

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTION 13 OR
15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark one)

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

FOR THE FISCAL YEAR ENDED AUGUST 31, 1998

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 0-21308

JABIL CIRCUIT, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

38-1886260
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

10800 ROOSEVELT BLVD., ST. PETERSBURG, FLORIDA 33716
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

Registrant's telephone number, including area code: (727) 577-9749

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

Title of each class	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

The aggregate market value of the voting common stock held by non-affiliates of the Registrant (based on the closing sale price of the Common Stock as reported on the New York Stock Exchange on November 3, 1998) was approximately \$1,078 million. For purposes of this determination, shares of Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. The number of outstanding shares of the Registrant's Common Stock as of the close of business on November 3, 1998, was 37,293,825. The Company does not have any non-voting stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant's definitive Proxy Statement for the 1998 Annual Meeting of Stockholders to be held on January 28, 1999 is incorporated by reference in Part III of this Annual Report on Form 10-K to the extent stated herein.

PART I

ITEM 1. BUSINESS

This Business discussion contains certain forward-looking statements within the meaning of that term in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Factors that could cause actual events or results to differ materially from those referenced in such forward-looking statement include those described in the section herein entitled "Factors Affecting Future Results" and in the Company's other filings with the Securities and Exchange Commission. The words "believe," "estimate," "expect," "intend," "anticipate," "plan" and similar expressions and variations thereof identify certain of such forward-looking statements, which speak only as of the dates on which they are made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual events and results may differ materially from those indicated in the forward-looking statements as a result of various factors. Readers are cautioned not to place undue reliance on any forward-looking statements.

THE COMPANY

Jabil Circuit, Inc. ("Jabil" or the "Company") is an independent supplier of custom manufacturing services for circuit board assemblies, subsystems and systems to major original equipment manufacturers ("OEMs") in the communications, personal computer, peripherals, consumer and automotive industries. Jabil's business strategy is to create and support long-term manufacturing partnerships with leading electronics companies in growth industries. The Company executes this strategy by offering its customers a complete turnkey solution, including circuit and production design; component selection, sourcing and procurement; automated assembly; design and implementation of product test; and shipment to end-users. Jabil's turnkey approach enables customers to transfer virtually all internal manufacturing responsibilities to the Company. Management believes the Company is a leader in offering expanded turnkey services such as circuit and production design and in the early implementation of new manufacturing technologies.

The Company's manufacturing services combine a high volume, highly automated manufacturing approach with advanced design and manufacturing technologies. Jabil is organized in resource and product line-dedicated business units that the Company refers to as "work cells." Management believes this work cell structure promotes a high level of responsiveness to customers and facilitates highly responsive global, multi-location production that is adaptive to changing customer needs.

The Company currently conducts operations in Scotland, Malaysia, Mexico, Italy and in four regions of the United States. The Company believes that localized global production is an important factor in mitigating risks of inventory obsolescence for global customer products and reducing logistic costs such as freight and duty.

The Company was incorporated in Delaware on February 21, 1992 to succeed to the business of a Michigan Corporation named "Jabil Circuit Co., Inc." that was incorporated in 1969. Unless the context otherwise requires, the "Company" and "Jabil" refer to Jabil Circuit, Inc., a Delaware corporation, its predecessor and its subsidiaries. The Company's executive offices are located at 10800 Roosevelt Boulevard, St. Petersburg, Florida 33716, and its telephone number is (727) 577-9749. The Company's internet address is www.jabil.com.

INDUSTRY OVERVIEW

The contract manufacturing industry has seen rapid growth over the

past several years as an increasing number of electronics companies have chosen or adopted an external manufacturing strategy. This growth has also been impacted by OEMs divesting of internal manufacturing capacity. Other factors driving OEMs to favor contract manufacturing outsourcing include:

Reducing product cost. Contract manufacturers have the ability to manufacture products at a reduced total cost to OEMs. These cost advantages result from higher utilization of capacity because of diversified product demand and, typically, a higher sensitivity to elements of cost.

Accelerating product time-to-market. Contract manufacturers have the ability to deliver accelerated production start-ups and high efficiencies in transferring new products into production. In addition, contract manufacturers have the ability to rapidly scale production for changing markets and to position themselves in global locations that serve the leading world markets. With increasingly shorter product life cycles, these key services allow new products to be sold in the marketplace in an accelerated time frame.

Access to advanced technologies. Customers of contract manufacturers have access to advanced technologies in manufacturing processes, as well as circuit and production design. Circuit and production design services offer customers significant improvements in the performance, cost and manufacturability of products.

Improving inventory management and purchasing power. Contract manufacturers have the ability to manage both procurement and inventory, and have demonstrated proficiency in purchasing components at improved pricing due to the scale of the operations and continuous interaction with the material marketplace.

Reducing capital investment in manufacturing. OEMs are increasingly electing to lower their investment in inventory, buildings and machinery used in manufacturing and choosing instead to allocate capital to other activities such as marketing and research and development. This shift in capital deployment has placed a greater emphasis on utilizing external manufacturing specialists.

STRATEGY

The Company's objective is to expand its position as a global provider of electronic manufacturing services. Key elements in meeting this objective include:

Long-term Relationships. The core strategy of the Company is to establish itself with leading electronics companies in expanding industries that have the critical mass and growth goals to take advantage of highly automated, continuous flow manufacturing, and global manufacturing when advantageous. Since Jabil derives most of its growth in revenue from its existing customer base, the Company strives to maintain long-term, mutually beneficial relationships with its customers. Jabil offers customers a complete turnkey solution, including circuit and production design; component selection, sourcing and procurement; automated assembly; design and implementation of product test; system assembly, order configuration and distribution to end users. Jabil's turnkey approach enables a customer to transfer virtually all internal manufacturing and distribution responsibilities to the Company.

Work Cell Structure. Jabil is organized in a decentralized, functionally-matrixed organization. In this structure each customer's line of business is produced with a high level of autonomy, utilizing dedicated production equipment, production workers, supervisors, buyers, planners and engineers. Jabil

refers to these decentralized business-units as "work cells." Each Business Unit Manager, who is the direct interface with the customer, manages their own customer work cell. Management believes the work cell structure promotes an increased responsiveness to customer needs, particularly as that relationship grows to multiple production locations.

Systems Assembly and Order Fulfillment. Management believes systems assembly and order fulfillment are services that can reduce product cost and risk of product obsolescence by reducing total work in process and finished goods inventory. The Company offers systems assembly at multiple locations as well as direct order fulfillment (direct shipment to the end customer) services.

Parallel Global Production. The Company believes its customers need to produce the same products simultaneously in different markets of the world. Jabil believes that parallel global production is a key strategy to reduce obsolescence risk, secure the lowest landed cost and simultaneously supply products of equivalent or comparable quality throughout the world. In order to accommodate this need, the Company has significantly added to its manufacturing space in Scotland, Malaysia and the United States. In addition, Jabil has increased manufacturing resources in North America and Europe by establishing a Guadalajara, Mexico plant and a Bergamo, Italy plant. The plant in Italy was a result of the August 1998 acquisition of certain manufacturing and related assets comprising the "Formatter Manufacturing Organization" business unit of Hewlett-Packard Company ("HP Acquisition").

MANUFACTURING SERVICES

THE JABIL APPROACH TO MANUFACTURING

In order to achieve high levels of manufacturing performance, the Company has adopted the following approach:

Work Cells. The Company organizes manufacturing activities on the basis of work cells operating under the leadership of Business Unit Managers. Each work cell has dedicated production lines consisting of equipment, production workers, supervisors and engineers. A work cell is typically dedicated to the needs of a single customer line-of-business and is empowered to formulate strategies tailored to its customer's needs. The work cell approach enables the Company to grow incrementally without disrupting the production of other work cells and without significantly adding to management bureaucracy. As a result, work cell members have direct responsibility for manufacturing results and time-to-volume production, promoting a sense of individual commitment and ownership.

Business Unit Managers. A Jabil Business Unit Manager coordinates all financial, manufacturing and engineering commitments for each customer relationship. Managers have the authority to develop customer relationships; make design strategy decisions and production commitments; establish pricing and implement production and circuit design changes. Business Unit Managers are also responsible for assisting customers with strategic planning for future products, including developing cost and technology goals. These managers operate autonomously, with responsibility for the development of customer relationships and direct profit and loss accountability for work cell performance.

Continuous Flow. The Company uses a highly automated, "continuous flow" approach where different pieces of equipment are joined directly or by conveyor to create an in-line assembly process. (This process is in contrast to a "batch" approach, where individual pieces of assembly equipment are operated as freestanding work-centers.) Continuous flow manufacturing provides significant cost reduction and quality improvement when applied to volume manufacturing. The elimination of queue times

prior to sequential operations result in increased manufacturing velocity, which improves production efficiencies and shortens quality feedback loops.

Computer Integration. The Company supports all aspects of its manufacturing activities with computerized control and monitoring systems. Component inspection and vendor qualities are monitored electronically. Materials planning, purchasing, stockroom and shop floor control systems are supported through a computerized Manufacturing Resources Planning ("MRP") system, providing instantaneous visibility to material availability and

real-time tracking of work in process. Manufacturing processes are supported by a real-time, computerized statistical process control ("SPC") system. In-circuit test, functional test and final burn-in are all monitored and analyzed using other proprietary systems. Production design centers located in each domestic facility are supported by advanced CAD/CAE systems. These CAD/CAE systems support automated test design and using Jabil's proprietary computer-integrated manufacturing software, manufacturing equipment programming. Many of the Company's computer systems are networked, allowing a sharing of data and programs. For example, employees in Florida can instantaneously access data relating to Jabil's operations in other locations. More importantly, the Company's customers can remotely access the Company's computer systems to monitor real-time yields, inventory positions, work-in-process status and vendor quality data for their products. See "Technology."

The Company also utilizes an electronic commerce system/electronic data interchange ("EDI") with customers and suppliers to implement a variety of supply chain management programs. The Company's customers utilize the EDI supply chain management to share demand and product forecasts and deliver purchase orders. The Company uses the EDI system with suppliers for just-in-time delivery, supplier-managed inventory and consigned supplier-managed inventory.

The Company is in the process of installing a new enterprise resource planning system ("ERP System") that will replace the current Manufacturing Resource Planning ("MRP") system and financial information systems. This system is believed to be "Year 2000 Compliant". The Company is also identifying and implementing changes to its other information systems in order to make them compliant. While the Company currently expects that the Year 2000 will not pose significant operational problems, delays in the implementation of new information systems, or a failure to fully identify all Year 2000 dependencies in the Company's systems could result in material adverse consequences, including disruption of operations, loss of information and unanticipated increases in costs. See "Year 2000" Readiness.

DESIGN ACTIVITIES

Circuit Design. The Company provides circuit design activities for certain of its customers. Circuit design involves the creation of electronic circuit architecture, which ordinarily includes application specific integrated circuit ("ASIC") design or selection and implementation, circuit function and speed analysis, schematic development, net list generation and firmware development. The Company's circuit design activities have resulted in designs for video set-top boxes, personal computers, notebook computers, consumer appliance controls, workstation I/O (input/output) cards, cellular telephone accessories, and electronic products for use in automotive applications. The resulting products are usually offered to customers on an exclusive basis in exchange for a customer's commitment to use Jabil to manufacture the product. The goals of the Company's circuit design activities are to create a more stable stream of volume turnkey manufacturing and an elevated level of strategic partnering with principal customers. The Company has testing and validation capability to accelerate the time to market of products designed internally and externally.

Production Design. The Company engages in significant production design activities. Production design is the process of designing the circuit board using CAD and CAE tools, concurrently with component package selection and the development of the bill of materials, approved vendors list, assembly

equipment configuration and processes, solder processes, in-circuit test and functional test, test fixture design, "burn-in" and reliability monitoring plan. The production design process improves manufacturability and generally eliminates conflicts between disciplines while the product is still in the design phase. Overall board costs are considered in connection with assembly costs, materials costs and availability, process yield considerations and targeted sources for board production. In this way, total costs can be minimized prior to production launch. Management believes the Company's production design process reduces product cost and accelerates time-to-volume production. The process generally includes computer simulation and optimization

of electrical signal speed and circuit timing, simulation of thermal characteristics and minimization of radio frequency interference ("RFI") emissions. This computer simulation activity greatly reduces the risks of subsequent engineering revisions and enhances attainment of time-to-volume production goals.

Industrial/Mechanical Design. The Company offers Industrial and Mechanical Design to its customers. Plastic and metal enclosures designed to house printed circuit assemblies are the typical output of this activity. When coupled with circuit and production design, this service provides complete turnkey product support for OEMs. Industrial and Mechanical Design includes conceptual design, industrial design, mechanical design, supplier selection, prototype parts using stereolithography ("SLA") or metal fabrication, tooling management, compliance certification management and volume assembly management, all tightly integrated with the Jabil production work cell.

Other Design Services. The Company procures additional mechanical and other design services from external engineering firms in response to the needs of its customers. The Company's engineering staff coordinates the efforts of these external engineering firms to ensure integration of the external portions of the design with the overall production and product design to achieve optimal product manufacturability and efficiency.

SYSTEM ASSEMBLY AND TEST

The Company offers system assembly and test services to its customers. The Company maintains significant system assembly capacity and has seen this portion of the business grow as an extension of the assembly of circuit boards. This process involves the assembly of higher level sub-systems and systems incorporating printed circuit boards. In some cases, the final product is shipped directly to the end-user.

TECHNOLOGY

The Company believes that its experience and expertise in advanced manufacturing technologies and its investment in state-of-the-art manufacturing equipment are a significant competitive advantage, enabling Jabil to provide customers with reliable and high-quality leading edge products and processes. Among the technologies in which the Company has invested are:

Surface Mount Technology. Surface mount technology ("SMT") is a method of assembling printed circuit boards on which components are fixed directly to the surface of the board instead of being inserted and soldered into plated holes in the board (the latter method being commonly known as "pin through hole" or "PTH"). SMT offers the advantages of miniaturization and significant cost reductions. The higher density also allows shorter signal lengths, with resulting increases in signal speed potential and thermal performance. SMT packages are generally more resistant to vibration and often broadcast lower levels of electrical emissions which cause radio frequency interference.

Tape Automated Bonding. Tape automated bonding ("TAB") technology is a complementary process to SMT and involves the use of semiconductors that are attached to a gold or tin-plated copper lead frame using a complex bumping and thermocompression mass bonding method. The result is a component that can be directly mounted on the surface of the circuit board and that can be electrically tested prior to

assembly onto the substrate. TAB is well suited for applications involving high manufacturing volumes, high lead counts, component pre-testing and high electrical speeds.

Ball Grid Array. Ball grid array ("BGA") utilizes an array of solder bumps across the underside of the package versus fine-pitch leads that are exposed around the component perimeter. The BGA package design is more durable than fine-leaded quad flat package ("QFP") components and has proven to be manufacturable with higher yields.

Chip Scale Packages, Micro-Surface Mount Technology, Micro-Ball Grid Array ("Chip Scale Packages", "Micro-SMT" and "Micro-BGA"). Chip Scale

Packages, Micro-SMT and Micro-BGA packages are a selection of the recently emerging miniature package styles. These reduced size packages are a further reduction of the smaller footprint created by BGA and approach the density of Flip Chip. These packages are fully SMT compatible, can be economically tested prior to assembly, and are well-suited for small form factor, high density, SMT circuitry typical of portable products.

Flip Chip / Direct Chip Attach. Flip chip or direct chip attach technology is the assembly technology that, in the opinion of the Company, provides users with the smallest size, high performance package that is commercially practical. Jabil is developing technology that makes flip chip attach compatible with standard surface mount processes. The silicon die is attached directly to the substrate by means of miniature solder bumps. The Company's research activities in this area are subsidized in part by a government-sponsored Low Cost Flip Chip Program composed of process-specific industry participants.

Thin Substrate Processes. Thin substrate processes involve the use of specialized placement, rigidization and soldering techniques to achieve the automated assembly and soldering of multilayer substrates having a thickness of less than .020 of an inch. These substrates are commonly used in the design of thin products, such as PCMCIA (Person Computer Memory Card International Association) cards and cellular telephones. The lack of stiffness typical in these substrates makes assembly with conventional processing techniques difficult and expensive. The Company has a patent application pending covering processes associated with these applications. See "Proprietary Rights."

Reflow Solder of Mixed Technology Circuit Boards. Reflow soldering of PTH devices utilizing SMT soldering processes (sometimes referred to as "Mixed Technology Reflow" or "Reflow/reflow") involves the placement of PTH devices through solder paste, with subsequent reflow using SMT processes to form solder joints. Mixed Technology Reflow eliminates design miniaturization constraints required by conventional wave solder processes used for PTH devices, allows surface-mounted devices to be soldered using the higher yielding reflow processes, and reduces processing costs. Mixed Technology Reflow requires significant product-specific materials engineering, design of the substrate for the process and specialized reflow soldering techniques.

Application Specific Robotic Assembly. Application specific robotic assembly ("Robotics") involves the use of computer-controlled robotic arms with custom-designed transfer mechanisms, feeders, sensors and grippers to perform assembly functions ordinarily performed manually. Although intensive in capital and engineering, the use of Robotics to replace manual operations promotes higher yields, relieves assemblers from repetitive motion injuries and offers significant cost reduction for long-lived products.

Computer Integrated Manufacturing. Computer integrated manufacturing ("CIM") involves the direct link of CAD data to computer-controlled assembly and test equipment used to produce the product. By directly linking CAD data files to production machines, waste generated in adjusting processes is reduced, higher levels of mechanical precision are attained in placement and test fixturing programs, and generally, cost is lowered with improved time-to-volume production.

CUSTOMERS AND MARKETING

The Company's revenue was distributed over the following significant industry segments:

SIGNIFICANT INDUSTRY SEGMENTS

	YEAR ENDED AUGUST 31		
	1996	1997	1998
	----	----	----
Communications.....	30%	51%	52%

Personal Computers.....	36%	21%	16%
Computer Peripherals.....	25%	16%	19%
Automotive and other.....	9%	12%	13%

A small number of customers have historically comprised a major portion of the Company's net revenue. The table below sets forth the respective portion of net revenue for the applicable period attributable to customers who accounted for more than 10% of net revenue in any respective period:

PERCENTAGE OF NET REVENUE

	YEAR ENDED AUGUST 31		
	1996	1997	1998
	----	----	----
Hewlett-Packard Company.....	20%	15%	10%
NEC Technologies, Inc.....	15%	*	*
Quantum Corporation.....	23%	10%	*
3Com.....	11%	21%	18%
Cisco Systems Inc.	10%	20%	20%

* less than 10% of net revenues

In fiscal 1996, 1997 and 1998, fewer than 20 customers accounted for substantially all the Company's net revenue. The Company expects to continue to depend upon a relatively small number of customers for a significant percentage of its net revenue. Significant reductions or delays in sales to any of the Company's large customers would have a material adverse effect on the Company's results of operations. In the past, some of the Company's customers have terminated their manufacturing arrangement with the Company, and other customers have significantly reduced or delayed the volume of manufacturing services ordered from the Company. There can be no assurance that present or future customers will not terminate their manufacturing arrangements with the Company or significantly change, reduce or delay the amount of manufacturing services ordered from the Company or that the Company will not terminate arrangements with customers. Any such termination of a manufacturing relationship by the Company or its customers or change, reduction or delay in orders could have a material adverse effect on the Company's results of operations. See Note 7 of Notes to Consolidated Financial Statements.

The Company has pursued diversification of its customer base and sought multiple customers in the markets it serves. The Company's principal sources of new business are the expansion of existing relationships, referrals and direct sales through its Business Unit Managers and executive staff. The Company does not rely on sales or manufacturers' representatives. Business Unit Managers, supported by the executive staff, identify and attempt to develop relationships with potential customers who meet a certain profile. This profile includes financial stability, need for technology-driven turnkey manufacturing, anticipated unit volume and long-term relationship stability. Unlike traditional sales managers, Business Unit Managers are responsible for ongoing management of production for their customers.

The Company is dependent upon the continued growth, viability and financial stability of its customers, which are in turn substantially dependent on the growth of the communications, personal computer, peripherals, consumer and automotive industries. These industries have been characterized by rapid technological change, short product life cycles and pricing and margin pressures. In addition, many of the Company's customers in these industries are affected by general economic conditions. The factors affecting the communications, personal computer, peripherals, consumer and automotive industries in general, and/or the Company's customers in particular, could have a material adverse effect on the Company's results of operations. In addition, the Company generates significant accounts receivable in connection with providing manufacturing services to its customers. If one or more of the

Company's customers were to become insolvent or otherwise were unable to pay for the manufacturing services provided by the Company, the Company's operating results and financial condition would be adversely affected.

INTERNATIONAL EXPANSION

A key element in the Company's strategy is to provide localized production of the global products produced for OEMs in the major consuming regions of the European Community and Asia. In order to offer this localized production, in fiscal 1993 the Company established a manufacturing facility in Livingston, Scotland, which began volume production in May 1993. The Scotland facility targets existing European customers, those North American customers having significant sales in the European Community and potential European customers who meet the profile discussed above. Additionally, the Company began volume production in October 1995, in Penang, Malaysia. This location enables the Company to provide manufacturing services to the Asian market from an Asian location in order to reduce costs, freight and duties, to provide a more competitive cost structure for these markets and to serve as a low cost manufacturing source for new and existing customers. In order to increase capacity both in Europe and in the Asian market, the Company completed an expansion of both locations in the early portion of fiscal 1998. See Note 3 of Notes to Consolidated Financial Statements.

As an addition to the North American market, the Company completed construction of a manufacturing facility in Guadalajara, Mexico early in fiscal 1998 and began volume production in November 1997. This operation will allow for continued expansion in North America, while providing a competitive cost structure and close proximity to the United States market.

In August 1998, the Company acquired manufacturing operations in Bergamo, Italy as part of the HP Acquisition.

The Company's international operations may be subject to a number of other risks, including fluctuations in the value of currencies, export duties, import controls and trade barriers (including quotas), restrictions on the transfer of funds, employee turnover, work stoppages, longer payment cycles, greater difficulty in accounts receivable collection, and burdens of complying with a wide variety of foreign laws. In addition, net-operating losses incurred by foreign operations cannot be utilized by the Company to reduce United States income taxes.

COMPETITION

Competition in the contract manufacturing industry is intense. The Company competes against numerous domestic and foreign manufacturers, including SCI Systems, Inc., Solectron Corporation, Celestica, Inc., and Flextronics International. In addition, the Company may in the future encounter competition from other large electronic manufacturers that are selling, or may begin to sell, contract manufacturing services. Several of the Company's competitors have international operations and some have substantially greater manufacturing, financial, research and development and marketing resources than the Company. The Company also faces competition from the manufacturing operations of its current

and potential customers, who are continually evaluating the merits of manufacturing products internally versus the merits of external manufacturing.

