [2.0 to 1.0]

2. Dividend Limitation

a.	Restricted Payments since December 3 1, 2001		_________	
b.	$30,000,000 + Consolidated Net Income- Consolidated Net Loss since December 3 1, 2001		_________	
		a + b	_________	

3. Funded Indebtedness Limitation

a.	Consolidated Funded Indebtedness		_________	
b.	Guaranties		_________	
c.	Unfunded Liabilities		_________	
d.	Consolidated Capitalization		_________	
		a+b+c ----- d		___ to 1.0 [.55 to 1.0]

4. Sale of Assets

a.	Assets sold since December 31, 2001	________	$50,000,000
b.	Assets sold during FY ______, 20__	____	15%
c.	Consolidated Tangible Assets	_________	
		b : c	_______

EXHIBIT D

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [Insert name of Assignor] (the "Assignor") and [Insert name of Assignee] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Agent as contemplated below, the interest in and to all of the Assignor's rights and obligations in its capacity as a Bank under the Credit Agreement and any other documents or instruments delivered pursuant thereto that represents the amount and percentage interest identified below of all of the Assignor's outstanding rights and obligations under the respective facilities identified below (including without limitation any letters of credit, guaranties and swingline loans included in such facilities and, to the extent permitted to be assigned under applicable law, all claims (including without limitation contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity), suits, causes of action and any other right of the Assignor against any Person whether known or unknown arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby) (the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1 Assignor: --

2. Assignee: --[and is an Affiliate/Approved Fund of [identify Bank]/1/]

3. Borrower: STEPAN COMPANY

4. Agent: Bank One, NA, as the agent under the Credit Agreement.

5. Credit Agreement: The Revolving Credit Agreement dated as of May 3, 2002 among Stepan Company, the Banks party thereto, Bank One, NA, as Agent, and the other agents party thereto.

6. Assigned Interest:

Facility Assigned	Aggregate Amount of Commitment/ Outstanding Credit Exposure for all Banks*	Amount of Commitment/ Outstanding Credit Exposure Assigned*	Percentage Assigned of Commitment/ Outstanding Credit Exposure/2/
____________/3/	$	$	_______%
____________	$	$	-------%
____________	$	$	-------%

7. Trade Date: ____ /4/

Effective Date: ____________________, 20__ TO BE INSERTED BY AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER BY THE AGENT.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By: ------------------------------------
Title:

ASSIGNEE
[NAME OF ASSIGNEE]

By: ------------------------------------
Title:

[Consented to and]/5/ Accepted:

BANK ONE, NA, as Agent

By: ------------------------------
Title:

[Consented to:]6

*Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.
/2/ Set forth,to at least 9 decimals, as a percentage of the Commitment/Loans of all Banks thereunder.
/3/ Fill in the appropriate terminology for the types of facilities under the Credit Agreement that are being assigned under this Assignment (e.g. "Revolving Credit Commitment," "Term Loan Commitment,", etc.)

/4/ Insert if satisfaction of minimum amounts is to be determined as of the Trade Date.
/5/ To be added only if the consent of the Agent is required by the terms of the Credit Agreement.
/6/ To be added only if the consent of the Company and/or other parties (e.g. Swing Line Lender, L/C Issuer) is required by the terms of the Credit Agreement.

[NAME OF RELEVANT PARTY]

By:

Title:

ANNEX 1
TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby. Neither the Assignor nor any of its officers, directors, employees, agents or attorneys shall be responsible for (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency, perfection, priority, collectibility, or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Company, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document, (iv) the performance or observance by the Company, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document, (v) inspecting any of the property, books or records of the Company, or any guarantor, or (vi) any mistake, error of judgment, or action taken or omitted to be taken in connection with the Loans or the Loan Documents.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Bank under the Credit Agreement, (ii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Bank thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Bank thereunder, (iii) agrees that its payment instructions and notice instructions are as set forth in Schedule 1 to this Assignment and Assumption, (iv) confirms that none of the funds, monies, assets or other consideration being used to make the purchase and assumption hereunder are "plan assets" as defined under ERISA and that its rights, benefits and interests in and under the Loan Documents will not be "plan assets" under ERISA, (v) agrees to indemnify and hold the Assignor harmless against all losses, costs and expenses (including, without limitation, reasonable attorneys' fees) and liabilities incurred by the Assignor in connection with or arising in any manner from the Assignee's non-performance of the obligations assumed under this Assignment and Assumption, (vi) it has received a copy of the Credit Agreement, together with copies of financial statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Agent or any other Bank, and (vii) attached as Schedule 1 to this Assignment and Assumption is any documentation required to be delivered by the Assignee with respect to its tax status pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee and (b) agrees that (i) it will, independently and without reliance on the Agent, the Assignor or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and

(ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Bank.

2. Payments. The Assignee shall pay the Assignor, on the Effective Date, the amount agreed to by the Assignor and the Assignee. From and after the Effective Date, the Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, Reimbursement Obligations, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of Illinois.

ADMINISTRATIVE QUESTIONNAIRE

(Schedule to be supplied by Closing Unit or Trading Documentation Unit)

(For Forms for Primary Syndication call Peterine Svoboda at 312-732-8844)
(For Forms after Primary Syndication call Jim Bartz at 312-732-1242)

US AND NON-US TAX INFORMATION REPORTING REQUIREMENTS

(Schedule to be supplied by Closing Unit or Trading Documentation Unit)

(For Forms for Primary Syndication call Peterine Svoboda at 312-732-8844)
(For Forms after Primary Syndication call Jim Bartz at 312-732-1242)

EXHIBIT E

COMPETITIVE BID QUOTE REQUEST
(Section 2.19(B))

__________, ______

To: Bank One, NA,
as agent (the "Agent")

From: Stepan Company (the "Company")

Re: Revolving Credit Agreement dated as of May 3, 2002 (as amended, supplemented or otherwise modified from time to time through the date hereof, the "Agreement") among the Company, the lenders from time to time party thereto and Bank One, NA, as Agent

1. Capitalized terms used herein have the meanings assigned to them in the Agreement.

2. We hereby give notice pursuant to Section 2.19(B) of the Agreement that we request Competitive Bid Quotes for the following proposed Competitive Bid Advance(s):

Borrowing Date: _________, ____

Principal Amount/1/	Interest Period/2/
$-------------	-------------

3. Such Competitive Bid Quotes should offer [a Competitive Bid Margin] [an Absolute Rate].

4. Upon acceptance by the undersigned of any or all of the Competitive Bid Advances offered by Banks in response to this request, the undersigned shall be deemed to affirm as of the Borrowing Date thereof the representations and warranties made in Article V of the Agreement.

STEPAN COMPANY

By: ------------------------------

Title: ----------------------------

- ----------

/1/ Amount must be at least $500,000 and an integral multiple of $100,000.

/2/ One, two, three or six months (Eurodollar Auction) or at least 1 and up to 30 days (Absolute Rate Auction), subject to the provisions of the definitions of Eurodollar Interest Period and Absolute Rate Interest Period.

EXHIBIT F

INVITATION FOR COMPETITIVE BID QUOTES
(Section 2.19(C))

__________, ______

To: Each of the Banks party to the Agreement
referred to below

Re: Invitation for Competitive Bid Quotes to
Stepan Company (the "Company")

Pursuant to Section 2.19(C) of the Revolving Credit Agreement dated as of May 3, 2002 (as amended, supplemented or otherwise modified from time to time through the date hereof, the "Agreement") among the Company, the lenders from time to time party thereto and Bank One, NA, as Agent, we are pleased on behalf of the Company to invite you to submit Competitive Bid Quotes to the Company for the following proposed Competitive Bid Advance(s):

Borrowing Date: _________, ____

Principal Amount	Interest Period
$-------------	---------------

Such Competitive Bid Quotes should offer [a Competitive Bid Margin] [an Absolute Rate]. Your Competitive Bid Quote must comply with Section 2.19(D) of the Agreement and the foregoing. Capitalized terms used herein have the meanings assigned to them in the Agreement.