The Company believes that the primary basis of competition in its targeted markets are capability, price, manufacturing quality, advanced manufacturing technology, design expertise, time-to-volume production, reliable delivery and regionally dispersed manufacturing. Management believes the Company competes favorably with respect to these factors. To remain competitive, the Company must continue to provide technologically advanced manufacturing services, maintain quality levels, offer flexible delivery schedules, deliver finished products on a reliable basis and compete favorably on the basis of price. There can be no assurance that the Company will be able to compete favorably with respect to these factors in the future.

BACKLOG

The Company's order backlog at August 31, 1998 was approximately \$456 million, compared to backlog of \$450 million at August 31, 1997. Although the backlog consists of firm purchase orders, the level of backlog at any particular time is not necessarily indicative of future sales. Given the nature of the Company's relationships with its customers, it frequently allows customers to cancel or reschedule deliveries hence backlog is not a meaningful indicator of future financial results. Although the Company may seek to negotiate fees to cover the costs of such cancellations or rescheduling, it may not be successful in doing so.

The level and timing of orders placed by a customer of the Company varies due to the customer's attempts to balance its inventory, design changes, changes in the customer's manufacturing strategy, acquisitions of or consolidations among customers and variation in demand for the customer's products due to, among other things, product life cycles, competitive conditions or general economic conditions. The Company's inability to forecast the level of customer orders with certainty makes it difficult to schedule production and maximize utilization of manufacturing capacity. In the past, the Company has been required to increase staffing and other expenses in order to meet the anticipated demand of its customers. Anticipated orders from the Company's customers have, in the past, failed to materialize in certain instances or delivery schedules have been deferred as a result of changes in the customer's business needs, thereby adversely affecting the Company's results of operations. On other occasions, customers have required rapid increases in production, which have placed an excessive burden on the Company's resources. Such customer order fluctuations and deferrals have had a material adverse effect on the Company's results of operations in the past, and there can be no assurance that the Company will not experience such effects in the future.

RESEARCH AND DEVELOPMENT

To meet the increasingly sophisticated needs of its customers, Jabil continually works to develop and refine new manufacturing processes, enhance production design and develop new circuit designs. For fiscal 1996, 1997 and 1998, the Company expended \$2.1 million, \$3.1 million, and \$3.8 million, respectively, on research and development activities. To date, substantially all of the Company's research and development expenditures have related to internal research and development activities.

In conjunction with the HP acquisition, the Company recorded a charge of \$6.5 million related to the write-off of in-process research and development. See Note 10 of Notes to Consolidated Financial Statements.

MANUFACTURING PROCESSES

The Company conducts research and development in connection with the development and refinement of new manufacturing processes that the Company believes have near-term commercial potential. This research and development activity, which is accounted for as a research and development expense, is performed primarily at Jabil's advanced engineering facility in San Jose, California. Other manufacturing process developments and refinements are made in connection with providing manufacturing services for particular customers and related expenses are charged to cost of revenue.

PRODUCTION DESIGN

The Company performs research and development for its customers in connection with providing production design. This ongoing research and development is associated with providing manufacturing services to these customers and is charged to cost of revenue.

CIRCUIT DESIGN

From time to time, the Company performs research and development related to new products on a project-by-project basis. The research and development consists of design of the circuit board assembly and the related production design necessary to manufacture the circuit board assembly in the

most cost-effective and reliable manner. The Company expenses these costs to research and development expense.

The market for the Company's manufacturing services is characterized by rapidly changing technology and continuing process development. The Company is continually evaluating the advantages and feasibility of new manufacturing processes, such as TAB, chip on board and thin substrate processes. The Company believes that its future success will depend upon its ability to develop and market manufacturing services that meet changing customer needs, maintain technological leadership and successfully anticipate or respond to technological changes in manufacturing processes on a cost-effective and timely basis. There can be no assurance that the Company's process development efforts will be successful.

COMPONENTS

The Company procures components from a broad group of suppliers, determined on an assembly-by-assembly basis. Almost all the products manufactured by Jabil require one or more components that are ordered from only one source, and most assemblies require components that are available from only a single source. Some of these components are allocated in response to supply shortages. The Company attempts to ensure continuity of supply of these components. In cases where unanticipated customer demand or supply shortages occur, the Company attempts to arrange for alternative sources of supply, where available, or defers planned production to meet the anticipated availability of the critical component. In some cases, supply shortages will substantially curtail production of all assemblies using a particular component. In addition, at various times there have been industry-wide shortages of certain electronic components, particularly memory and logic devices. There can be no assurance that such shortfalls will not have a material adverse effect on the Company's results of operations in the future.

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PROPRIETARY RIGHTS

The Company regards its manufacturing processes and circuit designs as proprietary trade secrets and confidential information. Jabil relies largely upon a combination of trade secret laws; non-disclosure agreements with its customers, employees, and suppliers; its internal security systems; confidentiality procedures and employee confidentiality agreements to maintain the trade secrecy of its circuit designs and manufacturing processes. Although the Company takes steps to protect its trade secrets, there can be no assurance that misappropriation will not occur.

The Company currently has six patents and one patent application pending. However, Jabil believes that the rapid pace of technological change makes patent protection less significant than such factors as the knowledge and experience of management and personnel and the Company's ability to develop, enhance and market manufacturing services.

The Company licenses some technology from third parties that it uses in providing manufacturing services to its customers. The Company believes that such licenses are generally available on commercial terms from a number of licensors. Generally, the agreements governing such technology grant to Jabil non-exclusive, worldwide licenses with respect to the subject technology and terminate upon a material breach by the Company.

Although the Company does not believe that its circuit designs or manufacturing processes infringe on the proprietary rights of third parties, there can be no assurance that if third parties assert valid infringement claims against the Company with respect to past, current or future designs or processes, the Company will not be required to enter into an expensive royalty arrangement, develop non-infringing designs or processes, or engage in costly litigation.

EMPLOYEES

As of August 31, 1998, the Company had 5,311 full-time employees. This compares to 3,661 full-time employees at August 31, 1997. Approximately six hundred employees joined the company as a result of the HP acquisition in

August 1998.

Recruitment of personnel in the contract manufacturing industry is highly competitive. The Company believes that its future success will depend, in part, on its ability to continue to attract and retain highly skilled technical and management personnel. The Company does not have employment agreements or noncompetition agreements with its key employees. Although to date the Company has been successful in retaining key managerial and technical employees, the loss of services of certain of these key employees could have a material adverse effect on the Company.

GEOGRAPHIC INFORMATION

The information regarding revenue, operating profit, identifiable assets and export sales set forth in Note 7 of Notes to Consolidated Financial Statements, set forth elsewhere herein, is hereby incorporated by reference into this Part I, Item 1.

ENVIRONMENTAL

The Company is subject to a variety of federal, state, local and foreign environmental regulations relating to the use, storage, discharge and disposal of hazardous chemicals used during its manufacturing process. Although the Company believes that it is currently in substantial compliance with all material environmental regulations, any failure by the Company to comply with present and future regulations could subject it to future liabilities or the suspension of production. In addition, such regulations could

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restrict the Company's ability to expand its facilities or could require the Company to acquire costly equipment or to incur other significant expense to comply with environmental regulations.

ITEM 2. PROPERTIES

The Company has manufacturing facilities located in the United States, Scotland, Malaysia, Mexico and Italy.

A summary of building locations is as follows:

CURRENT FACILITIES

Location -----	Year Commenced -----	Owned/Leased -----	Approximate Square Footage -----	Description -----
St. Petersburg, Florida	1988	Owned	110,000	High volume mfg., Corporate office
St. Petersburg, Florida	1997	Owned	125,000	High volume mfg.
St. Petersburg, Florida	1997	Leased	91,000	Systems assembly
St. Petersburg, Florida	1997	Leased	27,000	Operations
St. Petersburg, Florida	1998	Leased	27,000	Office
Auburn Hills, Michigan	1997	Leased	54,000	High volume mfg.
Auburn Hills, Michigan	1993	Owned	125,000	High volume mfg.
Auburn Hills, Michigan	1993	Leased	30,000	Warehouse
San Jose, California	1998	Leased	181,000	Design/prototype mfg./ volume mfg.
Boise, Idaho	1998	Leased	129,000	High volume mfg.
Penang, Malaysia	1997	Owned	150,000	High volume mfg.
Guadalajara, Mexico	1997	Owned	150,000	High volume mfg.
Livingston, Scotland	1997	Owned	130,000	High volume mfg.
Bergamo, Italy	1998	Leased	102,000	High volume mfg.

LEASED FACILITY TO BE REPLACED BY CURRENT FACILITY

ITEM 3. LEGAL PROCEEDINGS

The Company is party to certain lawsuits in the ordinary course of business. Management does not believe that these proceedings individually or in the aggregate, will have a material adverse effect on the Company's financial position, results of operations and cash flows.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's stockholders during the fourth quarter covered by this report.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

As of May 5, 1998 the Common Stock of the Company trades publicly on The New York Stock Exchange under the symbol JBL. Prior to May 5, 1998, the Company's Common Stock was traded on the Nasdaq National Market under the symbol JBIL. The following table sets forth, for the periods indicated, the high and low closing sales prices per share for the Company's Common Stock as reported by the New York Stock Market and the Nasdaq National Market, as applicable.

	HIGH	LOW
	----	---
YEAR ENDED AUGUST 31, 1997		
First Quarter (September 1, 1996 November 30, 1996)	\$13.63	\$ 5.75
Second Quarter (December 1, 1996 February 28, 1997)	\$24.69	\$12.63
Third Quarter (March 1, 1997--May 31, 1997)	\$32.63	\$16.50
Fourth Quarter (June 1, 1997--August 31, 1997)	\$60.00	\$27.50
YEAR ENDED AUGUST 31, 1998		
First Quarter (September 1, 1997 November 30, 1997)	\$71.50	\$38.44
Second Quarter (December 1, 1997 February 28, 1998)	\$53.81	\$32.50
Third Quarter (March 1, 1998--May 31, 1998)	\$50.56	\$30.31
Fourth Quarter (June 1, 1998--August 31, 1998)	\$37.63	\$23.50

As of August 31, 1998, there were approximately 1,327 holders of record.

The Company has never paid cash dividends on its capital stock and does not anticipate paying cash dividends in the foreseeable future.

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ITEM 6. SELECTED FINANCIAL DATA

The information set forth below is not necessarily indicative of the results of future operations and should be read in conjunction with the

consolidated financial statements and notes thereto incorporated into Item 8 of this report.

	YEARS ENDED AUGUST 31,				
	1994	1995	1996	1997	1998
	(IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS)				
CONSOLIDATED STATEMENT OF OPERATIONS DATA:					
Net revenue.....	\$375,815	\$559,474	\$863,285	\$978,102	\$1,277,374
Cost of revenue.....	351,608	523,338	790,311	857,245	1,115,647
Gross profit.....	24,207	36,136	72,974	120,857	161,727
Selling, general and administrative.....	14,038	17,898	25,456	35,886	52,014
Research and development.....	1,768	1,819	2,112	3,117	3,784
Acquisition related charge.....	--	--	--	--	20,825
Operating income.....	8,401	16,419	45,406	81,854	85,104
Interest expense, net.....	3,470	6,347		1,612	3,124
Income before income taxes.....	4,931	10,072	38,073	80,242	81,980
Income taxes.....	2,363	2,792	13,724	27,745	25,047
Net income.....	\$ 2,568	\$ 7,280	\$ 24,349	\$ 52,497	\$ 56,933
Basic earnings per share.....	\$ 0.09	\$ 0.25	\$ 0.71	\$ 1.45	\$ 1.53
Diluted earnings per share.....	\$ 0.08	\$ 0.23	\$ 0.67	\$ 1.37	\$ 1.48
Common shares used in the calculations of basic earnings per share.....	28,312	29,178	34,458	36,299	37,125
Common and common equivalent shares used in the calculations of diluted earnings per share.....	30,894	31,100	36,334	38,340	38,575

	YEARS ENDED AUGUST 31,				
	1994	1995	1996	1997	1998
	(IN THOUSANDS)				
CONSOLIDATED BALANCE SHEET DATA:					
Working capital	\$ 27,639	\$ 33,333	\$ 115,758	\$ 97,349	\$ 103,660
Total assets	174,318	280,961	299,940	405,903	526,703
Current installments of long-term obligations	48,562	81,130	2,451	2,475	8,333
Notes payable and long-term obligations, excluding current installments.....	18,215	27,932	58,371	50,000	81,667
Net stockholders' equity.....	\$ 51,231	\$ 59,595	\$ 124,234	\$181,485	248,366

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain forward-looking statements within the meaning of that term in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Factors that could cause actual events or results to differ materially from those referenced in such forward-looking statements include those described in the section herein entitled "Factors Affecting Future Results" and in the Company's other filings with the Securities and Exchange Commission. The words "believe," "expect," "intend," "anticipate," "plan" and similar expressions and variations thereof identify certain of such forward-looking statements, which speak only as of the dates on which they are made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual events and results may differ materially from those indicated in the forward-looking statements as a result of various factors. Readers are cautioned not to place undue reliance on any forward-looking statements.

The Company provides high volume turnkey manufacturing services using surface mount technology for leading electronics OEMs in the communications, personal computer, peripherals, consumer and automotive industries. In turnkey

manufacturing, unlike manufacturing on consignment, the Company is responsible for procuring the components utilized in the manufacturing process. The component procurement responsibility requires the Company to provide significant working capital, materials management, purchasing, receiving inspection and stockroom management. This approach transfers the economic risks of materials cost fluctuations, excess scrap and inventory obsolescence to the Company. The Company believes that turnkey manufacturing generates higher net revenue than consignment manufacturing due to the generation of revenue from materials as well as labor and manufacturing overhead, but also results in lower gross margins than consignment manufacturing because the Company generally realizes lower gross margins on materials-based revenue than on manufacturing-based revenue.

The Company's annual and quarterly operating results are affected by a number of factors. The primary factors affecting operating results are the level and timing of customer orders, fluctuations in materials costs and the mix of materials costs versus labor and manufacturing overhead costs. The level and timing of orders placed by a customer vary due to the customer's attempts to balance its inventory, design changes, changes in a customer's manufacturing strategy, acquisitions of or consolidations among customers, and variation in demand for a customer's products due to, among other things, product life cycles, competitive conditions and general economic conditions. In the past, changes in orders from customers have had a significant effect on results of operations due to corresponding changes in the level of overhead absorption. Other factors affecting the Company's annual and quarterly operating results include price competition, the Company's level of experience in manufacturing a particular product, the degree of automation used in the assembly process, the efficiencies achieved by the Company in managing inventories and fixed assets, the timing of expenditures in anticipation of increased sales, customer product delivery requirements and shortages of components or labor.

The level of capacity utilization of manufacturing facilities, indirect labor and selling, general and administrative expenses also affect operating results. Accordingly, gross margins and operating income

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margins have generally improved during periods of high volume and high capacity utilization. During periods of lower-volume production, Jabil generally has idle capacity and reduced operating margins.

The Company has continued to depend upon a relatively small number of customers for a significant percentage of its net revenue. Significant reductions in sales to any of the Company's large customers would have a material adverse effect on the Company's results of operations. In the past, some of the Company's customers have terminated their manufacturing arrangement with the Company, and other customers have significantly reduced or delayed the volume of manufacturing services ordered from the Company. There can be no assurance that present or future customers will not terminate their manufacturing arrangements with the Company or significantly change, reduce or delay the amount of manufacturing services ordered from the Company. Any such termination of a manufacturing relationship or change, reduction or delay in orders could have an adverse effect on the Company's results of operations or financial condition. See Note 7 of Notes to Consolidated Financial Statements.

ACQUISITION

On August 3, 1998, the Company acquired certain manufacturing and related assets comprising the "Formatter Manufacturing Organization" business unit of Hewlett-Packard located in Boise, Idaho and Bergamo, Italy. The acquisition was made pursuant to an agreement dated as of August 3, 1998 between the registrant and Hewlett-Packard and an agreement dated as of August 3, 1998 between Jabil Circuit S.r.l. (a subsidiary of the registrant) and Hewlett-Packard Italiana S.p.A. The Company will lease from Hewlett-Packard the physical facilities that the acquired assets are currently operating from pending the Company's construction of new facilities. Approximately \$76 million of consideration was given by the registrant for the acquired assets, consisting of approximately \$65 million of cash and the assumption of approximately \$11 million of trade payables and personnel related liabilities relating to the acquired assets. The final purchase price was subject to a post-closing adjustment as provided for in the acquisition agreements. This

post-closing adjustment resulted in an approximately \$4 million in additional net assets acquired. The acquired assets were used by the Seller to manufacture printed circuit-board assemblies for the LaserJet printer divisions of Hewlett-Packard and shall continue to be used by the Company to manufacture printed circuit-board assemblies for the LaserJet printer division of Hewlett-Packard.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain operating data as a percentage of net revenue:

	YEARS ENDED AUGUST 31,		
	1996	1997	1998
Net revenue.....	100.0%	100.0%	100.0%
Cost of revenue.....	91.5	87.6	87.3
Gross margin.....	8.5	12.4	12.7
Selling, general and administrative.....	2.9	3.7	4.1
Research and development.....	0.3	0.3	0.3
Acquisition related charge.....	--	--	1.6
Operating income.....	5.3	8.4	6.7
Interest expense, net.....	0.9	0.2	0.2
Income before income taxes.....	4.4	8.2	6.5
Income taxes.....	1.6	2.8	2.0
Net income.....	2.8%	5.4%	4.5%

NET REVENUE

Net revenue increased 13.3% over fiscal 1996 to \$978.1 million in fiscal 1997. The increase was due primarily to manufacturing services provided to both new and existing customers, offset by the end of production of certain hard drive products. Net revenue increased 30.6% over fiscal 1997 to \$1.3 billion in fiscal 1998. The increase was primarily a result of manufacturing services growth provided to existing and new customers.

Foreign source revenue represented 31% of net revenue for fiscal 1996 and 30% of net revenue for fiscal 1997. Foreign source revenue in 1998 represented 31% of net revenue.

GROSS MARGIN

Cost of revenue includes the cost of materials and the cost of labor and manufacturing overhead, as well as provisions for excess and obsolete inventory adjustments. The Company's various customers typically require different manufacturing services. Different manufacturing services have different gross margins depending upon (i) the mix of materials costs versus manufacturing costs, and (ii) the Company's experience in manufacturing a particular product. The Company typically realizes better gross margins on manufacturing-based revenue than it does on materials-based revenue, and better gross margins on manufacturing services for products with which it has more experience due to the increased efficiencies achieved over time. Gross margins also fluctuate due to changes in materials costs.

Gross margin increased from 8.5% in fiscal 1996 to 12.4% in fiscal 1997 to 12.7% in fiscal 1998 due to a shift toward manufacturing-based revenues and increased capacity utilization. In fiscal 1997 and 1998 the portion of manufacturing based revenue was significantly higher than in fiscal 1996. Manufacturing based revenue was the largest impact on the gross margin percentage.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses increased from \$25.5 million (2.9% of net revenue) in fiscal 1996 to \$35.9 million (3.7% of net revenue) in fiscal 1997. This increase was primarily due to increased staffing and related departmental expenses at all the Company's locations along with investments in information systems staff to support the expansion of the Company's business. Selling, general and administrative expenses increased from \$35.9 million (3.7% of net revenue) in fiscal 1997 to \$52.0 million (4.1% of net revenue) in fiscal 1998. This increase was primarily due to continued increases in staffing and related departmental expenses, both at the Company's existing operations and new Mexican operations, along with investments in information systems staff to support the expansion of the Company's business in existing and new locations.

RESEARCH AND DEVELOPMENT

Research and development expenses in fiscal 1997 increased by approximately \$1.0 million over fiscal 1996. Research and development expenses in fiscal 1998 increased by \$0.7 million to \$3.8 million, reflecting an increase in design-based activity.

ACQUISITION RELATED CHARGE

During the fourth quarter of fiscal 1998, Jabil completed the HP acquisition and recorded a one-time acquisition-related charge of \$20.8 million. The charge relates primarily to write-offs of in-process research and development and work force related expenses. See Note 10 of Notes to Consolidated Financial Statements.

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INTEREST EXPENSE

Net interest expense decreased to \$1.6 million in fiscal 1997 from \$7.3 million in fiscal 1996 primarily reflecting significantly reduced short-term borrowings and increased income on cash balances. Interest expense increased to \$3.1 million in fiscal 1998 primarily reflecting interest expense on the Company's private placement debt offset, in part, by income on cash balances. See Notes 4 and 5 of Notes to Consolidated Financial Statements.

INCOME TAXES

The Company's effective tax rate decreased slightly from 36% in fiscal 1996 to 35% in fiscal 1997 primarily as a result of the granting of a tax holiday for the Company's Malaysian operations. In fiscal 1998, the effective tax rate decreased to 30.6%. The effective tax rate is predominantly a function of the mix of domestic versus international income from operations. The Company's international operations are being taxed at a lower rate than in the United States, primarily due to the tax holiday granted to the Company's Malaysian subsidiary. The Malaysian tax holiday is effective through October 30, 2000. See Note 5 of Notes to Consolidated Financial Statements.

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QUARTERLY RESULTS

The following table sets forth certain unaudited quarterly financial information for the 1997 and 1998 fiscal years. In the opinion of management, this information has been presented on the same basis as the audited consolidated financial statements appearing elsewhere, and all necessary adjustments (consisting of normal recurring adjustments and an acquisition related charge which is discussed in Note 10 in the Notes to Consolidated Financial Statements) have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the audited consolidated financial statements of the Company and related notes

thereto. The operating results for any quarter are not necessarily indicative of results for any future period.

	FISCAL 1997				FISCAL 1998			
	NOV. 30, 1996	FEB. 28, 1997	MAY 31, 1997	AUG. 31, 1997	NOV. 30, 1997	FEB. 28, 1998	MAY 31, 1998	AUG. 31, 1998
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)								
Net revenue	\$203,070	\$222,187	\$247,637	\$305,208	\$319,512	\$330,688	\$309,599	\$317,575
Cost of revenue	179,978	195,711	215,603	265,953	278,167	286,628	269,826	281,026
Gross profit	23,092	26,476	32,034	39,255	41,345	44,060	39,773	36,549
Selling, general and Administrative	7,727	7,918	9,252	10,989	11,077	12,858	12,941	15,138
Research and development	705	804	723	885	912	879	1,065	928
Acquisition related charge	--	--	--	--	--	--	--	20,825
Operating income (loss)	14,660	17,754	22,059	27,381	29,356	30,323	25,767	(342)
Interest expense, net	658	389	406	159	713	1,134	722	555
Income (loss) before income Taxes	14,002	17,365	21,653	27,222	28,643	29,189	25,045	(897)
Income tax expense (benefit)	5,174	6,306	7,081	9,184	9,572	9,050	7,764	(1,339)
Net income	\$ 8,828	\$ 11,059	\$ 14,572	\$ 18,038	\$ 19,071	\$ 20,139	\$ 17,281	\$ 442
Basic earnings per share	\$ 0.25	\$ 0.31	\$ 0.40	\$ 0.49	\$ 0.52	\$ 0.54	\$ 0.46	\$ 0.01
Diluted earnings per share	\$ 0.23	\$ 0.29	\$ 0.38	\$ 0.47	\$ 0.49	\$ 0.52	\$ 0.45	\$ 0.01
Common shares used in the calculations of basic earnings per share	35,669	36,181	36,503	36,844	37,019	37,080	37,167	37,233
Common and common equivalent shares used in the calculations of diluted earnings per share	37,884	38,326	38,392	38,760	38,675	38,564	38,615	38,447

LIQUIDITY AND CAPITAL RESOURCES

During the fiscal years ended August 31, 1996 and 1997, the Company primarily funded operations through borrowings under credit facilities with several banks, a public offering of Common Stock in fiscal 1996, and a private placement of debt in fiscal 1996. During the fiscal year ended August 31, 1998, the Company experienced growth in net revenue and in cash flows from operations. Cash and cash equivalents decreased from \$45.5 million at the 1997 fiscal year end to \$23.1 million at August 31, 1998 as a result of cash generated from operations offsetting cash used in the acquisition of property, plant and equipment, along with the HP acquisition.

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At August 31, 1998, the Company's principal sources of liquidity consisted of cash and available borrowings under the Company's credit facilities.

Net cash provided by operating activities for the year ended August 31, 1998 was \$98.4 million. This consisted primarily of \$56.9 million of net income, \$35.7 million of depreciation and amortization, \$10.6 million of decreases in inventory, \$3.7 million decreases in other assets and \$5.0 million increases in accounts payable and accrued expenses, offset by \$5.4 million of increases in deferred taxes and \$9.3 million in increases in accounts receivable.

Net cash used in investing activities of \$162.1 million for the year ended August 31, 1998 was primarily a result of the Company's capital expenditures for equipment and facilities in North America, Scotland, and Malaysia to support increased manufacturing activities. Additionally, the Company invested \$65.0 million in net assets acquired from Hewlett-Packard Company in the HP acquisition in August 1998.

Net cash provided by financing activities of \$41.3 million for the year ended August 31, 1998 resulted primarily from \$40.0 million in proceeds from the Company's revolving credit facility in August, 1998 to finance the HP acquisition. See Notes 4 and 6 of Notes to Consolidated Financial Statements.

The Company believes that current cash balances, available borrowings, and funds provided by operations will be sufficient to satisfy working capital requirements for at least the next 12 months.

"YEAR 2000" READINESS

The Company is aware of and is addressing the Year 2000 issue. The Year 2000 issue creates risks for the Company from unforeseen problems in its own computer systems and from third parties with whom the Company deals. Failure of the Company's and or/third parties computer systems, manufacturing equipment and control systems could have a material adverse effect on the Company's results from operations.

The Company is actively taking steps to ensure that its global information technology infrastructure and business system applications, manufacturing equipment and systems will be Year 2000 compliant while seeking adequate assurances from third parties with whom the Company conducts business with, that any such systems shall be Year 2000 compliant. A global team, overseen by a corporate officer, has been formed and has implemented a proactive multi-phase approach, which includes assessing the scope of work, prioritizing, certifying compliance, and testing compliance.

As of the end of fiscal 1998 the Company was substantially complete in its compliance certification process of its global information technology infrastructure. Most of the Company's global business systems are currently being replaced by a Year 2000 compliant application; this process is expected to be complete by January 1, 2000. As a contingency, however, legacy systems have been upgraded to be Year 2000 compliant and are in the process of being tested.

As of the end of fiscal 1998 manufacturing and test equipment and local plant business systems had been identified and prioritized in terms of Year 2000 compliance with focus now on compliance certification. It is anticipated that 85% of all equipment and systems will be certified as compliant by the end of calendar 1998, with the remaining 15% by the end of the first calendar quarter of 1999, at which time compliance testing and verification will commence.

The Company is also in the process of assessing its suppliers. The initial phase of the assessment is expected to be complete by the end of calendar 1998. Early in calendar 1999, the Company anticipates validating its suppliers' representations where deemed appropriate, and will develop sourcing contingency plans in areas where the Company assesses that supplier readiness is insufficient.

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The Company estimates the cost to complete its remediation to be approximately \$3 million. The Company is unable to fully determine the effect of failure of its own systems or those of third parties with which it does business, but any significant failures could have a material adverse effect on the Company's financial position, results of operations and cash flows.

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FACTORS AFFECTING FUTURE RESULTS

VARIABILITY OF OPERATING RESULTS

The Company's annual and quarterly operating results are affected by a number of factors. The primary factors affecting operating results are the level and timing of customer orders, fluctuations in materials costs and the mix of materials costs versus labor and manufacturing overhead costs. The level and timing of orders placed by customer vary due to the customer's attempts to balance its inventory, changes in a customer's manufacturing strategy and

variation in demand for a customer's products due to, among other things, product life cycles, competitive conditions and general economic conditions. In the past, changes in orders from customers have had a significant effect on results of operations due to corresponding changes in the level of overhead absorption. Other factors affecting the Company's annual and quarterly operating results include price competition, the Company's level of experience in manufacturing a particular product, the degree of automation used in the assembly process, the efficiencies achieved by the Company in managing inventories and fixed assets, the timing of expenditures in anticipation of increased sales, customer product delivery requirements and shortages of components or labor. Any one of these factors or a combination thereof could adversely affect the Company's annual and quarterly results of operations in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

DEPENDENCE ON A LIMITED NUMBER OF CUSTOMERS

For the fiscal year ended August 31, 1998, the Company's three largest customers accounted for approximately 48% of net revenue and fewer than 20 customers accounted for substantially all net revenue. Cisco Systems, Inc. ("Cisco"), 3Com Corporation ("3Com"), and Hewlett-Packard Company ("Hewlett-Packard"), accounted for approximately 20%, 18%, 10% of net revenue, respectively. The Company expects to continue to depend upon a relatively small number of customers for a significant percentage of its net revenue. Significant reductions in sales to any of the Company's large customers would have a material adverse effect on the Company's results of operations. In the past, some of the Company's customers have terminated their manufacturing arrangement with the Company, and other customers have significantly reduced or delayed the volume of manufacturing services ordered from the Company. There can be no assurance that present or future customers will not terminate their manufacturing arrangements with the Company or significantly change, reduce or delay the amount of manufacturing services ordered from the Company. Any such termination of a manufacturing relationship or change, reduction or delay in orders could have an adverse effect on the Company's results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business--Customers and Marketing."

LIMITED AVAILABILITY OF COMPONENTS

Substantially all the Company's net revenue is derived from turnkey manufacturing in which the Company provides both materials procurement and assembly. In turnkey manufacturing, the Company typically bears the risk of component price increases, which could adversely affect the Company's gross profit margins. Almost all the products manufactured by Jabil require one or more components that are available from only a single source. Some of these components are allocated in response to supply shortages. In some cases, supply shortages will substantially curtail production of all assemblies using a particular component. In addition, at various times there have been industry wide shortages of electronic components, particularly memory and logic devices. Such circumstances have produced significant levels of short-term interruption of the Company's operations in the past. There can be no assurance that such shortfalls will not have a material adverse effect on the Company's results of operations in the future. See

"Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business--Components."

DEPENDENCE ON CERTAIN INDUSTRIES

The Company is dependent upon the continued growth, viability and financial stability of its customers, which are in turn substantially dependent on the growth of the communications, personal computer, peripherals, consumer and automotive industries. These industries have been characterized by rapid technological change, short product life cycles and have pricing and margin pressures. In addition, many of the Company's customers in these industries are affected by general economic conditions. The factors affecting the communications, personal computer, peripherals, consumer and automotive industries in general, and/or the Company's customers in particular, could have a material adverse effect on the Company's results of operations. See

"Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business--Customers and Marketing."

VARIABILITY OF CUSTOMER REQUIREMENTS AND CUSTOMER FINANCING

The level and timing of sales to a customer of the Company varies due to the customer's attempts to balance its inventory, design changes, changes in the customer's manufacturing strategy, acquisitions of or consolidations among customers and variation in demand for its products due to, among other things, product life cycles, competitive conditions or general economic conditions. Due in part to these factors, most of the Company's customers do not commit to firm production schedules for more than one quarter in advance. The Company's inability to forecast the level of customer orders with certainty makes it difficult to schedule production and maximize utilization of manufacturing capacity. In the past, the Company has been required to increase staffing and other expenses in order to meet the anticipated demand of its customers. Anticipated orders from many of the Company's customers have, in the past, failed to materialize or delivery schedules have been deferred as a result of changes in the customer's business needs, thereby adversely affecting the Company's results of operations. On other occasions, customers have required rapid increases in production, which have placed an excessive burden on the Company's resources. Such customer order fluctuations and deferrals have had a material adverse effect on the Company's results of operations in the past, and there can be no assurance that the Company will not experience such effects in the future. In addition, the Company generates significant accounts receivables in connection with providing manufacturing services to its customers. If one or more of the Company's customers were to become insolvent or otherwise were unable to pay for the manufacturing services provided by the Company, the Company's operating results and financial condition would be adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business--Backlog."

MANAGEMENT OF GROWTH

The Company has experienced a period of rapid growth which has placed, and could continue to place, a significant strain on the Company's management, operational and financial resources. The Company's ability to manage growth effectively will require it to continue to implement and improve its operational, financial and management information systems; to develop the management skills of its managers and supervisors; and to train, motivate and manage its employees. The Company's failure to effectively manage growth could have a material adverse effect on the Company's results of operations.

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COMPETITION

Competition in the contract manufacturing industry is intense. The Company competes against numerous domestic and foreign manufacturers, including SCI Systems, Inc., Solectron Corporation, Celestica, Inc., and Flextronics International. In addition, the Company may in the future encounter competition from other large electronic manufacturers that are selling, or may begin to sell, contract manufacturing services. Most of the Company's competitors have international operations and some have substantially greater manufacturing, financial, research and development and marketing resources than the Company. The Company also faces competition from the manufacturing operations of its current and potential customers, which are continually evaluating the merits of manufacturing products internally versus the advantages of using external manufacturers. See "Business--Competition."

TECHNOLOGICAL CHANGE AND PROCESS DEVELOPMENT

The market for the Company's manufacturing services is characterized by rapidly changing technology and continuing process development. The Company is continually evaluating the advantages and feasibility of new manufacturing processes, such as Tape Automated Bonding, chip on board and thin substrate processes. The Company believes that its future success will depend upon its ability to develop and market manufacturing services which meet changing customer needs, maintain technological leadership and successfully anticipate or respond to technological changes in manufacturing processes on a cost-effective and timely basis. There can be no assurance that the Company's

process development efforts will be successful. See "Business--Technology" and "Research and Development."

DEPENDENCE ON KEY PERSONNEL

The Company's continued success depends to a large extent upon the efforts and abilities of key managerial and technical employees. Although to date the Company has been successful in retaining key managerial and technical employees, the loss of services of certain of these key employees could have a material adverse effect on the Company. The Company's business will also depend upon its ability to continue to attract and retain qualified employees. The Company does not have employment agreements or noncompetition agreements with its key employees.

ENVIRONMENTAL COMPLIANCE

The Company is subject to a variety of federal, state, local and foreign environmental regulations relating to the use, storage, discharge and disposal of hazardous chemicals used during its manufacturing process. Although the Company is currently in substantial compliance with all material environmental regulations, any failure by the Company to comply with present and future regulations could subject it to future liabilities or the suspension of production. In addition, such regulations could restrict the Company's ability to expand its facilities or could require the Company to acquire costly equipment or to incur other significant expense to comply with environmental regulations. See "Business--Environmental."

CONTROL BY EXISTING STOCKHOLDERS

Officers, directors, principal stockholders and their affiliates own approximately 43% of the Company's common stock outstanding. Consequently, the officers, directors, principal stockholders and their affiliates have significant influence over the election of Jabil's directors, determine the outcome of most corporate actions requiring stockholder approval, and otherwise control the business of the Company.

POSSIBLE VOLATILITY OF STOCK PRICE

The trading price of the Company's Common Stock could be subject to significant fluctuations in response to variations in quarterly operating results, general conditions in the contract manufacturing, communications, personal computer, peripherals, consumer or automotive industries and other factors. In addition, the stock market is subject to price and volume fluctuations that affect the market price for many high technology companies in particular, and that often are unrelated to operating performance. See "Market for Registrant's Common Equity and Related Stockholder Matters."

INTEREST RATE SENSITIVITY

The Company's private placement \$50,000,000 Senior Notes carry a fixed interest rate of 6.89%, thus the Company is not subject to market risk from this debt instrument. The Company pays interest on its outstanding borrowings under its revolving credit facility at the London Interbank Offering Rate (LIBOR) in effect at the loan inception date plus a factor of 0.625% to 1.00% depending on the Company's funded debt to capitalization ratios. See Note 4 of Notes to Consolidated Financial Statements. An adverse change in the LIBOR rates could have a material adverse effect on the Company's financial position, results of operations and cash flows.

INTERNATIONAL EXPANSION

A key element in the Company's strategy is to provide localized production of the global products produced for OEMs in the major consuming regions of the European Community and Asia. In order to offer this localized production, in fiscal 1993 the Company established a manufacturing facility in Livingston, Scotland, which began volume production in May 1993. The Scotland facility targets existing European customers, those North American customers

having significant sales in the European Community and potential European customers who meet the profile discussed above. Additionally, the Company began volume production in October 1995, in Penang, Malaysia. This location enables the Company to provide manufacturing services to the Asian market from an Asian location in order to reduce costs, freight and duties, to provide a more competitive cost structure for these markets and to serve as a low cost manufacturing source for new and existing customers. In order to increase capacity both in the European and in the Asian markets, the Company completed an expansion of both locations in the early portion of fiscal 1998. See Note 3 of Notes to Consolidated Financial Statements.

As an addition to the North American market, the Company completed construction of a manufacturing facility in Guadalajara, Mexico and began volume production early in fiscal 1998. This operation will allow for continued expansion in North America, while providing a competitive cost structure and close proximity to the United States market.

In August 1998, the Company acquired manufacturing operations in Bergamo, Italy as part of its acquisition of certain manufacturing and related assets comprising the HP acquisition.

The Company's international operations may be subject to a number of other risks, including fluctuations in the value of currencies, export duties, import controls and trade barriers (including quotas), restrictions on the transfer of funds, employee turnover, work stoppages, longer payment cycles, greater difficulty in accounts receivable collection, and burdens of complying with a wide variety of foreign laws. In addition, net-operating losses incurred by foreign operations cannot be utilized by the Company to reduce U.S. income taxes.

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COMPUTER INTEGRATION

The Company is in the process of installing a new enterprise resource planning system ("ERP System") that will replace the current Manufacturing Resource Planning ("MRP") system and financial information systems. This system is believed to be Year 2000 Compliant. The Company is also identifying and implementing changes to its other information systems in order to make them Year 2000 Compliant. While the Company currently expects that the Year 2000 will not pose significant operational problems, delays in the implementation of new information systems, or a failure to fully identify all Year 2000 dependencies in the Company's systems could result in material adverse consequences, including disruption of operations, loss of information, and unanticipated increases in costs. See "Year 2000" Readiness.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Management's Discussion and Analysis of Financial Condition and Results of Operations: Factors Affecting Future Results - Limited Availability of Components, Interest Rate Sensitivity, and International Expansion.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Certain information required by this item is included in Item 6 of Part II of this Report under the heading "Quarterly Results" and is incorporated into this item by reference. All other information required by this item is included in Item 14 of Part IV of this Report and is incorporated into this item by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding the directors of the Company is incorporated by reference to the information set forth under the caption "Proposal No. 1: Election of Directors" in the Company's Proxy Statement for the Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission (the "Commission") within 120 days after the end of the Company's fiscal year ended August 31, 1998.

Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, is hereby incorporated herein by reference from the section entitled [Information Concerning Solicitation and Voting] Section 16(a) Beneficial Ownership Reporting Compliance in the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding executive compensation is incorporated by reference to the information set forth under the captions "Proposal No. 1: Election of Directors - "Compensation of Directors" and "Executive Officer Compensation" in the Company's Proxy Statement for the 1998 Annual Meeting of Stockholders to be filed with the Commission within 120 days after the end of the Company's fiscal year ended August 31, 1998.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information regarding security ownership of certain beneficial owners and management is incorporated by reference to the information set forth under the caption "Other Information -- Share Ownership by Principal Stockholders and Management" in the Company's Proxy Statement for the 1998 Annual Meeting of Stockholders to be filed with the Commission within 120 days after the end of the Company's fiscal year ended August 31, 1998.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information regarding certain relationships and related transactions is incorporated by reference to the information set forth under the caption "Certain Transactions" in the Company's Proxy Statement for the 1998 Annual Meeting of Stockholders to be filed with the Commission within 120 days after the end of the Company's fiscal year ended August 31, 1998.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this Report:

1. Financial Statements. The consolidated financial statements, and related notes thereto, of the Company with independent auditors' report thereon are included in Part IV of this report on the pages indicated by the Index to Consolidated Financial Statements and Schedule as presented on page 29 of this report.
2. Financial Statement Schedule. The financial statement schedule of the Company is included in Part IV of this report on the page indicated by the Index to Consolidated Financial Statements and Schedule as presented on page 29 of this report. This financial statement schedule should be read in conjunction with the consolidated financial statements, and related notes thereto, of the Company.

Schedules not listed in the Index to Consolidated Financial Statements and Schedule have been omitted because they are not applicable, not required, or the information required to be set forth therein is included in the consolidated financial statements

or notes thereto.

3. Exhibits. See Item 14(c) below.

- (b) Reports on Form 8-K. The Company filed a Current Report on Form 8-K on August 18, 1998 reporting the consummation of the acquisition of certain manufacturing and related assets comprising the "Formatter Manufacturing Organization" business unit of Hewlett-Packard Company.
- (c) Exhibits. The exhibits listed on the Exhibits Index are filed as part of, or incorporated by reference into, this Report.
- (d) Financial Statement Schedules. See Item 14(a) above.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
JABIL CIRCUIT, INC:

We have audited the consolidated financial statements of Jabil Circuit, Inc. and subsidiaries as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jabil Circuit, Inc. and subsidiaries as of August 31, 1997 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended August 31, 1998, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG Peat Marwick LLP

St. Petersburg, Florida
 October 6, 1998, except as to Note 10 which is as of December 7, 1998.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
 (IN THOUSANDS, EXCEPT FOR SHARE AND PER SHARE DATA)

	AUGUST 31,	
	-----	-----
	1997	1998
	----	----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 45,457	\$ 23,139
Accounts receivable, less allowance for doubtful accounts of \$2,690 in 1997 and \$3,079 in 1998 (note 7).....	116,987	126,276
Inventories (note 2).....	96,187	123,097
Prepaid expenses and other current assets.....	776	1,772
Deferred income taxes (note 5).....	6,591	16,095
	-----	-----
Total current assets.....	265,998	290,379
Property, plant and equipment, net (note 3).....	139,520	224,680
Other assets.....	385	11,644
	-----	-----
	\$405,903	\$526,703
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current installments of long-term debt (note 4).....	\$ 2,475	\$ 8,333
Accounts payable.....	125,741	132,601
Accrued expenses.....	34,248	40,460
Income taxes payable.....	6,186	5,325
	-----	-----
Total current liabilities.....	168,650	186,719
Note Payable and long-term debt, less current installments (note 4).....	50,000	81,667
Deferred income taxes (note 5).....	3,663	7,724
Deferred grant revenue.....	2,105	2,227
	-----	-----
Total liabilities.....	224,418	278,337
	-----	-----
Stockholders' equity (notes 1 and 6):		
Preferred stock, \$.001 par value, authorized 1,000,000 shares; no shares issued and outstanding.....	--	--
Common stock, \$.001 par value, authorized 60,000,000 shares; issued and outstanding, 37,000,092 shares in 1997, and 37,268,425 in 1998	37	37
Additional paid-in capital.....	61,632	71,580
Retained earnings.....	119,816	176,749
	-----	-----
Net stockholders' equity.....	181,485	248,366
	-----	-----
Commitments and contingencies (note 9)	-----	-----

\$405,903
=====

\$526,703
=====

See accompanying notes to consolidated financial statements.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT FOR PER SHARE DATA)

	YEARS ENDED AUGUST 31,		
	1996	1997	1998
Net revenue (note 7).....	\$863,285	\$978,102	\$1,277,374
Cost of revenue.....	790,311	857,245	1,115,647
Gross profit.....	72,974	120,857	161,727
Operating expenses:			
Selling, general and administrative.....	25,456	35,886	52,014
Research and development.....	2,112	3,117	3,784
Acquisition-related charge (note 10).....	--	--	20,825
Operating income.....	45,406	81,854	85,104
Interest expense, net.....	7,333	1,612	3,124
Income before income taxes.....	38,073	80,242	81,980
Income taxes (note 5).....	13,724	27,745	25,047
Net income.....	\$ 24,349	\$ 52,497	\$ 56,933
Basic earnings per share.....	\$ 0.71	\$ 1.45	\$ 1.53
Diluted earnings per share.....	\$ 0.67	\$ 1.37	\$ 1.48
Common shares used in the calculations of basic earnings per share...	34,458	36,299	37,125
Common and common equivalent shares used in the calculations of diluted earnings per share.....	36,334	38,340	38,575

See accompanying notes to consolidated financial statements.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT FOR SHARE DATA)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	UNEARNED COMPENSATION FROM GRANT OF STOCK OPTION	NET STOCKHOLDERS' EQUITY
	SHARES OUTSTANDING	PAR VALUE				
Balance at August 31, 1995	29,549,814	\$ 30	\$ 16,703	\$ 42,970	\$ (108)	\$ 59,595
Exercise of stock options	129,800	--	268	--	--	268
Public offering	5,750,000	6	39,146	--	--	39,152
Amortization of unearned compensation	--	--	--	--	81	81
Shares issued under Employee Stock Purchase Plan	166,832	--	678	--	--	678
Tax benefit of options exercised	--	--	111	--	--	111
Net income	--	--	--	24,349	--	24,349
Balance at August 31, 1996	35,596,446	\$ 36	\$ 56,906	\$ 67,319	\$ (27)	\$124,234
Exercise of stock options	1,265,010	1	2,386	--	--	2,387
Amortization of unearned						

compensation	--	--	--	--	27	27
Shares issued under Employee						
Stock Purchase Plan	138,636	--	1,237	--	--	1,237
Tax benefit of options exercised	--	--	1,103	--	--	1,103
Net income	--	--	--	52,497	--	52,497
	-----	-----	-----	-----	-----	-----
Balance at August 31, 1997	37,000,092	\$ 37	\$ 61,632	\$119,816	\$ --	\$181,485
Exercise of stock options	192,390	--	514	--	--	514
Shares issued under Employee						
Stock Purchase Plan	75,943	--	2,320	--	--	2,320
Tax benefit of options exercised	--	--	7,114	--	--	7,114
Net income	--	--	--	56,933	--	56,933
	-----	-----	-----	-----	-----	-----
Balance at August 31, 1998	37,268,425	\$ 37	\$ 71,580	\$176,749	\$ --	\$248,366
	=====	=====	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEARS ENDED AUGUST 31,		
	1996	1997	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income	\$ 24,349	\$ 52,497	\$ 56,933
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	18,210	24,924	35,702
Recognition of grant revenue	(2,073)	(1,705)	(827)
Deferred income taxes	(2,876)	(1,840)	(5,443)
Loss (gain) on sale of property	168	(275)	160
Acquisition related in-process research and development charge	--	--	6,500
Change in operating assets and liabilities, exclusive of net assets acquired:			
Accounts receivable	28,828	(32,148)	(9,289)
Inventories	26,789	(31,318)	10,566
Prepaid expenses and other current assets	361	(436)	2,776
Other assets	(1,241)	1,513	(2,828)
Accounts payable and accrued expenses	(584)	56,838	5,059
Income taxes payable	8,133	1,310	(861)
Net cash provided by operating activities	100,064	69,360	98,448
	-----	-----	-----
Cash flows from investing activities:			
Net cash paid for net assets acquired	--	--	(64,990)
Acquisition of property, plant and equipment	(27,252)	(93,805)	(99,782)
Proceeds from sale of property and equipment	358	368	2,698
Net cash used in investing activities	(26,894)	(93,437)	(162,074)
	-----	-----	-----
Cash flows from financing activities:			
Increase (decrease) in note payable to bank	(73,000)	--	40,000
Proceeds from long-term debt	57,994	--	--
Payments of long-term debt and capital lease obligations	(33,234)	(8,347)	(2,475)
Net proceeds from issuance of common stock	40,098	3,624	2,834
Proceeds from grants	2,805	938	949
Net cash provided by (used in) financing activities	(5,337)	(3,785)	41,308
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	67,833	(27,862)	(22,318)
Cash and cash equivalents at beginning of period	5,486	73,319	45,457
Cash and cash equivalents at end of period	\$ 73,319	\$ 45,457	\$ 23,139
	=====	=====	=====
Supplemental disclosure information:			
Interest paid	\$ 7,639	\$ 4,707	\$ 5,135
	=====	=====	=====
Income taxes paid, net of refunds received	\$ 8,578	\$ 29,378	\$ 31,351
	=====	=====	=====
Tax benefit of options exercised	\$ 111	\$ 1,103	\$ 7,114
	=====	=====	=====

See accompanying notes to consolidated financial statements.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Jabil Circuit, Inc. (together with its subsidiaries, herein referred to as the "Company") is an independent supplier of custom manufacturing services for circuit board assemblies, subsystems and systems to major original equipment manufacturers ("OEMs") in the communications, personal computer, peripherals, consumer and automotive industries. The Company's manufacturing services combine a high volume, highly automated manufacturing approach with advanced design and manufacturing technologies. The Company is headquartered in St. Petersburg, Florida and has manufacturing operations in the United States, Europe, Asia and Mexico.