Please respond to this invitation by no later than 10:30 a.m. (Chicago time) on _________, ____.

BANK ONE, NA, as Agent

By: --------------------------------------

Title: ----------------------------------

EXHIBIT G

COMPETITIVE BID QUOTE
(Section 2.19(D))

To: Bank One, NA,
as Agent

Re: Competitive Bid Quote to Stepan Company (the "Company")

In response to your invitation on behalf of the Company dated _________, ____, we hereby make the following Competitive Bid Quote pursuant to Section 2.19(D) of the Agreement hereinafter referred to and on the following terms:

1. Quoting Bank: ________________

2. Person to contact at Quoting Bank: ________________

3. Borrowing Date: _______________3

4. We hereby offer to make Competitive Bid Loan(s) in the following principal amounts, for the following Interest Periods and at the following rates:

Principal Amount/4/	Interest Period/5/	[Competitive Bid Margin/6/]	[Absolute Rate /7/]	Minimum/Maximum Amount /8/
$________	_________	______________	__________	_______________

We understand and agree that the offer(s) set forth above, subject to the satisfaction of the applicable conditions set forth in the Revolving Credit Agreement dated as of May 3, 2002 (as amended, supplemented or otherwise modified from time to time through the date hereof, the "Agreement") among the Company, the lenders from time to time party thereto and Bank One,

- ----------

/3/ As set forth in the Invitation for Competitive Bid Quotes.

/4/ Principal amount bid for each Interest Period may not exceed the principal amount requested. Bids must be made for at least $500,000 and an integral multiple of $1,000,000.

/5/ One, two, three or six months or at least 1 and up to 30 days, as specified in the related Invitation For Competitive Bid Quotes.

/6/ Competitive Bid Margin over or under the Eurodollar Base Rate determined for the applicable Interest Period. Specify percentage (rounded to the nearest 1/1000 of 1%) and specify whether "PLUS" or "MINUS".

/7/ Specify rate of interest per annum (rounded to the nearest 1/1000 of 1%).

/8/ Specify minimum or maximum amount, if any, which the Company may accept (see Section 2.19(D)(ii)(d)).

NA, as Agent,irrevocably obligates us to make the Competitive Bid Loan(s) for which any offer(s) are accepted, in whole or in part. Capitalized terms used herein and not otherwise defined herein shall have their meanings as defined in the Agreement.

Very truly yours,

[NAME OF BANK]

By:

Title:

SCHEDULE "1"

SUBSIDIARIES AND OTHER INVESTMENTS
(See Sections 5.8 and 6.16)

Investment In	Owned By	Amount of Investment	Percent Ownership	Restricted or Unrestricted	Jurisdiction of Organization
Stepan Europe S.A.	Company	$ 26,762,000	100%	Unrestricted	France
Stepan Canada, Inc.	Company	$ 880,000	100%	Unrestricted	Canada
Stepan Mexico, S.A. de C.V.	Company	$ 5,754,000	100%	Unrestricted	Mexico
Stepan Quimica Ltda.	Company	$ 221,000	100%	Unrestricted	Brazil
Stepan Colombiana de Quimicos	Company	$ 4,311,000	100%	Unrestricted	Colombia
Stepan UK Limited	Stepan Europe S.A.	N/A	100%	Unrestricted	England and Wales
Stepan Deutschland GmbH	Stepan Europe S.A.	N/A	100%	Unrestricted	Germany
Stepan Philippines	Company	$ 8,814,000	50%	Unrestricted	Philippines

SCHEDULE "2"

INDEBTEDNESS AND LIENS
(See Sections 6.12, 6.15 and 6.18)

Indebtedness Incurred By	Indebtedness Owed To	Property Encumbered (If Any)	Maturity and Amount of Indebtedness

NONE

SCHEDULE "3"

LONG TERM DEBT
(See Section 6.1(h))

9.7% Promissory Note (1991)

7.22% Promissory Notes, Series A and B

7.69% Promissory Notes, Series A

7.77% Promissory Notes, Series B

6.59% Promissory Notes