Significant accounting policies followed by the Company are as follows:

A. CONSOLIDATION

The consolidated financial statements include the accounts and operations of Jabil Circuit, Inc. and its subsidiaries, all of which are wholly-owned. All significant intercompany balances and transactions have been eliminated in preparing the consolidated financial statements.

B. REVENUE RECOGNITION

The Company recognizes revenue typically at the time of product shipment. Such revenue is recorded net of estimated product return and warranty costs. At August 31, 1997 and 1998, such estimated amounts for returns and warranties are not considered material.

C. ACCOUNTING ESTIMATES

Management is required to make estimates and assumptions during the preparation of the consolidated financial statements in conformity with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements. They also affect the reported amount of net income. Actual results could differ materially from these estimates and assumptions.

D. INVENTORIES

Inventories are stated at the lower of cost (first in, first out (FIFO) method) or market.

E. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost and depreciated and amortized on the straight-line method over the estimated useful lives of the respective assets, primarily thirty-five years for buildings and three to five years for other assets. Maintenance and repairs are charged to expense as incurred.

The Company performs a periodic analysis of the carrying value of its property and equipment balances to determine that no impairment exists. Such analysis includes, but is not limited to, a comparison of the undiscounted cash flows of production related assets in relation to their carrying value. As of August 31, 1998 the Company is of the opinion that no such impairment exists.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. CASH EQUIVALENTS

The Company considers all highly liquid instruments with original maturities of 90 days or less to be cash equivalents for financial statement purposes. At August 31, 1997 and 1998, cash equivalents totaled approximately \$281,000 and \$0, respectively.

G. GRANT REVENUE

The Company has been awarded grants related to the development of its Scottish operations. Grant funds are earned as certain milestones are met, and are being amortized over two to five-year periods.

H. INCOME TAXES

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rate is recognized in income in the period that includes the enactment date of the rate change.

I. PROFIT SHARING AND 401(K) PLAN

The Company has a contributory profit-sharing plan with a 401(k) feature. Company contributions are at the discretion of the Company's Board of Directors. To participate, an employee must have completed a 12-month period of service in which the employee worked at least 1,000 hours. Vesting is immediate. The Company contributed approximately \$1,650,000, \$4,483,000, and \$6,317,000 for the years ended August 31, 1996, 1997, and 1998, respectively.

J. FOREIGN CURRENCY TRANSACTIONS

Gains or losses on foreign currency transactions are included in the determination of net income as the Company considers the United States dollar to be the functional currency of its foreign operations.

The Company enters into foreign currency contracts in order to mitigate the impact of certain foreign currency fluctuations. Gains and losses related to the hedges of firmly committed and anticipated transactions are deferred and included in the basis of the transaction when it occurs. Foreign currency exchange contracts outstanding at August 31, 1998 are described further in Note 8.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. NET INCOME PER SHARE

The Company adopted Statement of Financial Accounting Standards No. 128 (Statement 128), Earnings per Share, in the fiscal year ended August 31, 1998. Under Statement 128, the Company presents two earnings per share (EPS) amounts. Basic EPS is calculated based on net earnings available to common shareholders and the weighted-average number of shares outstanding during the reported period. Diluted EPS includes additional dilution from potential common stock, such as stock issuable pursuant to the exercise of stock options outstanding. Previously reported earnings per share amounts have been restated to conform to the Statement 128 requirements.

----- Fiscal Year Ended -----
August 31, August 31, August 31,

	1996	1997	1998

(In thousands except per share data)			
Numerator:			
Net income	\$24,349	\$52,497	\$56,933
	=====	=====	=====
Denominator:			
Weighted average shares outstanding - Basic	34,458	36,299	37,125
Employee stock options and other	1,876	2,041	1,450
	-----	-----	-----
Weighted average shares outstanding - Diluted	36,334	38,340	38,575
	=====	=====	=====
Earnings per common share:			
Basic	\$ 0.71	\$ 1.45	\$ 1.53
	=====	=====	=====
Diluted	\$ 0.67	\$ 1.37	\$ 1.48
	=====	=====	=====

For the years ended August 31, 1996, 1997 and 1998, options to purchase 11,600, 106,000, and 40,000 shares of common stock were outstanding during the period but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares, and therefore, the effect would be anti-dilutive.

L. STOCK BASED COMPENSATION

Prior to September 1, 1996, the Company accounted for its stock option plan in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. As such, compensation expense would be recorded on the date of granting of stock options only if the current market price of the underlying stock exceeded the exercise price. Effective September 1, 1996, the Company adopted Statement of Financial Accounting Standards No. 123, Accounting for Stock Based Compensation (Statement 123), which permits entities to recognize as expense over the vesting period the fair value of all stock based awards on the date of the grant. Alternatively, Statement 123 allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net income and pro forma net income per share disclosures for employee stock options made in fiscal 1996 and future years as if the fair value based method defined in Statement 123

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure required by Statement 123.

M. STOCK SPLIT

On June 17, 1997, the Company's Board of Directors approved a two-for-one stock split of the Company's common stock, effected in the form of a 100% stock dividend to holders of record on July 8, 1997. Financial information in the accompanying consolidated financial statements and notes has been adjusted to reflect the impact of the common stock split for all periods presented.

N. INTANGIBLE ASSETS

Intangible assets are comprised of goodwill and other intellectual property. Intangible assets, aggregating approximately \$11.2 million as of August 31, 1998, are classified as a component of other assets in the accompanying consolidated balance sheets. Such amounts are amortized over a ten-year period.

The Company performs a periodic analysis of the carrying value of its intangible assets in order to determine that no instances of impairment exist. Such an analysis includes a comparison of the undiscounted future cash flows of related assets acquired in relation to the carrying value of recorded intangible assets. As of August 31, 1998, the Company is of the opinion that no such impairment exists.

2. INVENTORIES

Inventories consist of the following (in thousands):

	AUGUST 31,	
	1997	1998
Raw materials.....	\$75,433	\$101,319
Work in process.....	15,160	15,955
Finished goods.....	5,594	5,823
	-----	-----
	\$96,187	\$123,097
	=====	=====

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following (in thousands):

	AUGUST 31,	
	1997	1998
Land and improvements.....	\$ 9,232	\$ 13,679
Buildings.....	23,336	58,382
Leasehold improvements.....	3,682	4,988
Machinery and equipment.....	123,294	186,747
Furniture, fixtures and office equipment.....	7,225	9,990
Computer equipment.....	15,062	23,039
Transportation equipment.....	3,937	3,884
Construction in progress.....	30,743	23,627
	-----	-----
Less accumulated depreciation and amortization.....	216,511	324,336
	76,991	99,656
	-----	-----
	\$139,520	\$224,680
	=====	=====

During the year ended August 31, 1998, the Company completed new manufacturing facilities for its Scotland and Malaysia operations to replace its existing leased facilities in those locations, as well as a new greenfield facility in Guadalajara, Mexico. During the years ended August 31, 1997 and 1998, the Company capitalized approximately \$120,000 and \$83,000, respectively, in interest related to the constructed facilities.

Maintenance and repairs expense was approximately \$4,320,000, \$5,229,000, and \$9,341,000 for the years ended August 31, 1996, 1997, and 1998, respectively.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. NOTES PAYABLE AND LONG-TERM DEBT

Notes Payable and Long-term debt consists of the following (in thousands):

	AUGUST 31,	
	1997	1998
Term loans(a).....	\$ 50,000	\$ 50,000
Borrowings under revolving credit facility(b).....	--	40,000
Mortgage, repaid in 1998.....	2,475	--
	-----	-----
Total notes payable and long-term debt.....	52,475	90,000
Less current installments of long-term debt.....	2,475	8,333
	-----	-----
Notes Payable and long-term debt, less current installments.....	\$ 50,000	\$ 81,667
	=====	=====

- (a) In May 1996, the Company completed a private placement of \$50,000,000 Senior Notes due 2004. The Notes have a fixed interest rate of 6.89%, with interest payable on a semi-annual basis. Principal is payable in six equal annual installments beginning May 30, 1999.
- (b) In August 1998, the Company renegotiated its unsecured line of credit facility and established a \$225 million unsecured revolving credit facility with a syndicate of banks ("Revolver"). Under the terms of the Revolver, borrowings can be made under either floating rate loans or Eurodollar rate loans. The Company pays interest on outstanding floating rate loans at the banks' prime rate. The Company pays interest on outstanding Eurodollar loans at the London Interbank Offer Rate (LIBOR) in effect at the loan inception date plus a factor of .625% to 1.00% depending on the Company's funded debt to total capitalization ratios. The Company pays a commitment fee on the unused portion of the Revolver at .20% to .25% depending on the Company's funded debt to total capitalization ratios. The renegotiated Revolver expires on August 3, 2001 and outstanding borrowings are then due and payable. As of August 31, 1998, there were \$40 million in borrowings outstanding under the Revolver and \$185 million of the facility was available. As of August 31, 1997, there were no borrowings under the previous \$100 million revolving credit facility.

The agreements related to the obligations described above contain a number of restrictive financial and/or other covenants. In all cases, the Company was in compliance with the respective covenants as of August 31, 1998.

Aggregate annual maturities for notes payable and long-term debt are as follows (in thousands):

	AMOUNT

1999.....	\$ 8,333
2000.....	8,333
2001.....	48,333
2002.....	8,333
2003.....	8,333
2004.....	8,335

	\$90,000
	=====

5. INCOME TAXES

Income tax expense amounted to \$13,724,000, \$27,745,000, and \$25,047,000 for the years ended August 31, 1996, 1997 and 1998, respectively (an effective rate of 36%, 35%, and 31%, respectively). The actual expense differs from the "expected" tax expense (computed by applying the U.S. federal corporate tax rate of 35% to earnings before income taxes) as follows (in thousands):

	YEARS ENDED AUGUST 31,		
	1996	1997	1998
Computed "expected" tax expense.....	\$13,326	\$28,085	\$28,693
State taxes, net of Federal benefit.....	698	1,352	895
Utilization of net operating loss from Scottish subsidiary.....	(389)	--	--
Income of Malaysian subsidiary.....	--	(2,706)	(5,957)
Other, net.....	89	1,014	1,416
	-----	-----	-----
	\$13,724	\$27,745	\$25,047
	=====	=====	=====

The Company's Malaysian subsidiary has been granted "pioneer" tax status for the five-year period commencing November 1, 1995. This status allows tax-free treatment by the Malaysian government for the subsidiary's income through October 30, 2000. Malaysia's statutory income tax rate is 30%. The Malaysian subsidiary generated income during the years ended August 31, 1997 and 1998, resulting in a tax holiday of approximately \$2,320,000 (\$0.06 per share) and \$5,106,000 (\$0.13 per share), respectively. The Company intends to indefinitely re-invest income from all of its foreign subsidiaries. The aggregate undistributed earnings of the Company's foreign subsidiaries for which no deferred income taxes have been recorded was approximately \$7,426,000 as of August 31, 1998.

The components of income tax expense are (in thousands):

	CURRENT	DEFERRED	TOTAL
	-----	-----	-----
1996:			
Federal.....	\$14,496	\$ (2,360)	\$12,136
State.....	1,280	(204)	1,076
Foreign.....	824	(312)	512
	-----	-----	-----
	\$16,600	\$ (2,876)	\$13,724
	=====	=====	=====
1997:			
Federal.....	\$24,155	\$ (1,800)	\$22,355
State.....	2,236	(156)	2,080
Foreign.....	3,194	116	3,310
	-----	-----	-----
	\$29,585	\$ (1,840)	\$27,745
	=====	=====	=====
1998:			
Federal.....	\$26,682	\$ (4,001)	\$22,681
State.....	1,770	(449)	1,321
Foreign.....	2,038	(993)	1,045
	-----	-----	-----
	\$30,490	\$ (5,443)	\$25,047
	=====	=====	=====

5. INCOME TAXES (CONTINUED)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows (in thousands):

	AUGUST 31,	
	1997	1998
	----	----
Deferred tax assets:		
Accounts receivable, principally due to allowance for doubtful accounts.....	\$1,015	\$ 1,171
Grant receivable.....	707	1,397
Inventories, principally due to reserves and additional costs inventoried for tax purposes pursuant to the Tax Reform Act of 1986.....	2,211	5,365
Compensated absences, principally due to accrual for financial reporting purposes...	878	839
Accrued expenses, principally due to deferrals for financial reporting purposes.....	1,457	3,023
Intangible assets.....	--	3,376
Other.....	490	1,168
	-----	-----
Total gross deferred tax assets.....	6,758	16,339
Less valuation allowance.....	167	244
	-----	-----
Net deferred tax assets.....	\$6,591	\$16,095
	=====	=====
Deferred tax liabilities:		
Property, plant and equipment, principally due to differences in depreciation and amortization.....	\$3,663	\$ 7,724
	=====	=====

Based on the Company's historical operating income, management believes that it is more likely than not that the Company will realize the benefit of its net deferred tax assets.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. STOCKHOLDERS' EQUITY

A. PUBLIC OFFERING

The Company completed a public offering of 8,050,000 common shares on November 3, 1995 in which the Company sold 5,750,000 shares (including an over-allotment of 750,000 shares) and certain selling stockholders sold 2,300,000 shares. Net proceeds to the Company (net of underwriters' discounts and commissions and other offering costs of approximately \$350,000) were approximately \$39,152,000.

B. STOCK OPTION PLANS

As of August 31, 1998, options to purchase a total of 1,394,400 shares were outstanding under the 1983 and 1989 stock option plans. The Board of Directors terminated these plans in November 1992, and no additional options may be issued thereunder. The exercise price of the outstanding options under these plans is equal to fair market value, as determined by the Company, on the date of grant.

The Company's 1992 Stock Option Plan (the "1992 Plan") provides for the granting to employees of incentive stock options within the meaning of Section 422 of the Internal Revenue Code and for the granting of non-statutory stock options to employees and consultants of the Company. The 1992 Plan was adopted by the Board of Directors in November 1992 and approved by the stockholders in December 1992. A total of 2,610,000 shares of common stock have been reserved for issuance under the 1992 Plan, of which 800,000 were authorized during the year ended August 31, 1998. As of August 31, 1998, options to purchase 926,060 shares are outstanding under the 1992 Plan.

The exercise price of all incentive stock options granted under the

1992 Plan is to be at least equal to the fair market value of shares of common stock on the date of grant. With respect to any participant who owns stock representing more than 10% of the voting power of all classes of stock of the Company, the exercise price of any stock option granted is to equal at least 110% of the fair market value on the grant date and the maximum term of the option may not exceed five years. The term of all other options under the 1992 Plan may not exceed ten years.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. STOCKHOLDERS' EQUITY (CONTINUED)

B. STOCK OPTION PLANS (CONTINUED)

The following table summarizes option activity from September 1, 1995 through August 31, 1998:

	SHARES AVAILABLE FOR GRANT	OPTIONS OUTSTANDING		AGGREGATE VALUE
		SHARES	WEIGHTED AVERAGE OPTION PRICE	
Balance at August 31, 1995	645,960	3,258,880	\$ 1.52	\$ 4,951,000
Options granted	(364,000)	364,000	4.21	1,533,000
Options cancelled	37,080	(37,080)	2.81	(104,000)
Options exercised	--	(129,800)	2.07	(268,000)
Balance at August 31, 1996	319,040	3,456,000	\$ 1.77	\$ 6,112,000
Options granted	(148,000)	148,000	25.23	3,734,000
Options cancelled	4,640	(4,640)	2.59	(12,000)
Options exercised	--	(1,265,010)	1.87	(2,369,000)
Balance at August 31, 1997	175,680	2,334,350	\$ 3.20	\$ 7,465,000
Options authorized	800,000	--	--	--
Options granted	(178,500)	178,500	37.21	6,642,000
Options exercised	--	(192,390)	2.67	(514,000)
Balance at August 31, 1998	797,180	2,320,460	\$ 5.85	\$13,593,000

At August 31, 1998, options for 1,826,860 shares were exercisable.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. STOCKHOLDERS' EQUITY (CONTINUED)

B. STOCK OPTION PLANS (CONTINUED)

The range of exercise prices, shares, weighted average contractual life and exercise price for the options outstanding as of August 31, 1998 are presented

below:

Range of Exercise Prices -----	Shares -----	Weighted- Average Contractual Life -----	Weighted- Average Exercise Price -----
\$ 0.87	1,394,400	3	\$ 0.87
2.50 - 7.44	639,600	6	3.52
22.00 - 61.69	286,460	10	35.91
=====	-----	==	-----
\$ 0.87 - 61.69	2,320,460	5	\$ 5.85
=====	=====	==	=====

The range of exercise prices, shares and weighted average exercise price of the options exercisable at August 31, 1998 are presented below:

Range of Exercise Prices -----	Shares Exercisable -----	Weighted- Average Exercise Price -----
\$ 0.87	1,394,400	\$ 0.87
2.50 - 7.44	390,180	3.32
22.00 - 61.69	42,280	34.10
=====	-----	=====
\$ 0.87 - 61.69	1,826,860	\$ 2.16
=====	=====	=====

The per-share weighted-average fair value of stock options granted during 1997 and 1998 was \$29.63 and \$22.45, respectively, on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: 1997 - expected dividend yield of 0%, risk-free interest rate of 6.2%, expected volatility of 76%, and an expected life of 5 years; 1998 - Expected dividend yield of 0%, risk-free interest rate of 5.6%, expected volatility of 78% and an expected life of 5 years.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. STOCKHOLDERS' EQUITY (CONTINUED)

C. PRO FORMA RESULTS

The Company applies APB Opinion No. 25 in accounting for its stock options and, accordingly, no compensation cost has been recognized for its stock options in the consolidated financial statements. Additionally, no compensation costs are reflected for the discount related to shares granted to employees under the 1992 Employee Stock Purchase Plan. Had the Company determined compensation cost based on Statement 123, the Company's net income would have been as follows:

1997

1998

	-----	-----	-----	-----
	Net Income -----	Diluted EPS ---	Net Income -----	Diluted EPS ---
As Reported	\$52,497	\$ 1.37	\$56,933	\$ 1.48
Statement 123 Compensation (Net of tax)	(262)	(0.01)	(1,580)	(0.04)
Pro-forma disclosure	\$52,235	\$ 1.36	\$55,353	\$ 1.44

As discussed in note 1 (1) the disclosure presented above represents the estimated fair value of stock options granted in fiscal 1996 and subsequent years for which attribution is attributable to fiscal 1997 and 1998. Such disclosure is not necessarily indicative of the fair value of stock options that could be granted by the Company in future fiscal years or of all options currently outstanding.

D. STOCK PURCHASE PLAN

The Company's 1992 Employee Stock Purchase Plan (the "Purchase Plan") was adopted by the Board of Directors in November 1992 and approved by the stockholders in December 1992. A total of 1,205,000 shares of common stock have been reserved for issuance under the Purchase Plan. The Purchase Plan is intended to qualify under Section 423 of the Internal Revenue Code.

Employees are eligible to participate after one year of employment with the Company. The Purchase Plan permits eligible employees to purchase Common Stock through payroll deductions, which may not exceed 10% of an employee's compensation, as defined, at a price equal to 85% of the fair market value of the Common Stock at the beginning or end of the offering period, whichever is lower. Unless terminated sooner, the Purchase Plan will terminate ten years from its effective date. As of August 31, 1998, a total of 851,533 shares had been issued under the Purchase Plan.

The per-share weighted-average fair value of stock issued to employees in 1998 under the Company's 1992 Employee Stock Purchase Plan was \$13.76 using the Black-Scholes option-pricing model with the identical assumptions as those listed for stock options granted during 1998.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. CONCENTRATION OF RISK AND GEOGRAPHIC DATA

A. CONCENTRATION OF RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of trade receivables. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. The Company maintains reserves for potential credit losses.

Sales of the Company's products are concentrated among specific customers. Sales to the following customers, expressed as a percentage of consolidated net revenue, and the percentage of accounts receivable for each customer, were as follows:

PERCENTAGE OF
NET REVENUE

PERCENTAGE OF
ACCOUNTS RECEIVABLE

	YEAR ENDED AUGUST 31,			AUGUST 31,	AUGUST 31,
	1996	1997	1998	1997	1998
Hewlett-Packard Company.....	20%	15%	10%	13%	28%
NEC Technologies, Inc.....	15%	*	*	*	*
Quantum Corporation.....	23%	10%	*	13%	*
3Com.....	11%	21%	18%	14%	*
Cisco Systems, Inc.....	10%	20%	20%	*	*

* Amount was less than 10% of total

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JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. CONCENTRATION OF RISK AND GEOGRAPHIC DATA (CONTINUED)

B. GEOGRAPHIC DATA

The Company has defined the three geographic regions for the segment in which it operates: North America (including Mexico), Europe and Asia. Sales to unaffiliated customers are based on the location of the Company's operating entity. Corporate assets include cash and cash equivalents, intangibles, and deferred income taxes. Transfers between regions are not considered material. The following data does not consider fully the extent of interrelated activities between the regions including product development, manufacturing, engineering, marketing and corporate management. Accordingly, the following amounts are not necessarily indicative of the operating contribution of the geographic regions. The following table sets forth information concerning these geographic segments (in thousands):

	YEAR ENDED AUGUST 31,		
	1996	1997	1998
Sales to Unaffiliated Customers:			
North America.....	\$595,941	\$682,333	\$911,419
Europe.....	161,195	207,850	222,524
Asia.....	106,149	87,919	143,431
Export Sales.....	88,150	2,494	1,169
Operating Income:			
North America.....	40,811	62,770	62,393
Europe.....	3,244	11,381	5,831
Asia.....	1,351	7,703	16,880
Identifiable Assets:			
North America, including corporate.....	239,582	285,440	376,549
Europe.....	48,022	74,698	99,304
Asia.....	12,336	45,765	50,850

Foreign source revenue for the years ended August 31, 1996, 1997, and 1998 was approximately 31%, 30%, and 31%, respectively.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. FOREIGN CURRENCY EXCHANGE CONTRACTS

The purpose of the Company's foreign currency hedging activity is to protect the Company from the risk that the eventual dollar net cash flows resulting from the sale and purchase of products in foreign currencies will be adversely affected by changes in the exchange rates. It is the Company's policy to utilize derivative financial instruments to reduce foreign exchange risks where internal netting strategies cannot be effectively employed. The Company does not hold or issue financial instruments for trading purposes. Fluctuations in the value of hedging instruments are offset by fluctuations in the underlying exposures being hedged, and deferred gains and losses on these contracts are recognized when the future purchases and sales being hedged are realized.

The Company had approximately \$5 million of net foreign currency exchange contracts outstanding at August 31, 1998 related to the United Kingdom, with \$26 million outstanding at August 31, 1997 related to the United Kingdom and Malaysia. Unrealized gains and losses on these contracts were not material.

9. COMMITMENTS AND CONTINGENCIES

A. LEASE AGREEMENTS

The Company leases certain facilities and computer services under non-cancelable operating leases. The future minimum lease payments under noncancelable operating leases outstanding August 31, 1998 are as follows (in thousands):

FISCAL YEAR ENDING AUGUST 31,

1999.....	\$ 12,593
2000.....	11,871
2001.....	4,393
2002.....	294
2003.....	74
Thereafter.....	--

Total minimum lease payments.....	\$ 29,225
	=====

Total rent expense for operating leases was approximately \$3,354,000, \$3,868,000, and \$5,311,424 for the years ended August 31, 1996, 1997, and 1998, respectively.

B. LITIGATION

The Company is party to certain lawsuits in the ordinary course of business. Management does not believe that these proceedings individually or in the aggregate, will have a material adverse effect on the Company's financial position, results of operations or cash flows.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. ACQUISITION

On August 3, 1998 the Company acquired certain assets (primarily raw material inventory and property, plant and equipment) relating to the LaserJet Formatter Manufacturing Organization business unit of Hewlett-Packard Company

located in Boise, Idaho, and Bergamo, Italy. The acquisition price was approximately \$80 million and was accounted for under the purchase method of accounting. The acquisition resulted in goodwill and other intangible assets of approximately \$11.2 million, which is being amortized on a straight-line basis over ten years.

Simultaneously, the Company entered into a manufacturing arrangement to continue to produce the Laserjet circuit board assemblies being produced by the Hewlett-Packard operations in Boise and Bergamo.

In conjunction with the acquisition, the Company recorded an acquisition-related charge of \$20.8 million consisting of an in-process technology write-off of \$6.5 million, work force related expenses of \$10.0 million, and \$4.3 million of other expenses.

11. NEW ACCOUNTING PRONOUNCEMENTS

During 1997 and 1998, the Financial Accounting Standards Board ("FASB") issued several Statements of Financial Accounting Standards (Statements) which are pending implementation by the Company. They are as follows:

Statement 130 - Reporting Comprehensive Income. Statement 130 establishes standards for reporting comprehensive income. The Statement defines comprehensive income as the change in equity of an enterprise except those resulting from shareholder transactions. All components of comprehensive income are required to be reported in a new financial statement that is displayed with equal prominence as existing financial statements. The Company will be required to adopt this Statement September 1, 1998. As the Statement addresses reporting and presentation issues only, there will be no impact on earnings from its adoption.

Statement 131 - Disclosures about Segments of an Enterprise and Related Information. Statement 131 establishes standards for related disclosures about the products and services, geographic areas, and major customers of an enterprise. The Company will be required to adopt this Statement for financial statements for the fiscal year beginning September 1, 1998. As this Statement addresses reporting and disclosure issues only, there will be no impact on earnings from its adoption. The Company is currently evaluating this Statement and has yet to form an opinion on whether segment disclosure presented herein will change significantly upon the adoption of Statement 131.

Statement 133 - Accounting for Derivative Instruments and Hedging Activities. Statement 133 establishes methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. The Company is currently evaluating this Statement and has yet to form an opinion on whether its adoption will have any significant impact on the Company's consolidated financial statements. The Company will be required to implement Statement 133 for its fiscal year ending August 31, 2000.

Statement of Position 98-5 Reporting on the Costs of Start Up Activities. SOP 98-5 establishes standards on the financial reporting of start-up costs and organization costs. SOP 98-5 requires costs of start-up activities and organization costs to be expensed as incurred. The SOP is effective for financial statements for fiscal years beginning after December 15, 1998. As the Company has historically made a practice of expensing costs related to both the establishment of greenfield manufacturing facilities and the set-up of production lines as such costs are incurred, it does not anticipate that the adoption of SOP 98-5 will have any material impact on its consolidated financial statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on this 7th day of December, 1998.

JABIL CIRCUIT, INC.
By: /s/ THOMAS A. SANSONE

Date: December 7, 1998

POWER OF ATTORNEY

KNOW ALL THESE PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Thomas A. Sansone and Ronald J. Rapp and each of them, jointly and severally, his attorneys-in-fact, each with full power of substitution, for him in any and all capacities, to sign any and all amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each said attorneys-in-fact or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

SIGNATURE -----	TITLE -----	DATE ----
By: /s/ WILLIAM D. MOREAN ----- William D. Morean	Chief Executive Officer (Principal Executive Officer) and Chairman of the Board	December 7, 1998
By: /s/ THOMAS A. SANSONE ----- Thomas A. Sansone	President and Director	December 7, 1998
By: /s/ CHRIS A. LEWIS ----- Chris A. Lewis	Chief Financial Officer (Principal Financial and Accounting Officer)	December 7, 1998
By: /s/ RONALD J. RAPP ----- Ronald J. Rapp	Executive Vice President - Operations and Director	December 7, 1998
By: /s/ LAWRENCE J. MURPHY ----- Lawrence J. Murphy	Director	December 7, 1998
By: /s/ MEL S. LAVITT ----- Mel S. Lavitt	Director	December 7, 1998
By: /s/ STEVEN A. RAYMUND ----- Steven A. Raymund	Director	December 7, 1998
By: /s/ FRANK NEWMAN ----- Frank Newman	Director	December 7, 1998

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EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----
3.1(1)	-- Registrant's Certificate of Incorporation, as amended.
3.2(1)	-- Registrant's Bylaws.
4.1(2)	-- Form of Certificate for Shares of Registrant's Common Stock.
4.2(1)	-- Form of Agreement and Plan of Merger dated February 27, 1992 between Jabil Circuit Co., Inc., a Michigan corporation, and Jabil Circuit, Inc., a Delaware corporation.

- 10.1(1)(5) -- 1983 Stock Option Plan and forms of agreement used thereunder.
- 10.2(1)(5) -- 1989 Non-Qualified Stock Option Plan and forms of agreement used Thereunder.
- 10.3(1)(5) -- 1992 Stock Option Plan and forms of agreement used thereunder.
- 10.4(1)(5) -- 1992 Employee Stock Purchase Plan and forms of agreement used thereunder.
- 10.5(1)(5) -- Restated cash or deferred profit sharing plan under section 401(k).
- 10.6(1)(5) -- Form of Indemnification Agreement between Registrant and its officers and Directors.
- 10.7(1) -- Lease for 2220 Lundy Avenue, San Jose, California, between Registrant and Lundy Associates dated April 1, 1992.
- 10.8(1) -- Letter Agreement dated November 27, 1992 between Registrant and Scottish Office Industry Department relating to grant to establish Scottish facility.
- 10.9(6)(5) -- Amendment to 1989 Non-Qualified Stock Option Plan.
- 10.10(3) -- Renewal dated March 21, 1994 of Lease for 2220 Lundy Avenue, San Jose, California, between Registrant and Lundy Associates.
- 10.11(4) -- Lease Agreement dated October 1, 1997 between registrant and Charrington Estates.
- 10.12(4) -- Lease Agreement dated October 30, 1997 between registrant and Teachers Insurance and Annuity Association.
- 10.13 -- Lease Agreement dated May 12, 1998 between registrant and Lincoln-RECP Great Oaks OPCO. LLC.
- 10.14 -- Amended and Restated Loan Agreement dated as of August 3, 1998 between registrant and certain banks and the First National Bank Of Chicago as agent for banks.
- 21.1 -- List of Subsidiaries.
- 23.1 -- Independent Auditors' Consent.
- 24.1 -- Power of Attorney (See Page 51).
- 27.1 -- Financial Data Schedule.

- -----

- (1) Incorporated by reference to the Registration Statement on Form S-1 filed by the Registrant on March 3, 1993 (File No. 33-58974).
- (2) Incorporated by reference to exhibit Amendment No. 1 to the Registration Statement on Form S-1 filed by the Registrant on March 17, 1993 (File No. 33-58974).
- (3) Incorporated by reference to exhibit the Registrant's Quarterly Report on Form 10-Q for the quarter ended May 31, 1994.
- (4) Incorporated by reference to exhibit the Registrant's Annual Report on Form 10-K for the fiscal year ended August 31, 1997.
- (5) Indicates management compensatory plan, contract or arrangement.

SCHEDULE VIII

JABIL CIRCUIT, INC. AND SUBSIDIARIES

SCHEDULE OF VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)

	BALANCE AT BEGINNING OF PERIOD -----	ADDITIONS CHARGED TO COST AND EXPENSE -----	WRITE-OFFS -----	BALANCE AT END OF PERIOD -----
YEAR ENDED AUGUST 31, 1996:				
Allowance for uncollectible accounts receivable...	\$ 669	\$ 501	--	\$1,170
Reserve for excess and obsolete inventory.....	\$ 973	\$5,178	\$3,850	\$2,301
	=====	=====	=====	=====
YEAR ENDED AUGUST 31, 1997:				
Allowance for uncollectible accounts receivable...	\$1,170	\$1,520	--	\$2,690
Reserve for excess and obsolete inventory.....	\$2,301	\$3,690	\$1,248	\$4,743
	=====	=====	=====	=====
YEAR ENDED AUGUST 31, 1998:				
Allowance for uncollectible accounts receivable...	\$2,690	\$1,789	\$1,400	\$3,079
Reserve for excess and obsolete inventory.....	\$4,743	\$7,026	\$3,432	\$8,337
	=====	=====	=====	=====

LEASE AGREEMENT
(NNN R&D)
BASIC LEASE INFORMATION

LEASE DATE: May 12, 1998

LANDLORD: Lincoln-RECP Great Oaks OPCO, LLC,
a Delaware limited liability company

LANDLORD'S ADDRESS: c/o LPC MS, Inc.
101 Lincoln Centre Drive, Fourth Floor
Foster City, California 94404-1167

TENANT: Jabil Circuit, Inc., a Delaware corporation

TENANT'S ADDRESS: 10800 Roosevelt Blvd.
St. Petersburg, FL 33716

PREMISES: The Premises consists of (i) certain real property
located on Great Oaks Boulevard, San Jose,
California ("Land") and (ii) certain improvements
consisting of a building ("Building") containing
approximately 181,736 rentable square feet as shown
on Exhibit A

PREMISES ADDRESS: 30-32 Great Oaks Blvd.
San Jose, California 95119

BUILDING: Approximately 181,736 rentable square feet
BUILDING'S TAX PARCEL: APN 706-10-26

TERM: August 15, 1998 ("Commencement Date"), through
August 14, 2008 ("Expiration Date")

BASE RENT (3): One Hundred Sixty Four Thousand Nine Hundred Twenty
Five and 42/100 Dollars (\$164,925.42) per month
commencing August 15, 1998 through August 14, 1999.

ADJUSTMENTS TO BASE RENT: Effective August 15, 1999, the Base Rent shall increase to
\$187,642.40 per month through August 14, 2003

Effective August 15, 2003, the Base Rent shall
increase to \$228,533.02 per month through August 14,
2008

SECURITY DEPOSIT (4): Intentionally omitted.

PERMITTED USES (9): The Premises shall be used for the engineering,
research and development, light manufacturing and
associated production of circuit board and systems, but
only to the extent permitted by the city of San Jose
and all agencies and governmental authorities having
jurisdiction thereof.

PARKING SPACES: Five hundred forty (540) spaces

BROKER (38): Bishop Hawk for Tenant
CPS for Landlord

EXHIBITS: Exhibit A - Premises and Building
Exhibit B - Tenant Improvements
Exhibit C - Rules and Regulations
Exhibit D - Covenants Conditions and Restrictions (Intentionally Omitted)
Exhibit E - Hazardous Materials Disclosure Certificate - Example
Exhibit F - Change of Commencement Date - Example
Exhibit G - Tenant's Initial Hazardous Materials Disclosure Certificate

Addenda: Addendum 1: Right of First Offer to Purchase
Addendum 2: Purchase and Sale Agreement

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LEASE AGREEMENT

DATE: This Lease is made and entered into as of the Lease Date set forth on Page 1. The Basic Lease Information set forth on Page 1 and this Lease are and shall be construed as a single instrument.

1. PREMISES: Subject to the terms of this Lease, Landlord hereby leases the Premises to Tenant upon the terms and conditions contained herein. The term "Premises" as used herein shall mean and refer to the Building and the Land. Landlord and Tenant hereby agree that for purposes of this Lease, as of the Lease Date, the rentable square footage area of the Premises and the Building shall be deemed to be the number of rentable square feet as set forth in the Basic Lease Information on Page 1.

2. ADJUSTMENT OF COMMENCEMENT DATE; CONDITION OF THE PREMISES:

If Landlord cannot deliver possession of the Premises on the Commencement Date, Landlord shall not be subject to any liability nor shall the validity of the Lease be affected; provided, the Lease Term and the obligation to pay Rent shall commence on the date possession is tendered and the Expiration Date shall be extended commensurately. In the event the commencement date and/or the expiration date of this Lease is other than the Commencement Date and/or Expiration Date specified in the Basic Lease Information, as the case may be, Landlord and Tenant shall execute a written amendment to this Lease, substantially in the form of Exhibit F hereto, wherein the parties shall specify the actual commencement date, expiration date and the date on which Tenant is to commence paying Rent. The word "Term" whenever used herein refers to the initial term of this Lease and any extension thereof. By taking possession of the Premises, Tenant shall be deemed to have accepted the Premises in good condition and state of repair. Tenant hereby acknowledges and agrees that neither Landlord nor Landlord's agents or representatives has made any representations or warranties as to the suitability, safety or fitness of the Premises for the conduct of Tenant's business, Tenant's intended use of the Premises or for any other purpose. If, at any time, Tenant is in default of any term, condition or provision of this Lease, any such waiver by Landlord of Tenant's requirement to pay rental payments shall be null and void and Tenant shall immediately pay to Landlord all rental payments so waived by Landlord.

3. RENT: On the date that Tenant executes this Lease, Tenant shall deliver to Landlord the original executed Lease, one (1) month's Base Rent and Operating Expenses (which shall be applied against the Rent payable for the first month Tenant is required to pay Rent), and all insurance certificates evidencing the insurance required to be obtained by Tenant under Section 12 of this Lease. Tenant agrees to pay Landlord, without prior notice or demand, or abatement, offset, deduction or claim, the Base Rent as and when specified in the Basic Lease Information payable in advance at Landlord's address specified in the Basic Lease Information on the first (1st) day of each month of the Term of the Lease. In addition to the Base Rent set forth in the Basic Lease Information, Tenant shall pay Landlord in advance on the Commencement Date and thereafter on the first (1st) day of each month throughout the balance of the Term of this Lease, as Additional Rent, Operating Expenses, Tax Expenses, and Utility Expenses. Tenant shall also pay to Landlord as Additional Rent hereunder, immediately on Landlord's demand therefor, any and all costs and expenses incurred by Landlord to enforce the provisions of this Lease, including, but not limited to, costs associated with the delivery of notices, delivery and recordation of notice(s) of default, attorneys' fees, expert fees, court costs and filing fees (collectively, the "Enforcement Expenses"). The term "Rent" whenever used herein refers to the aggregate of all these amounts. If Landlord permits Tenant to occupy the Premises without requiring Tenant to pay rental payments for a period of time, the waiver of the requirement to pay rental payments shall only apply to waiver of the Base Rent and Tenant shall otherwise perform all other obligations of Tenant required hereunder. The Rent for any fractional part of a calendar month shall be a prorated amount of the Rent for a full calendar month based upon a thirty (30) day month. The prorated Rent shall be paid on the Commencement Date (and applied to the Rent due and owing for the second month of the Term) and the first day of the calendar month in which the date of termination occurs, as the case may be.

4. SECURITY DEPOSIT: Intentionally omitted.

5. TENANT IMPROVEMENTS: Tenant hereby accepts the Premises as suitable for Tenant's intended use and as being in good operating order, condition and repair, "AS IS", except as specified in Section 2 and in Exhibit B attached hereto. Tenant shall install and construct the Tenant Improvements (as such term is defined in Exhibit B hereto) in accordance with the terms, conditions, criteria and provisions set forth in Exhibit B. Landlord and Tenant hereby agree to and shall be bound by the terms, conditions and provisions of Exhibit B. Tenant acknowledges and agrees that neither Landlord nor any of Landlord's

agents, representatives or employees has made any representations as to the suitability, fitness or condition of the Premises for conduct of Tenant's business or for any other purpose, including without limitation, any storage

incidental thereto. Any exception to the foregoing provisions must be made by express written agreement by both parties.

6. ADDITIONAL RENT: It is intended by Landlord and Tenant that this Lease be a "triple net lease." The costs and expenses described in this Section 6 and all other sums, charges, costs and expenses specified in this Lease other than Base Rent are to be paid by Tenant to Landlord as additional rent (collectively, "Additional Rent").

6.1 OPERATING EXPENSES: In addition to the Base Rent set forth in Section 3, Tenant shall pay all Operating Expenses as Additional Rent. The term "Operating Expenses" as used herein shall mean the total amounts paid or payable by Landlord in connection with the ownership, maintenance, repair and operation of the Premises and the Building. These Operating Expenses may include, but are not limited to:

6.1.1 Landlord's cost of repairs to, and maintenance of, the non-structural portion of the roof, the roof membrane and the non-structural portions of the exterior walls of the Building:

6.1.2 Landlord's cost of maintaining the outside paved area and landscaping.

6.1.3 Landlord's annual cost of insurance insuring against fire and extended coverage (including, if Landlord elects, "all risk" or "special purpose" coverage) and all other insurance, including, but not limited to, earthquake, flood and/or surface water endorsements for the Building, rental value insurance against loss of Rent in an amount equal to the amount of Rent for a period of at least six (6) months commencing on the date of loss, and subject to the provisions of Section 27 below, any deductible;

6.1.4 Landlord's cost of: (i) modifications and/or new improvements to the Building or Premises occasioned by any rules, laws or regulations effective subsequent to the date on which the Building was originally constructed; (ii) reasonably necessary replacement improvements to the Building or Premises after the Lease Date; and (iii) new improvements to the Building or the Premises that reduce operating costs or improve life/safety conditions, all as reasonably determined by Landlord, in its sole discretion;

6.1.5 If Landlord elects to so procure, Landlord's cost of preventative maintenance, and repair contracts including, but not limited to, contracts for elevator systems and heating, ventilation and air conditioning systems, lifts for disabled persons, and trash or refuse collection;

6.1.6 Landlord's cost of security and fire protection services for the Building and/or Premises, as the case may be, if in Landlord's sole discretion such services are provided;

6.1.7 Landlord's cost of supplies, equipment, rental equipment and other similar items used in the operation and/or maintenance of the Premises;

6.1.8 Landlord's cost for the repairs and maintenance items set forth in Section 11.2 below; and

6.1.9 Landlord's cost for the management and administration of the Premises and the Building, including without limitation, a property management fee, accounting, auditing, billing, salaries for clerical and supervisory employees and all fees, licenses and permits related to the ownership, operation and management of any portion of the Premises in an amount not to exceed three percent (3 %) of the Rent, excluding for purposes of calculating this sum, the costs described in this Section 6.1.9.

6.2 TAX EXPENSES: In addition to the Base Rent set forth in Section 3, Tenant shall pay all real property taxes applicable to the Premises and one hundred percent (100%) of all personal property taxes now or hereafter assessed or levied against the Premises or Tenant's personal property. Tenant shall also pay one hundred percent (100%) of any increase in real property taxes attributable, in Landlord's sole discretion, to any and all alterations, Tenant Improvements or other improvements of any kind, which are above standard improvements customarily installed for similar buildings whatsoever placed in,

on or about the Premises for the benefit of, at the request of, or by Tenant. The term "Tax Expenses" shall mean and include, without limitation, any form of tax and assessment (general, special, supplemental, ordinary or extraordinary), commercial rental tax, payments under any improvement bond or bonds, license fees, license tax, business license fee, rental tax, transaction tax, levy, or penalty imposed by authority having the direct or indirect power of tax (including any city, county, state or

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federal government, or any school, agricultural, lighting, drainage or other improvement district thereof) as against any legal or equitable interest of Landlord in the Premises or the Building, as against Landlord's right to rent, or as against Landlord's business of leasing the Premises or the occupancy of Tenant or any other tax, fee, or excise, however described, including, but not limited to, any value added tax, or any tax imposed in substitution (partially or totally) of any tax previously included within the definition of real property taxes, or any additional tax the nature of which was previously included within the definition of real property taxes. The term "Tax Expenses" shall not include any franchise, estate, inheritance, net income, or excess profits tax imposed upon Landlord.

6.3 PAYMENT OF EXPENSES: Landlord shall estimate Operating Expenses and Tax Expenses for the calendar year in which the Lease commences. Commencing on the Commencement Date, one-twelfth (1/12th) of this estimated amount shall be paid by Tenant to Landlord, as Additional Rent, and thereafter on the first (1st) day of each month throughout the remaining months of such calendar year. Thereafter, Landlord may estimate such expenses as of the beginning of each calendar year during the Term of this Lease and Tenant shall pay one-twelfth (1/12th) of such estimated amount as Additional Rent hereunder on the first (1st) day of each month during such calendar year and for each ensuing calendar year throughout the Term of this Lease. Tenant's obligation to pay Operating Expenses and Tax Expenses shall survive the expiration or earlier termination of this Lease.

6.4 ANNUAL RECONCILIATION: By June 30th of each calendar year, or as soon thereafter as reasonably possible, Landlord shall furnish Tenant with an accounting of actual Operating Expenses and Tax Expenses. Within thirty (30) days of Landlord's delivery of such accounting, Tenant shall pay to Landlord the amount of any underpayment. Notwithstanding the foregoing, failure by Landlord to give such accounting by such date shall not constitute a waiver by Landlord of its right to collect any of Tenant's underpayment at any time. Landlord shall credit the amount of any overpayment by Tenant toward the next estimated monthly installment(s) falling due, or where the Term of the Lease has expired, refund the amount of overpayment to Tenant. If the Term of the Lease expires prior to the annual reconciliation of expenses Landlord shall have the right to reasonably estimate such expenses, and if Landlord determines that an underpayment is due, Tenant hereby agrees that Landlord shall be entitled to deduct such underpayment from Tenant's Security Deposit. If Landlord reasonably determines that an overpayment has been made by Tenant, Landlord shall refund said overpayment to Tenant as soon as practicable thereafter; however, in no event later than ninety (90) days. Notwithstanding the foregoing, failure of Landlord to accurately estimate such expenses or to otherwise perform such reconciliation of expenses, including without limitation, Landlord's failure to deduct any portion of any underpayment from Tenant's Security Deposit, shall not constitute a waiver of Landlord's right to collect any of Tenant's underpayment at any time during the Term of the Lease or at any time after the expiration or earlier termination of this Lease.

6.5 AUDIT: After delivery to Landlord of at least thirty (30) days prior written notice, Tenant, at its sole cost and expense through any accountant designated by it, shall have the right to examine and/or audit the books and records evidencing such costs and expenses for the previous one (1) calendar year, during Landlord's reasonable business hours but not more frequently than once during any calendar year. Any such accounting firm designated by Tenant may not be compensated on a contingency fee basis. The results of any such audit (and any negotiations between the parties related thereto) shall be maintained strictly confidential by Tenant and its accounting firm and shall not be disclosed, published or otherwise disseminated to any other party other than to Landlord and its authorized agents. Landlord and Tenant shall use their best efforts to cooperate in such negotiations and to

promptly resolve any discrepancies between Landlord and Tenant in the accounting of such costs and expenses.

7. UTILITIES: Utility Expenses and all other sums or charges set forth in this Section 7 are considered part of Additional Rent. In addition to the Base Rent set forth in Section 3 hereof, Tenant shall pay directly the cost of all water, sewer use, sewer discharge fees and sewer connection fees, gas, heat, electricity, refuse pickup, janitorial service, telephone and other utilities billed or metered separately to the Premises and/or Tenant. Tenant shall also pay any assessments or charges for utility or similar purposes included within any tax bill for the Premises, including, without limitation, entitlement fees, allocation unit fees, and/or any similar fees or charges, and any penalties related thereto. For any such utility fees or use charges that are not billed or metered separately to Tenant, including without limitation, water and refuse pick up charges, Tenant shall pay to Landlord, as Additional Rent, without prior notice or demand, on the Commencement Date and thereafter on the first (1st) day of each month throughout the balance of the Term of this Lease the amount which is attributable to Tenant's use of the utilities or similar services ("Utility Expenses"). Tenant acknowledges that the Premises may become subject to the rationing of utility services or restrictions on utility use as required by a public utility company, governmental agency or other similar entity having jurisdiction thereof. Notwithstanding any such rationing or restrictions on use of any such utility services, Tenant acknowledges and agrees that its tenancy and occupancy hereunder shall be subject to such rationing restrictions as may be imposed upon Landlord, Tenant, the Premises or the Building, and Tenant shall in no event be excused or relieved from

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any covenant or obligation to be kept or performed by Tenant by reason of any such rationing or restrictions. Tenant further agrees to timely and faithfully pay, prior to delinquency, any amount, tax, charge, surcharge, assessment or imposition levied, assessed or imposed upon the Premises, or Tenant's use and occupancy thereof. Notwithstanding anything to the contrary contained herein, if permitted by applicable Laws, Landlord shall have the right at any time and from time to time during the Term of this Lease to either contract for service from a different company or companies (each such company shall be referred to herein as an "Alternate Service Provider") other than the company or companies presently providing electricity service for the Building (the "Electric Service Provider.") or continue to contract for service from the Electric Service Provider, at Landlord's sole discretion. Tenant hereby agrees to cooperate with Landlord, the Electric Service Provider, and any Alternate Service Provider at all times and, as reasonably necessary, shall allow Landlord, the Electric Service Provider, and any Alternate Service Provider reasonable access to the Building's electric lines, feeders, risers, wiring, and any other machinery within the Premises.

8. LATE CHARGES: Any and all sums or charges set forth in this Section 8 are considered part of Additional Rent. Tenant acknowledges that late payment (the fifth day of each month or any time thereafter) by Tenant to Landlord of Base Rent, Operating Expenses, Tax Expenses and Utility Expenses or other sums due hereunder, will cause Landlord to incur costs not contemplated by this Lease, the exact amount of such costs being extremely difficult and impracticable to fix. Such costs include, without limitation, processing and accounting charges, and late charges that may be imposed on Landlord by the terms of any note secured by any encumbrance against the Premises, and late charges and penalties due to the late payment of real property taxes on the Premises. Therefore, if any installment of Rent or any other sum due from Tenant is not received by Landlord within four (4) days of when due, Tenant shall promptly pay to Landlord all of the following, as applicable: (a) an additional sum equal to ten percent (10%) of such delinquent amount, (b) the amount of seventy-five dollars (\$75) for each three-day notice prepared for, or served on, Tenant, (c) the amount of fifty dollars (\$50) relating to checks for which there are not sufficient funds. If Tenant delivers to Landlord a check for which there are not sufficient funds, Landlord may, at its sole option, require Tenant to replace such check with a cashier's check for the amount of such check and all other charges payable hereunder. The parties agree that this late charge and the other charges referenced above represent a fair and reasonable estimate of the costs that Landlord will incur by reason of late payment by Tenant. Acceptance of any late charge or other charges shall not

constitute a waiver by Landlord of Tenant's default with respect to the delinquent amount, nor prevent Landlord from exercising any of the other rights and remedies available to Landlord for any other breach of Tenant under this Lease. If a late charge or other charge becomes payable for any three (3) installments of Rent within any twelve (12) month period, then Landlord, at Landlord's sole option, can either require the Rent be paid quarterly in advance, or be paid monthly in advance by cashier's check or by electronic funds transfer.

9. USE OF PREMISES:

9.1 COMPLIANCE WITH LAWS, RECORDED MATTERS, AND RULES AND REGULATIONS: The Premises are to be used solely for the purposes and uses specified in the Basic Lease Information and for no other uses or purposes without Landlord's prior written consent, which consent shall not be unreasonably withheld or delayed so long as the proposed use (i) does not involve the use of Hazardous Materials other than as expressly permitted under the provisions of Section 29 below, (ii) does not require any additional parking in excess of the parking spaces already licensed to Tenant pursuant to the provisions of Section 24 of this Lease, and (iii) is compatible and consistent with the other uses then being made in other similar types of buildings in the vicinity of the Building, as reasonably determined by Landlord. The use of the Premises by Tenant and its employees, representatives, agents, invitees, licensees, subtenants, customers or contractors (collectively, "Tenant's Representatives") shall be subject to, and at all times in compliance with, (a) any and all applicable laws, ordinances, statutes, orders and regulations as same exist from time to time (collectively, the "Laws"). (b) any and all documents, matters or instruments, including without limitation, any declarations of covenants, conditions and restrictions, and any supplements thereto, each of which has been or hereafter is recorded in any official or public records with respect to the Premises and/or the Building, or any portion thereof (collectively, the "Recorded Matters"), and (c) any and all rules and regulations set forth in Exhibit C, attached to and made a part of this lease and any other reasonable rules and regulations promulgated by Landlord now or hereafter enacted relating to parking and the operation of the Premises and the Building (collectively, the "Rules and Regulations"). Tenant agrees to, and does hereby, assume full and complete responsibility to ensure that the Premises are adequate to fully meet the needs and requirements of Tenant's intended operations of its business within the Premises, and Tenant's use of the Premises and that same are in compliance with all applicable Laws throughout the Term of this Lease. Additionally, Tenant shall be solely responsible for the payment of all costs, fees and expenses associated with any modifications, improvements or alterations to the Premises and the Building occasioned by the enactment of, or changes to, any Laws arising from

Tenant's particular use of the Premises or alterations, improvements or additions made to the Premises regardless of when such Laws became effective.

9.2 PROHIBITION ON USE: Tenant shall not use the Premises or permit anything to be done in or about the Premises nor keep or bring anything therein which will in any way conflict with any of the requirements of the Board of Fire Underwriters or similar body now or hereafter constituted or in any way increase the existing rate of or affect any policy of fire or other insurance upon the Building or any of its contents, or cause a cancellation of any insurance policy. No auctions may be held or otherwise conducted in, on or about the Premises or the Building without Landlord's written consent thereto. which consent may be given or withheld in Landlord's sole discretion. Tenant shall not do or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the rights of Landlord, other persons or businesses in the area, or use or allow the Premises to be used for any unlawful or objectionable purpose, as determined by Landlord; nor shall Tenant cause, maintain or permit any private or public nuisance in, on or about the Premises and/or the Building, including, but not limited to, any offensive odors, noises, fumes or vibrations. Tenant shall not damage or deface or otherwise commit or suffer to be committed any waste in, upon or about the Premises. Tenant shall not place or store, nor permit any other person or entity to place or store, any property, equipment, materials, supplies, personal property or any other items or goods outside of the Premises for any

period of time. Tenant shall not permit any animals, including, but not limited to, any household pets, to be brought or kept in or about the Premises. Tenant shall place no loads upon the floors, walls, or ceilings in excess of the maximum designed load permitted by the applicable Uniform Building Code or which may damage the Building or outside areas; nor place any harmful liquids in the drainage systems; nor dump or store waste materials, refuse or other such materials, or allow such to remain outside the Building area, except for any non-hazardous or non-harmful materials which may be stored in refuse dumpsters or in any enclosed trash areas provided. Tenant shall honor the terms of all Recorded Matters relating to the Premises and/or the Building. Tenant shall honor the Rules and Regulations. If Tenant fails to comply with such Laws, Recorded Matters, Rules and Regulations or the provisions of this Lease, Landlord shall have the right to collect from Tenant a reasonable sum as a penalty, in addition to all rights and remedies of Landlord hereunder including, but not limited to, the payment by Tenant to Landlord of all Enforcement Expenses and Landlord's costs and expenses, if any, to cure any of such failures of Tenant, if Landlord, at its sole option, elects to undertake such cure.

10. ALTERATIONS AND ADDITIONS; AND SURRENDER OF PREMISES:

10.1 Alterations and Additions: Tenant shall not install any signs, fixtures, improvements, nor make or permit any other alterations or additions to the Premises without the prior written consent of Landlord. If any such alteration or addition is expressly permitted by Landlord, Tenant shall deliver at least twenty (20) days prior notice to Landlord, from the date Tenant intends to commence construction, sufficient to enable Landlord to post a Notice of Non-Responsibility. In all events, Tenant shall obtain all permits or other governmental approvals prior to commencing any of such work and deliver a copy of same to Landlord. All alterations and additions shall be installed by a licensed contractor approved by Landlord, at Tenant's sole expense in compliance with all applicable Laws (including, but not limited to, the ADA as defined herein), Recorded Matters, and Rules and Regulations. Tenant shall keep the Premises and the property on which the Premises are situated free from any liens arising out of any work performed, materials furnished or obligations incurred by or on behalf of Tenant. As a condition to Landlord's consent to the installation of any fixtures, additions or other improvements, Landlord may require Tenant to post and obtain a completion and indemnity bond for up to one hundred fifty percent (150%) of the cost of the work.

10.2 SURRENDER OF PREMISES: Upon the termination of this Lease, whether by forfeiture, lapse of time or otherwise, or upon the termination of Tenant's right to possession of the Premises, Tenant will at once surrender and deliver up the Premises, together with the fixtures (other than trade fixtures), additions and improvements which Landlord has notified Tenant, in writing, that Landlord will require Tenant not to remove, to Landlord in good condition and repair (including, but not limited to, replacing all light bulbs and ballasts not in good working condition) and in the condition in which the Premises existed as of the Commencement Date, except for reasonable wear and tear. Reasonable wear and tear shall not include any damage or deterioration to the floors of the Premises arising from the use of forklifts in, on or about the Premises (including, without limitation, any marks or stains of any portion of the floors), and any damage or deterioration that would have been prevented by proper maintenance by Tenant or Tenant otherwise performing all of its obligations under this Lease. Upon such termination of this Lease, Tenant shall remove all tenant signage, trade fixtures, furniture, furnishings, personal property, additions, and other improvements unless Landlord requests, in writing, that Tenant not remove some or all of such fixtures (other than trade fixtures), additions or improvements installed by, or on behalf of Tenant or situated in or about the Premises. By the date which is one hundred eighty (180) days prior to such termination of this Lease, Landlord shall notify Tenant in writing of those fixtures (other than trade fixtures), alterations, additions and other improvements which Landlord shall require

Tenant not to remove from the Premises. Tenant shall repair any damage caused by the installation or removal of such signs, trade fixtures, furniture, furnishings, fixtures, additions and improvements are to be removed from the Premises by Tenant hereunder. If Landlord fails to so notify Tenant at least twenty (20) days prior to such termination of this Lease, then Tenant shall

remove all tenant signage, alterations, furniture, furnishings, trade fixtures, additions and other improvements (other than the Tenant Improvements) installed in or about the Premises by, or on behalf of Tenant. Tenant shall ensure that the removal of such items and the repair of the Premises will be completed prior to such termination of this Lease.

11. REPAIRS AND MAINTENANCE:

11.1 TENANT'S REPAIRS AND MAINTENANCE OBLIGATIONS: Except for those portions of the Building to be maintained by Landlord, as provided in Sections 11.2 and 11.3 below, Tenant shall, at Tenant's sole cost and expense, keep and maintain the Premises and the adjacent dock and staging areas in good, clean and safe condition and repair to the reasonable satisfaction of Landlord including, but not limited to, repairing any damage caused by Tenant or Tenant's Representatives and replacing any property so damaged by Tenant or Tenant's Representatives. Without limiting the generality of the foregoing, Tenant shall be solely responsible for maintaining, repairing and replacing (a) all mechanical systems, heating, ventilation and air conditioning systems exclusively serving the Premises, (b) all plumbing, electrical wiring and equipment serving the Premises, (c) all interior lighting (including, without limitation, light bulbs and/or ballasts) and exterior lighting serving the Premises or adjacent to the Premises, (d) all glass, windows, window frames, window casements, skylights, interior and exterior doors, door frames and door closers, (e) all roll-up doors, ramps and dock equipment, including without limitation, dock bumpers, dock plates, dock seals, dock levelers and dock lights, (f) all tenant signage, (g) lifts for disabled persons serving the Premises, (h) sprinkler systems, fire protection systems and security systems, (i) all partitions, fixtures, equipment, interior painting, and interior walls and non-structural portions of the floors of the Premises and every part thereof (including, without limitation, any demising walls contiguous to any portion of the Premises).

11.2 REIMBURSABLE REPAIRS AND MAINTENANCE OBLIGATIONS: Subject to the provisions of Sections 6 and 9 of this Lease and except for (i) the obligations of Tenant set forth in Section 11.1 above, (ii) the obligations of Landlord set forth in Section 11.3 below, and (iii) the repairs rendered necessary by the intentional or negligent acts or omissions of Tenant or any of Tenant's Representatives, Landlord agrees, at Landlord's expense, subject to reimbursement pursuant to Section 6 above, to keep in good repair the plumbing and mechanical systems exterior to the Premises, the non-structural portions of the roof, roof membranes, the non-structural portion of the exterior walls of the Building, signage (exclusive of tenant signage), and exterior electrical wiring and equipment, exterior lighting, exterior glass, exterior doors/entrances and door closers, exterior window casements, exterior painting of the Building (exclusive of the Premises), and underground utility and sewer pipes outside the exterior walls of the Building. For purposes of this Section 11.2, the term "exterior" shall mean outside of and not exclusively serving the Premises. Unless otherwise notified by Landlord, in writing, that Landlord has elected to procure and maintain the following described contract(s), Tenant shall procure and maintain (a) the heating, ventilation and air conditioning systems preventative maintenance and repair contract(s); such contract(s) to be on a bi-monthly or quarterly basis, as reasonably determined by Landlord, and (b) the fire and sprinkler protection services and preventative maintenance and repair contract(s) (including, without limitation, monitoring services); such contract(s) to be on a bi-monthly or quarterly basis, as reasonably determined by Landlord. Landlord reserves the right, but without the obligation to do so, to procure and maintain (i) the heating, ventilation and air conditioning systems preventative maintenance and repair contract(s), and/or (ii) the fire and sprinkler protection services and preventative maintenance and repair contract(s) (including, without limitation, monitoring services). If Landlord so elects to procure and maintain any such contract(s), Tenant will reimburse Landlord for the cost thereof in accordance with the provisions of Section 6 above. If Tenant procures and maintains any of such contract(s), Tenant will promptly deliver to Landlord a true and complete copy of each such contract and any and all renewals or extensions thereof, and each service report or other summary received by Tenant pursuant to or in connection with such contract(s).

11.3 LANDLORD'S REPAIRS AND MAINTENANCE OBLIGATIONS: Except for repairs rendered necessary by the intentional or negligent acts or omissions of Tenant or any of Tenant's Representatives, Landlord agrees, at Landlord's sole cost and expense, to (a) keep in good repair the structural portions of the floors, foundations and exterior perimeter walls of the Building (exclusive of glass and exterior doors), and (b) replace the structural portions of the roof of the Building (excluding the roof membrane) as, and when, Landlord determines such replacement to be necessary in Landlord's reasonable discretion.

11.4 TENANT'S FAILURE TO PERFORM REPAIRS AND MAINTENANCE

OBLIGATIONS: Except for normal maintenance and repair of the items described above Tenant shall have no right of access to or right to install any device on the roof of the Building nor make any penetrations of the roof of the Building

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without the express prior written consent of Landlord. If Tenant refuses or neglects to repair and maintain the Premises and the adjacent areas properly as required herein and to the reasonable satisfaction of Landlord, Landlord may, but without obligation to do so, at any time make such repairs and/or maintenance without Landlord having any liability to Tenant for any loss or damage that may accrue to Tenant's merchandise, fixtures or other property, or to Tenant's business by reason thereof, except to the extent any damage is caused by the willful misconduct or gross negligence of Landlord or its authorized agents and representatives. In the event Landlord makes such repairs and/or maintenance, upon completion thereof Tenant shall pay to Landlord, as additional rent, the Landlord's costs for making such repairs and/or maintenance, plus twenty percent (20%) for overhead, upon presentation of a bill therefor, plus any Enforcement Expenses. The obligations of Tenant hereunder shall survive the expiration of the Term of this Lease or the earlier termination thereof. Tenant hereby waives any right to repair at the expense of Landlord under any applicable Laws now or hereafter in effect respecting the Premises.

12. INSURANCE:

12.1 TYPES OF INSURANCE: Tenant shall maintain in full force and effect at all times during the Term of this Lease, at Tenant's sole cost and expense, for the protection of Tenant and Landlord, as their interests may appear, policies of insurance issued by a carrier or carriers reasonably acceptable to Landlord and its lender(s) which afford the following coverages: (i) worker's compensation: statutory limits; (ii) employer's liability, as required by law, with a minimum limit of \$100,000 per employee and \$500,000 per occurrence; (iii) commercial general liability insurance (occurrence form) providing coverage against any and all claims for bodily injury and property damage occurring in, on or about the Premises arising out of Tenant's and Tenant's Representatives' use and/or occupancy of the Premises. Such insurance shall include coverage for blanket contractual liability, fire damage, premises, personal injury, completed operations, products liability, personal and advertising. Such insurance shall have a combined single limit of not less than One Million Dollars (\$1,000,000) per occurrence with a Two Million Dollar (\$2,000,000) aggregate limit and excess/umbrella insurance in the amount of Two Million Dollars (\$2,000,000). If Tenant has other locations which it owns or leases, the policy shall include an aggregate limit per location endorsement. If necessary, as reasonably determined by Landlord, Tenant shall provide for restoration of the aggregate limit; (iv) comprehensive automobile liability insurance: a combined single limit of not less than \$2,000,000 per occurrence and insuring Tenant against liability for claims arising out of the ownership, maintenance, or use of any owned, hired or non-owned automobiles; (v) "all risk" or "special purpose" property insurance, including without limitation, sprinkler leakage, boiler and machinery comprehensive form, if applicable, covering damage to or loss of any personal property, trade fixtures, inventory, fixtures and equipment located in, on or about the Premises, and in addition, coverage for flood, earthquake, and business interruption of Tenant, together with, if the property of Tenant's invitees is to be kept in the Premises, warehouse's legal liability or bailee customers insurance for the full replacement cost of the property belonging to invitees and located in the Premises. Such insurance shall be written on a replacement cost basis (without deduction for depreciation) in an amount equal to one hundred percent (100%) of the full replacement value of the aggregate of the items referred to in this subparagraph (v); and (vi) such other insurance as Landlord deems necessary and prudent or as may otherwise be required by any of Landlord's lenders or joint venture partners.

12.2 INSURANCE POLICIES: Insurance required to be maintained by Tenant shall be written by companies (i) licensed to do business in the State of California, (ii) domiciled in the United States of America, and (iii) having a "General Policyholders Rating" of at least A:X (or such higher rating as may be required by a lender having a lien on the Premises) as set forth in the most

current issue of "A.M. Best's Rating Guides." Any deductible amounts under any of the insurance policies required hereunder shall not exceed Twenty-Five Thousand (\$25,000). Tenant shall deliver to Landlord certificates of insurance and true and complete copies of any and all endorsements required herein for all insurance required to be maintained by Tenant hereunder at the time of execution of this Lease by Tenant. Tenant shall, at least thirty (30) days prior to expiration of each policy, furnish Landlord with certificates of renewal or "binders" thereof. Each certificate shall expressly provide that such policies shall not be cancelable or otherwise subject to modification except after thirty (30) days prior written notice to the parties named as additional insureds as required in this Lease (except for cancellation for nonpayment of premium, in which event cancellation shall not take effect until at least ten (10) days' notice has been given to Landlord). Tenant shall have the right to provide insurance coverage which it is obligated to carry pursuant to the terms of this Lease under a blanket insurance policy, provided such blanket policy expressly affords coverage for the Premises and for Landlord as required by this Lease.

12.3 ADDITIONAL INSURED AND COVERAGE: Landlord, any property management company and/or agent of Landlord for the Premises or the Building, and any lender(s) of Landlord having a lien against the Premises or the Building shall be named as additional insureds under all of the policies

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required in Section 12.1 (iii) above. Additionally, such policies shall provide for severability of interest. All insurance to be maintained by Tenant shall, except for workers' compensation and employer's liability insurance, be primary, without right of contribution from insurance maintained by Landlord. Any umbrella/excess liability policy (which shall be in "following form") shall provide that if the underlying aggregate is exhausted, the excess coverage will drop down as primary insurance. The limits of insurance maintained by Tenant shall not limit Tenant's liability under this Lease. It is the parties' intention that the insurance to be procured and maintained by Tenant as required herein shall provide coverage for any and all damage or injury arising from or related to Tenant's operations of its business and/or Tenant's or Tenant's Representatives' use of the Premises and/or the Building, whether such events occur within the Building or in any other areas of the Premises. It is not contemplated or anticipated by the parties that the aforementioned risks of loss be borne by Landlord's insurance carriers, rather it is contemplated and anticipated by Landlord and Tenant that such risks of loss be borne by Tenant's insurance carriers pursuant to the insurance policies procured and maintained by Tenant as required herein.

12.4 FAILURE OF TENANT TO PURCHASE AND MAINTAIN INSURANCE: In the event Tenant does not purchase the insurance required in this Lease or keep the same in full force and effect throughout the Term of this lease (including any renewals or extensions), Landlord may, but without obligation to do so, purchase the necessary insurance and pay the premiums therefor. If Landlord so elects to purchase such insurance, Tenant shall promptly pay to Landlord as Additional Rent, the amount so paid by Landlord, upon Landlord's demand therefor. In addition, Landlord may recover from Tenant and Tenant agrees to pay, as Additional Rent, any and all Enforcement Expenses and damages which Landlord may sustain by reason of Tenant's failure to obtain and maintain such insurance. If Tenant fails to maintain any insurance required in this Lease, Tenant shall be liable for all losses, damages and costs resulting from such failure.

13. WAIVER OF SUBROGATION: Landlord and Tenant hereby mutually waive their respective rights of recovery against each other for any loss of, or damage to, either parties' property to the extent that such loss or damage is insured by an insurance policy required to be in effect at the time of such loss or damage. Each party shall obtain any special endorsements, if required by its insurer whereby the insurer waives its rights of subrogation against the other party. This provision is intended to waive fully, and for the benefit of the parties hereto, any rights and/or claims which might give rise to a right of subrogation in favor of any insurance carrier. The coverage obtained by Tenant pursuant to Section 12 of this Lease shall include, without limitation, a waiver of subrogation endorsement attached to the certificate of insurance. The provisions of this Section 13 shall not apply in those instances in which such waiver of subrogation would invalidate such insurance coverage or would cause

either party's insurance coverage to be voided or otherwise uncollectible.

14. LIMITATION OF LIABILITY AND INDEMNITY: Except to the extent of damage resulting from the active gross negligence or willful misconduct of Landlord or its authorized representatives, Tenant agrees to protect, defend (with counsel acceptable to Landlord) and hold Landlord and Landlord's lenders, partners, members, property management company (if other than Landlord), agents, directors, officers, employees, representatives, contractors, shareholders, successors and assigns and each of their respective partners, members, directors, employees, representatives, agents, contractors, shareholders, successors and assigns (collectively, the "Indemnitees") harmless and indemnify the Indemnitees from and against all liabilities, damages, claims, losses, judgments, charges and expenses (including reasonable attorneys' fees, costs of court and expenses necessary in the prosecution or defense of any litigation including the enforcement of this provision) arising from or in any way related to, directly or indirectly, (i) Tenant's or Tenant's Representatives' use of the Premises and/or the Building, (ii) the conduct of Tenant's business, (iii) from any activity, work or thing done, permitted or suffered by Tenant in or about the Premises, (iv) in any way connected with the Premises or with the improvements or personal property therein, including' but not limited to, any liability for injury to person or property of Tenant, Tenant's Representatives, or third party persons, and/or (v) Tenant's failure to perform any covenant or obligation of Tenant under this Lease. Tenant agrees that the obligations of Tenant herein shall survive the expiration or earlier termination of this Lease.

Except to the extent of damage resulting from the active gross negligence or willful misconduct of Landlord or its authorized representatives, to the fullest extent permitted by law, Tenant agrees that neither Landlord nor any of Landlord's lender(s), partners, members, employees, representatives, legal representatives, successors or assigns shall at any time or to any extent whatsoever be liable, responsible or in any way accountable for any loss, liability, injury, death or damage to persons or property which at any time may be suffered or sustained by Tenant or by any person(s) whomsoever who may at any time be using, occupying or visiting the Premises or the Building. Tenant shall not, in any event or circumstance, be permitted to offset or otherwise credit against any payments of Rent required herein for matters for which Landlord may be liable hereunder.

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15. ASSIGNMENT SUBLEASING:

15.1 PROHIBITION: Tenant shall not assign, mortgage, hypothecate, encumber, grant any license or concession, pledge or otherwise transfer this Lease (collectively, "assignment"), in whole or in part, whether voluntarily or involuntarily or by operation of law, nor sublet or permit occupancy by any person other than Tenant of all or any portion of the Premises without first obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld. Tenant hereby agrees that Landlord may withhold its consent to any proposed sublease or assignee if the proposed sublessee or assignee or its business is subject to compliance with additional requirements of the ADA (defined below) and/or Environmental Laws (defined below) beyond those requirements which are applicable to Tenant, unless the proposed sublessee or assignee shall (a) first deliver plans and specifications for complying with such additional requirements and obtain Landlord's written consent thereto, and (b) comply with all Landlord's conditions for or contained in such consent, including without limitation, requirements for security to assure the lien-free completion of such improvements. If Tenant seeks to sublet or assign all or any portion of the Premises, Tenant shall deliver to Landlord at least thirty (30) days prior to the proposed commencement of the sublease or assignment (the "Proposed Effective Date") the following: (i) the name of the proposed assignee or sublessee; (ii) such information as to such assignee's or sublessee's financial responsibility and standing as Landlord may reasonably require; and (iii) the aforementioned plans and specifications, if any. Within ten (10) days after Landlord's receipt of a written request from Tenant that Tenant seeks to sublet or assign all or any portion of the Premises, Landlord shall deliver to Tenant a copy of Landlord's standard form of sublease or assignment agreement (as applicable), which instrument shall be utilized for each proposed sublease or assignment (as applicable), and such instrument shall include a provision whereby the assignee or sublessee assumes all of Tenant's

obligations hereunder and agrees to be bound by the terms hereof. As Additional Rent hereunder, Tenant shall pay to Landlord a fee in the amount of five hundred dollars (\$500) plus Tenant shall reimburse Landlord for actual legal and other expenses incurred by Landlord in connection with any actual or proposed assignment or subletting. In the event the sublease or assignment (1) by itself or taken together with prior sublease(s) or partial assignment(s) covers or totals, as the case may be, more than twenty-five percent (25%) of the rentable square feet of the Premises or (2) is for a term which by itself or taken together with prior or other subleases or partial assignments is greater than fifty percent (50%) of the period remaining in the Term of this Lease as of the time of the Proposed Effective Date, then Landlord shall have the right, to be exercised by giving written notice to Tenant, to recapture the space described in the sublease or assignment. If such recapture notice is given, it shall serve to terminate this Lease with respect to the proposed sublease or assignment space, or, if the proposed sublease or assignment space covers all the Premises, it shall serve to terminate the entire term of this Lease in either case, as of the Proposed Effective Date. However, no termination of this Lease with respect to part or all of the Premises shall become effective without the prior written consent, where necessary, of the holder of each deed of trust encumbering the Premises or any part thereof. If this Lease is terminated pursuant to the foregoing with respect to less than the entire Premises, the Rent shall be adjusted on the basis of the proportion of square feet retained by Tenant to the square feet originally demised and this Lease as so amended shall continue thereafter in full force and effect. Each permitted assignee or sublessee shall assume and be deemed to assume this Lease and shall be and remain liable jointly and severally with Tenant for payment of Rent and for the due performance of, and compliance with all the terms, covenants, conditions and agreements herein contained on Tenant's part to be performed or complied with, for the term of this Lease. No assignment or subletting shall affect the continuing primary liability of Tenant (which, following assignment, shall be joint and several with the assignee), and Tenant shall not be released from performing any of the terms, covenants and conditions of this Lease. Tenant hereby acknowledges and agrees that it understands that Landlord's accounting department may process and accept Rent payments without verifying that such payments are being made by Tenant, a permitted sublessee or a permitted assignee in accordance with the provisions of this Lease. Although such payments may be processed and accepted by such accounting department personnel, any and all actions or omissions by the personnel of Landlord's accounting department shall not be considered as acceptance by Landlord of any proposed assignee or sublessee nor shall such actions or omissions be deemed to be a substitute for the requirement that Tenant obtain Landlord's prior written consent to any such subletting or assignment, and any such actions or omissions by the personnel of Landlord's accounting department shall not be considered as a voluntary relinquishment by Landlord of any of its rights hereunder nor shall any voluntary relinquishment of such rights to be inferred therefrom. For purposes hereof, in the event Tenant is a corporation, partnership, joint venture, trust or other entity other than a natural person, any change in the direct or indirect ownership of Tenant (whether pursuant to one or more transfers) which results in a change of more than fifty percent (50%) except for sales of shares through a regulated public exchange in the direct or indirect ownership of Tenant shall be deemed to be an assignment within the meaning of this Section 15 and shall be subject to all the provisions hereof. Except for a permissible assignment to a Related Entity, any and all options, first rights of refusal, tenant improvement allowances and other similar rights granted to Tenant in this Lease, if any, shall not be assignable by Tenant unless expressly authorized in writing by Land Lord. Notwithstanding anything to the contrary contained herein, so long as Tenant delivers to Landlord (1) at least thirty (30) days prior written notice of its intention to assign or sublease the Premises to any Related Entity, which notice shall set forth the name of the Related

Entity, (2) a copy of the proposed agreement pursuant to which such assignment or sublease shall be effectuated, and (3) such other information concerning the Related Entity as Landlord may reasonably require, including without limitation, information regarding any change in the proposed use of any portion of the Premises and any financial information with respect to such Related Entity, and so long as Landlord approves, in writing, of any change in the proposed use of the subject portion of the Premises, then Tenant may assign this Lease or sublease any portion of the Premises (X) to any Related Entity, or (Y) in connection with any merger, consolidation or sale of substantially all of the

assets of Tenant, without having to obtain the prior written consent of Landlord thereto. For purposes of this Lease the term "Related Entity" shall mean and refer to any corporation or entity which controls, is controlled by or is under common control with Tenant, as all of such terms are customarily used in the industry, and with a financial condition, in Landlord's reasonable judgement, is reasonably adequate and sufficient in relation to the then remaining obligation of Tenant under the Lease as of the proposed transfer date. Any assignment to a Related Entity shall in no way relieve Tenant of any liability Tenant may have under this Lease and such assignee or sublessee shall be jointly and severally liable with Tenant hereunder.

15.2 EXCESS SUBLEASE RENTAL OR ASSIGNMENT CONSIDERATION: In the event of any sublease or assignment of all or any portion of the Premises where the rent or other consideration provided for in the sublease or assignment either initially or over the term of the sublease or assignment exceeds the Rent or pro rata portion of the Rent, as the case may be, for such space reserved in the Lease, Tenant shall pay the Landlord monthly, as Additional Rent, at the same time as the monthly installments of Rent are payable hereunder, seventy-five percent (75%) of the excess of each such payment of rent or other consideration in excess of the Rent called for hereunder less reasonable actual commissions for such sublease.

15.3 WAIVER: Notwithstanding any assignment or sublease, or any indulgences, waivers or extensions of time granted by Landlord to any assignee or sublessee, or failure by Landlord to take action against any assignee or sublessee, Tenant waives notice of any default of any assignee or sublessee and agrees that Landlord may, at its option, proceed against Tenant without having taken action against or joined such assignee or sublessee, except that Tenant shall have the benefit of any indulgences, waivers and extensions of time granted to any such assignee or sublessee.

16. AD VALOREM TAXES: Prior to delinquency, Tenant shall pay all taxes and assessments levied upon trade fixtures, alterations, additions, improvements, inventories and personal property located and/or installed on or in the Premises by, or on behalf of, Tenant; and if requested by Landlord, Tenant shall promptly deliver to Landlord copies of receipts for payment of all such taxes and assessments. To the extent any such taxes are not separately assessed or billed to Tenant, Tenant shall pay the amount thereof as invoiced by Landlord.

17. SUBORDINATION: Without the necessity of any additional document being executed by Tenant for the purpose of effecting a subordination, and at the election of Landlord or any bona fide mortgagee or deed of trust beneficiary with a lien on all or any portion of the Premises or any ground lessor with respect to the land of which the Premises are a part, the rights of Tenant under this Lease and this Lease shall be subject and subordinate at all times to: (i) all ground leases or underlying leases which may now exist or hereafter be executed affecting the Building or the Land or both, and (ii) the lien of any mortgage or deed of trust which may now exist or hereafter be executed in any amount for which the Building, ground leases or underlying leases, or Landlord's interest or estate in any of said items is specified as security. Notwithstanding the foregoing, Landlord or any such ground lessor, mortgagee, or any beneficiary shall have the right to subordinate or cause to be subordinated any such ground leases or underlying leases or any such liens to this Lease. If any ground lease or underlying lease terminates for any reason or any mortgage or deed of trust is foreclosed or a conveyance in lieu of foreclosure is made for any reason, Tenant shall, notwithstanding any subordination and upon the request of such successor to Landlord, attorn to and become the Tenant of the successor in interest to Landlord, provided such successor in interest will not disturb Tenant's use, occupancy or quiet enjoyment of the Premises so long as Tenant is not in default of the terms and provisions of this Lease. The successor in interest to Landlord following foreclosure, sale or deed in lieu thereof shall not be (a) liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) subject to any offsets or defenses which Tenant might have against any prior lessor; (c) bound by prepayment of more than one (1) month's Rent; or (d) liable to Tenant for any Security Deposit not actually received by such successor in interest to the extent any portion or all of such Security Deposit has not already been forfeited by, or refunded to, Tenant. Landlord shall be liable to Tenant for all or any portion of the Security Deposit not forfeited by, or refunded to Tenant, until and unless Landlord transfers such Security Deposit to the successor in interest. Tenant covenants and agrees to execute (and acknowledge if required by Landlord, any lender or ground lessor) and deliver, within five (5) days of a demand or request by Landlord and in the form requested by Landlord, ground lessor, mortgagee or beneficiary, and additional

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documents evidencing the priority or subordination of this Lease with respect to any such ground leases or underlying leases or the lien of any such mortgage or deed of trust. Tenant's failure to timely execute and deliver such additional documents shall, at Landlord's option, constitute a material default hereunder. It is further agreed that Tenant shall be liable to Landlord, and shall indemnify Landlord from and against any loss, cost, damage or expense, incidental, consequential, or otherwise, arising or accruing directly or indirectly, from any failure of Tenant to execute or deliver to Landlord any such additional documents, together with any and all Enforcement Expenses.

18. RIGHT OF ENTRY: Tenant grants Landlord or its agents the right to enter the Premises with 24 hours prior notice (except in the event of an emergency) at all reasonable times for purposes of inspection, exhibition, posting of notices, repair or alteration. It is further agreed that Landlord shall have the right to use any and all means Landlord deems necessary to enter the Premises in an emergency. Landlord shall have the right to place "for rent" or "for lease" signs on the outside of the Premises and the Building. Landlord shall also have the right to place "for sale" signs on the outside of the Building. Tenant hereby waives any claim from damages or for any injury or inconvenience to or interference with Tenant's business, or any other loss occasioned thereby except for any claim for any of the foregoing arising out of the sole active gross negligence or willful misconduct of Landlord or its authorized representatives.

19. ESTOPPEL CERTIFICATE: Tenant shall execute (and acknowledge if required by any lender or ground lessor) and deliver to Landlord, within (5) business days after Landlord provides such to Tenant, a statement in writing certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification), the date to which the Rent and other charges are paid in advance, if any, acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder or specifying such defaults as are claimed, and such other matters as Landlord may reasonably require. Any such statement may be conclusively relied upon by Landlord and any prospective purchaser or encumbrancer of the Premises. Tenant's failure to deliver such statement within such time shall be conclusive upon the Tenant that (a) this Lease is in full force and effect, without modification except as may be represented by Landlord; (b) there are no uncured defaults in Landlord's performance; and (c) not more than one month's Rent has been paid in advance, except in those instances when Tenant pays Rent quarterly in advance pursuant to Section 8 hereof, then not more than three month's Rent has been paid in advance. Failure by Tenant to so deliver such certified estoppel certificate shall be a material default of the provisions of this Lease. Tenant shall be liable to Landlord, and shall indemnify Landlord from and against any loss, cost, damage or expense, incidental, consequential, or otherwise, arising or accruing directly or indirectly, from any failure of Tenant to execute or deliver to Landlord any such certified estoppel certificate; together with any and all Enforcement Expenses.

20. TENANT'S DEFAULT: The occurrence of any one or more of the following events shall, at Landlord's option, constitute a material default by Tenant of the provisions of this Lease:

20.1 The abandonment of the Premises by Tenant or the vacation of the Premises by Tenant which would cause any insurance policy to be invalidated or otherwise lapse. Tenant agrees to notice and service of notice as provided for in this Lease and waives any right to any other or further notice or service of notice which Tenant may have under any statute or law now or hereafter in effect;

20.2 The failure by Tenant to make any payment of Rent, Additional Rent or any other payment required hereunder within three (3) days of the date said payment is due. Tenant agrees to notice and service of notice as provided for in this Lease and waives any right to any other or further notice or service of notice which Tenant may have under any statute or law now or hereafter in effect;

20.3 The failure by Tenant to observe, perform or comply with any of the conditions, covenants or provisions of this Lease (except failure to make any payment of Rent and/or Additional Rent) and such failure is not cured within (i) thirty (30) days of the date on which Landlord delivers written notice of such failure to Tenant, complying with the notice requirements of Section 31.10 hereof, for all failures other than with respect to Hazardous Materials, and

(ii) ten (10) days of the date on which Landlord delivers written notice of such failure to Tenant for all failures in any way related to Hazardous Materials. However, Tenant shall not be in default of its obligations hereunder if such failure cannot reasonably be cured within such thirty (30) or ten (10) day period as applicable, and Tenant promptly commences, and thereafter diligently proceeds with same to completion, all actions necessary to cure such failure as soon as is reasonably possible, but in no event shall the completion of such cure be later than forty five (45) days after the date on which Landlord delivers to Tenant written notice of such failure, unless Landlord, acting reasonably and in good faith, otherwise expressly agrees in writing to a longer

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period of time based upon the circumstances relating to such failure as well as the nature of the failure and the nature of the actions necessary to cure such failure;

20.4 The making of a general assignment by Tenant for the benefit of creditors, the filing of a voluntary petition by Tenant or the filing of an involuntary petition by any of Tenant's creditors seeking the rehabilitation, liquidation, or reorganization of Tenant under any law relating to bankruptcy, insolvency or other relief of debtors and, in the case of an involuntary action, the failure to remove or discharge the same within sixty (60) days of such filing, the appointment of a receiver or other custodian to take possession of substantially all of Tenant's assets or this leasehold, Tenant's insolvency or inability to pay Tenant's debts or failure generally to pay Tenant's debt when due, any court entering a decree or order directing the winding up or liquidation of Tenant or of substantially all of Tenant's assets, Tenant taking any action toward the dissolution or winding up of Tenant's affairs, the cessation or suspension of Tenant's use of the Premises, or the attachment, execution or other judicial seizure of substantially all of Tenant's assets or this leasehold;

20.5 Tenant's use of storage of Hazardous Materials in, on or about the Premises and/or the Building, other than as expressly permitted by the provisions of Section 29 below; or

20.6 The making of any material misrepresentation or omission by Tenant in any materials delivered by or on behalf of Tenant to Landlord pursuant to this Lease.

21. REMEDIES FOR TENANT'S DEFAULT:

21.1 LANDLORD'S RIGHTS: In the event of Tenant's material default under this Lease, Landlord may terminate Tenant's right to possession of the Premises by any lawful means in which case upon delivery of written notice by Landlord this Lease shall terminate on the date specified by Landlord in such notice and Tenant shall immediately surrender possession of the Premises to Landlord. In addition, the Landlord shall have the immediate right of re-entry whether or not this Lease is terminated, and if this right of re-entry is exercised following abandonment of the Premises by Tenant, Landlord may consider any personal property belonging to Tenant and left on the Premises to also have been abandoned. No re-entry or taking possession of the Premises by Landlord pursuant to this Section 21 shall be construed as an election to terminate this Lease unless a written notice of such intention is given to Tenant. If Landlord relets the Premises or any portion thereof, (i) Tenant shall be liable immediately to Landlord for all costs Landlord incurs in reletting the Premises or any part thereof, including, without limitation, broker's commissions, expenses of cleaning, redecorating, and further improving the Premises and other similar costs (collectively, the "Reletting Costs"), and (ii) the rent received by Landlord from such reletting shall be applied to the payment of, first, any indebtedness from Tenant to Landlord other than Base Rent, Operating Expenses, Tax Expenses and Utility Expenses; second all costs including maintenance, incurred by Landlord in reletting; and, third, Base Rent, Operating Expenses, Tax Expenses, Utility Expenses, and all other sums due under this Lease. Any and all of the Reletting Costs shall be fully chargeable to Tenant and shall not be prorated or otherwise amortized in relation to any new lease for the Premises or any portion thereof. After deducting the payments referred to above, any sum remaining from the rental Landlord receives from reletting shall be held by Landlord and applied in payment of future Rent as Rent becomes due under this Lease. In no event shall Tenant be entitled to any excess rent received by Landlord. Reletting may be for a period shorter or longer than the remaining term of this Lease. No act by Landlord other than

giving written notice to Tenant shall terminate this Lease. Acts of maintenance, efforts to relet the Premises or the appointment of a receiver on Landlord's initiative to protect Landlord's interest under this Lease shall not constitute a termination of Tenant's right to possession. So long as this Lease is not terminated, Landlord shall have the right to remedy any default of Tenant, to maintain or improve the Premises, to cause a receiver to be appointed to administer the Premises and new or existing subleases and to add to the Rent payable hereunder all of Landlord's reasonable costs in so doing, with interest at the maximum rate permitted by law from the date of such expenditure.

21.2 DAMAGES RECOVERABLE: If Tenant breaches this Lease and abandons the Premises before the end of the Term, or if Tenant's right to possession is terminated by Landlord because of a breach or default under this Lease, then in either such case, Landlord may recover from Tenant all damages suffered by Landlord as a result of Tenant's failure to perform its obligations hereunder, including, but not limited to, the cost of any Tenant Improvements constructed by or on behalf of Tenant pursuant to Exhibit B hereto, the portion of any broker's or leasing agent's commission incurred with respect to the leasing of the Premises to Tenant for the balance of the Term of the Lease remaining after the date on which Tenant is in default of its obligations hereunder, and all Relletting Costs, and the worth at the time of the award (computed in accordance with paragraph (3) of Subdivision (a) of Section 1951.2 of the California Civil Code) of the amount by which the Rent then unpaid hereunder for the balance of the Lease Term exceeds the amount of such loss of Rent for the same period which Tenant proves could be

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reasonably avoided by Landlord and in such case, Landlord prior to the award, may relet the Premises for the purpose of mitigating damages suffered by Landlord because of Tenant's failure to perform its obligations hereunder; provided, however, that even though Tenant has abandoned the Premises following such breach, this Lease shall nevertheless continue in full force and effect for as long as Landlord does not terminate Tenant's right of possession, and until such termination, Landlord shall have the remedy described in Section 1951.4 of the California Civil Code (Landlord may continue this Lease in effect after Tenant's breach and abandonment and recover Rent as it becomes due, if Tenant has the right to sublet or assign, subject only to reasonable limitations) and may enforce all its rights and remedies under this Lease, including the right to recover the Rent from Tenant as it becomes due hereunder. The "worth at the time of the award" within the meaning of Subparagraphs (a) (1) and (a) (2) of Section 1951.2 of the California Civil Code shall be computed by allowing interest at the rate of ten percent (10%) per annum. Tenant waives redemption or relief from forfeiture under California Civil Code of Civil Procedure Sections 1174 and 1179, or under any other present or future law, in the event Tenant is evicted or Landlord takes possession of the Premises by reason of any default of Tenant hereunder.

21.3 RIGHTS AND REMEDIES CUMULATIVE: The foregoing rights and remedies of Landlord are not exclusive; they are cumulative in addition to any rights and remedies now or hereafter existing at law, in equity by statute or otherwise, or to any equitable remedies Landlord may have, and to any remedies Landlord may have under bankruptcy laws or laws affecting creditor's rights generally. In addition to all remedies set forth above, if Tenant materially defaults under this Lease, any and all Base Rent waived by Landlord under Section 3 above shall be immediately due and payable to Landlord and all options granted to Tenant hereunder shall automatically terminate, unless otherwise expressly agreed to in writing by Landlord.

21.4 WAIVER OF A DEFAULT: The waiver by Landlord of any default of any provision of this Lease shall not be deemed or construed a waiver of any other default by Tenant hereunder or of any subsequent default of this Lease, except for the default specified in the waiver.

22. HOLDING OVER: If Tenant holds possession of the Premises after the expiration of the Term of this Lease with Landlord's consent, Tenant shall become a tenant from month-to-month upon the terms and provisions of this Lease, provided the monthly Base Rent during such hold over period shall be 150% of the Base Rent due on the last month of the Lease Term, payable in advance on or before the first day of each month. Acceptance by Landlord of the monthly Base Rent without the additional fifty percent (50%) increase of Base Rent shall not be deemed or construed as a waiver by Landlord of any of its rights to collect the increased amount of the Base Rent as provided herein at

any time. Such month-to-month tenancy shall not constitute a renewal or extension for any further term. All options, if any, granted under the terms of this Lease shall be deemed automatically terminated and be of no force or effect during said month-to-month tenancy. Tenant shall continue in possession until such tenancy shall be terminated by either Landlord or Tenant giving written notice of termination to the other party at least thirty (30) days prior to the effective date of termination. This paragraph shall not be construed as Landlord's permission for Tenant to hold over. Acceptance of Base Rent by Landlord following expiration or termination of this Lease shall not constitute a renewal of this Lease.

23. **LANDLORD'S DEFAULT:** Landlord shall not be deemed in breach or default of this Lease unless Landlord fails within a reasonable time to perform an obligation required to be performed by Landlord hereunder. For purposes of this provision, a reasonable time shall not be less than thirty (30) days after receipt by Landlord of written notice specifying the nature of the obligation Landlord has not performed; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days, after receipt of written notice, is reasonably necessary for its performance, then Landlord shall not be in breach or default of this Lease if performance of such obligation is commenced within such thirty (30) day period and thereafter diligently pursued to completion.

24. **PARKING:** Tenant shall have a license to the exclusive use the number of non-designated and non-exclusive parking spaces specified in the Basic Lease Information (subject to Tenant's assignment or subletting of the Premises).

25. **SALE OF PREMISES:** In the event of any sale of the Premises by Landlord or the cessation otherwise of Landlord's interest therein, Landlord shall be and is hereby entirely released from any and all of its obligations to perform or further perform under this Lease and from all liability hereunder accruing from or after the date of such sale; and the purchaser, at such sale or any subsequent sale of the Premises shall be deemed, without any further agreement between the parties or their successors in interest or between the parties and any such purchaser, to have assumed and agreed to carry out any and all of the covenants and obligations of the Landlord under this Lease. For purposes of this Section 25, the term "Landlord"

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means only the owner and/or agent of the owner as such parties exist as of the date on which Tenant executes this Lease. A ground lease or similar long term lease by Landlord of the entire Building, of which the Premises are a part, shall be deemed a sale within the meaning of this Section 25. Tenant agrees to attorn to such new owner provided such new owner does not disturb Tenant's use, occupancy or quiet enjoyment of the Premises so long as Tenant is not in default of any of the provisions of this Lease.

26. **WAIVER:** No delay or omission in the exercise of any right or remedy of Landlord on any default by Tenant shall impair such a right or remedy or be construed as a waiver. The subsequent acceptance of Rent by Landlord after default by Tenant of any covenant or term of this Lease shall not be deemed a waiver of such default, other than a waiver of timely payment for the particular Rent payment involved, and shall not prevent Landlord from maintaining an unlawful detainer or other action based on such breach. No payment by Tenant or receipt by Landlord of a lesser amount than the monthly Rent and other sums due hereunder shall be deemed to be other than on account of the earliest Rent or other sums due, nor shall any endorsement or statement on any check or accompanying any check or payment be deemed an accord and satisfaction; and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such Rent or other sum or pursue any other remedy provided in this Lease. No failure, partial exercise or delay on the part of the Landlord in exercising any right, power or privilege hereunder shall operate as a waiver thereof.

27. **CASUALTY DAMAGE:** If the Premises or any part thereof shall be damaged by fire or other casualty, Tenant shall give prompt written notice thereof to Landlord. In case the Building shall be so damaged by fire or other casualty that substantial alteration or reconstruction of the Building shall, in Landlord's sole opinion, be required (whether or not the Premises shall have been damaged by such fire or other casualty), Landlord may, at its option, terminate this Lease by notifying Tenant in writing of such termination within ninety (90) days after the date of such damage, in which event the Rent shall be abated as of the date of such damage. If Landlord does not elect to terminate

this Lease, and provided insurance proceeds and any contributions from Tenant, if necessary, are available to fully repair the damage, Landlord shall within one hundred twenty (120) days after the date of such damage commence to repair and restore the Building and shall proceed with reasonable diligence to restore the Building (except that Landlord shall not be responsible for delays outside its control) to substantially the same condition in which it was immediately prior to the happening of the casualty; provided, Landlord shall not be required to rebuild, repair, or replace any part of Tenant's furniture, furnishings, fixtures and/or equipment removable by Tenant or any improvements, alterations or additions installed by or for the benefit of Tenant under the provisions of this Lease. Landlord shall not in any event be required to spend for such work an amount in excess of the insurance proceeds (excluding any deductible) and any contributions from Tenant, if necessary, actually received by Landlord as a result of the fire or other casualty. Landlord shall not be liable for any inconvenience or annoyance to Tenant, injury to the business of Tenant, loss of use of any part of the Premises by the Tenant or loss of Tenant's personal property resulting in any way from such damage or the repair thereof, except that, subject to the provisions of the next sentence, Landlord shall allow Tenant a fair diminution of Rent during the time and to the extent the Premises are unfit for occupancy. Notwithstanding anything to the contrary contained herein, if the Premises or any other portion of the Building be damaged by fire or other casualty resulting from the intentional or negligent acts or omissions of Tenant or any of Tenant's Representatives, (i) the Rent shall not be diminished during the repair of such damage, (ii) Tenant shall not have any right to terminate this Lease due to the occurrence of such casualty or damage, and (iii) Tenant shall be liable to Landlord for the cost and expense of the repair and restoration of all or any portion of the Building caused thereby (including, without limitation, any deductible) to the extent such cost and expense is not covered by insurance proceeds. In the event the holder of any indebtedness secured by the Premises requires that the insurance proceeds be applied to such indebtedness, then Landlord shall have the right to terminate this Lease by delivering written notice of termination to Tenant within thirty (30) days after the date of notice to Tenant of any such event, whereupon all rights and obligations shall cease and terminate hereunder except for those obligations expressly intended to survive any such termination of this Lease. Except as otherwise provided in this Section 27, Tenant hereby waives the provisions of Sections 1932(2.), 1933(4.), 1941 and 1942 of the California Civil Code.

28. CONDEMNATION: If twenty-five percent (25%) or more of the Premises is condemned by eminent domain, inversely condemned or sold in lieu of condemnation for any public or quasi-public use or purpose ("Condemned"), then Tenant or Landlord may terminate this Lease as of the date when physical possession of the Premises is taken and title vests in such condemning authority, and Rent shall be adjusted to the date of termination. Tenant shall not because of such condemnation assert any claim against Landlord or the condemning authority for any compensation because of such condemnation, and Landlord shall be entitled to receive the entire amount of any award without deduction for any estate of interest or other interest of Tenant. If neither party elects to terminate this Lease, Landlord shall, if

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necessary, promptly proceed to restore the Premises or the Building to substantially its same condition prior to such partial condemnation, allowing for the reasonable effects of such partial condemnation, and a proportionate allowance shall be made to Tenant, as solely determined by Landlord, for the Rent corresponding to the time during which, and to the part of the Premises of which, Tenant is deprived on account of such partial and restoration in excess of the amount received by Landlord as compensation awarded.

29. ENVIRONMENTAL MATTERS/HAZARDOUS MATERIALS:

29.1 HAZARDOUS MATERIALS DISCLOSURE CERTIFICATE: Prior to executing this lease, Tenant has completed, executed and delivered to Landlord Tenant's initial Hazardous Materials Certificate (the "Initial HazMat Certificate"), a copy of which is attached hereto as Exhibit G and incorporated herein by this reference. Tenant covenants, represents and warrants to Landlord that the information on the Initial HazMat Certificate is true and correct and accurately describes the use(s) of Hazardous Materials which will be made and/or used on the Premises by Tenant. Tenant shall commence with

the date which is one year from the Commencement Date and continuing every year thereafter, complete, execute, and deliver to Landlord, a Hazardous Materials Disclosure Certificate ("the "HazMat Certificate") describing Tenant's present use of Hazardous Materials on the Premises, and any other reasonably necessary documents as requested by Landlord. The HazMat Certificate required hereunder shall be in substantially the form as that which is attached hereto as Exhibit E.

29.2 DEFINITION OF HAZARDOUS MATERIALS: As used in this Lease, the term Hazardous Materials shall mean and include (a) any hazardous or toxic wastes, materials or substances, and other pollutants or contaminants, which are or become regulated by any Environmental Laws; (b) petroleum, petroleum by products, gasoline, diesel fuel, crude oil or any fraction thereof; (c) asbestos and asbestos containing material, in any form, whether friable or non-friable; (d) polychlorinated biphenyls; (e) radioactive materials, (f) lead and lead-containing materials; (g) any other material, waste or substance displaying toxic, reactive, ignitable or corrosive characteristics, as all such terms are used in their broadcast sense, and are defined or become defined by any Environmental Law (defined below); or (h) any materials which cause or threatens to cause a nuisance upon or waste to any portion of the Premises, the Building, or any surrounding property; or poses or threatens to pose a hazard to the health and safety of persons on the Premises or any surrounding property.

29.3 PROHIBITION; ENVIRONMENTAL LAWS: Tenant shall not be entitled to use nor store any Hazardous Materials on, in, or about the Premises and the Building, or any portion of the foregoing, without, in each instance, obtaining Landlord's prior written consent thereto. If Landlord consents to any such usage or storage, then Tenant shall be permitted to use and/or store only those Hazardous Materials that are necessary for Tenant's business and to the extent disclosed in the HazMat Certificate and as expressly approved by Landlord in writing, provided that such usage and storage is only to the extent of the quantities of Hazardous Materials as specified in the then applicable HazMat Certificate and as expressly approved by Landlord and provided further that such usage and storage is in full compliance with any and all local, state and federal environmental, health and/or safety-related laws, statutes, orders, standards, courts' decision, ordinances, rules and regulations (as interpreted by judicial and administrative decisions), decrees, directives, guidelines, permits or permit condition, currently existing and as amended, enacted, issued or adopted in the future which are or become applicable to Tenant or all or any portion of the Premises (collectively, the "Environmental Laws"). Tenant agrees that any changes to the type and/or quantities of Hazardous Materials specified in the most recent HazMat Certificate may be implemented only with the prior written consent of Landlord, which consent may be given or withheld in Landlord's sole discretion. Tenant shall not be entitled nor permitted to install any tanks under, on or about the Premises for the storage of Hazardous Materials without the express written consent of the Landlord, which may be given or withheld in Landlord's sole discretion. Landlord shall have the right at all times during the Term of this Lease to (i) inspect the Premises, (ii) conduct tests and investigations to determine whether Tenant is in compliance with the provisions of this Section 29, and (iii) request lists of all Hazardous Materials used, stored or otherwise located on, under or about any portion of the Premises. The cost of all such inspections, tests and investigations shall be borne solely by Tenant, if Landlord reasonably determines that Tenant or any of Tenant's Representatives are directly or indirectly responsible in any manner for any contamination revealed by such inspections, tests and investigations. The aforementioned rights granted herein to Landlord and its representatives shall not create (a) a duty on Landlord's part to inspect, test, investigate, monitor or otherwise observe the Premises or the activities of Tenant and Tenant's Representatives with respect to Hazardous Materials, including without limitation, Tenant's operation, use and any remediation related thereto, or (b) liability on the part of Landlord and its representatives for Tenant's use, storage, disposal or remediation of Hazardous Materials, it being understood that Tenant shall be solely responsible for all liability in connection therewith.

29.4 TENANT'S ENVIRONMENTAL OBLIGATIONS: Tenant shall give to Landlord immediate verbal and follow-up written notice of any spills, releases, discharges, disposals, emissions, migrations, removals or transportation of Hazardous Materials on, under or about any portion of the Premises. Tenant, at its sole cost and expense, covenants and warrants to promptly investigate,

clean up, remove, restore and otherwise remediate (including, without limitation, preparation of any feasibility studies or reports and the performance of any and all closures) any spill, release, discharge, disposal, emission, migration or transportation of Hazardous Materials arising from or related to the intentional or negligent acts or omissions of Tenant or Tenant's Representatives such that the affected portions of the Premises and any adjacent property are returned to the condition existing prior to the appearance of such Hazardous Materials. Any such investigation, clean up, removal, restoration and other remediation shall only be performed after Tenant has obtained Landlord's prior written consent, which consent shall not be unreasonably withheld so long as such actions would not potentially have a material adverse long-term or short-term effect on any portion of the Premises or the Building. Notwithstanding the foregoing, Tenant shall be entitled to respond immediately to an emergency without first obtaining Landlord's prior written consent. Tenant, at its sole cost and expense, shall conduct and perform, or cause to be conducted and performed, all closures as required by any Environmental Laws or any agencies or other governmental authorities having jurisdiction thereof. If Tenant fails to so promptly investigate, clean up, remove, restore, provide closure or otherwise so remediate, Landlord may, but without obligation to do so, take any and all steps necessary to rectify the same and Tenant shall promptly reimburse Landlord, upon demand, for all costs and expenses to Landlord of performing investigation, clean up, removal, restoration, closure and remediation work. All such work undertaken by Tenant, as required herein, shall be performed in such a manner so as to enable Landlord to make full economic use of the Premises and the Building after the satisfactory completion of such work.

29.5 ENVIRONMENTAL INDEMNITY: In addition to Tenant's obligations as set forth hereinabove, Tenant agrees to, and shall, protect, indemnify, defend (with counsel acceptable to Landlord) and hold Landlord and the other indemnitees harmless from and against any and all claims, judgments, damages, penalties, fines, liabilities, losses (including, without limitation, diminution in value of any portion of the Premises or the Building, damages for the loss of or restriction on the use of rentable or usable space, and from any adverse impact of Landlord's marketing of any space within the Building), suits, administrative proceedings and costs (including, but not limited to, attorneys' and consultant fees and court costs) arising at any time during or after the Term of this Lease in connection with or related to, directly or indirectly, the use, presence, transportation, storage, disposal, migration, removal, spill, release or discharge of Hazardous Materials on, in or about any portion of the Premises or the Building as a result (directly or indirectly) of the intentional or negligent acts or omissions of Tenant or any of Tenant's Representatives. Neither the written consent of Landlord to the presence, use or storage of Hazardous Materials in, on, under or about any portion of the Premises, and/or the Building, nor the strict compliance by Tenant with all Environmental Laws shall excuse Tenant and Tenant's officers and directors from its obligations of indemnification pursuant hereto. Tenant shall not be relieved of its indemnification obligations under the provisions of this Section 29.5 due to Landlord's status as either an "owner" or "operator" under any Environmental Laws.

29.6 SURVIVAL: Tenant's obligations and liabilities pursuant to the provisions of this Section 29 shall survive the expiration or earlier termination of this Lease. If it is determined by Landlord that the condition of all or any portion of the Premises and/or the Building is not in compliance with the provisions of this Lease with respect to Hazardous Materials, including without limitation all Environmental Laws at the expiration or earlier termination of this Lease, then in Landlord's sole discretion, Landlord may require Tenant to hold over possession of the Premises until Tenant can surrender the Premises to Landlord in the condition in which the Premises existed as of the Commencement Date and prior to the appearance of such Hazardous Materials except for reasonable wear and tear, including without limitation, the conduct or performance of any closures as required by any Environmental Laws. The burden of proof hereunder shall be upon Tenant. For purposes hereof, the term "reasonable wear and tear" shall not include any deterioration in the condition or diminution of the value of any portion of the Premises and/or the Building in any manner whatsoever related to directly, or indirectly, Hazardous Materials. Any such holdover by Tenant will be with Landlord's consent, will not be terminable by Tenant in any event or circumstance and will otherwise be subject to the provisions of Section 22 of this Lease.

29.7 EXCULPATION OF TENANT: Tenant shall not be liable to landlord for nor otherwise obligated to Landlord under any provision of the Lease with respect to the following: (i) any claim, remediation, obligation,

investigation, obligation, liability, cause of action, attorney's fees, consultants' costs, expense or damage resulting from any Hazardous Materials present in, on or about the Premises to the extent not caused or otherwise permitted, directly or indirectly, by Tenant or Tenant's Representatives; or (ii) the removal, investigation, monitoring or remediation of any Hazardous Material present in, on or about the Premises caused by any source, including third parties, other than Tenant or Tenant's Representatives; provided, however, Tenant shall be fully liable for and otherwise obligated to Landlord under the provisions of this Lease for all liabilities, costs, damages, penalties, claims,

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judgements, expenses (including without limitation, attorneys' and experts' fees and costs) and losses to the extent (a) Tenant or any of Tenant's Representatives contributes to the presence of such Hazardous Materials, or Tenant and/or any of Tenant's Representatives exacerbates the conditions caused by such Hazardous Materials, or (b) Tenant and/or Tenant's Representatives allows or permits persons over which Tenant or any of Tenant's Representatives has control, and/or for which Tenant or any of Tenant's Representatives are legally responsible for, to cause such Hazardous Materials to be present in, on, under through or about any portion of the Premises, or (c) Tenant and/or any of Tenant's Representatives does not take all reasonably appropriate actions to prevent such persons over which Tenant or any of Tenant's Representatives has control and/or for which Tenant or any of Tenant's Representatives are legally responsible from causing the presence of hazardous Materials in, on, under, through or about any portion of the Premises.

29.8 ACKNOWLEDGMENT OF ENVIRONMENTAL REPORT: Tenant hereby acknowledges that Landlord has delivered and Tenant has received, reviewed and approved of that certain Phase I Environmental Site Assessment Report prepared by Brown & Caldwell, dated September, 1997.

30. FINANCIAL STATEMENTS: Tenant, for the reliance of Landlord, any lender holding or anticipated to acquire a lien upon the Premises or the Building or any portion thereof, or any prospective purchaser of the Building or the Premises or any portion thereof, within ten (10) days after Landlord's request therefor, but not more often than once annually so long as Tenant is not in default of this Lease, shall deliver to Landlord the then current audited financial statements of Tenant (including interim periods following the end of the last fiscal year for which annual statements are available) which statements shall be prepared or compiled by a certified public accountant and shall present fairly the financial condition of Tenant at such dates and the result of its operations and changes in its financial positions for the periods ended on such dates. If an audited financial statement has not been prepared, Tenant shall provide Landlord with an unaudited financial statement and/or such other information, the type and form of which are acceptable to Landlord in Landlord's reasonable discretion, which reflects the financial condition of Tenant. If Landlord so requests, Tenant shall deliver to Landlord an opinion of a certified public accountant, including a balance sheet and profit and loss statement for the most recent prior year, all prepared in accordance with generally accepted accounting principles consistently applied. Any and all options granted to Tenant hereunder shall be subject to and conditioned upon Landlord's reasonable approval of Tenant's financial condition at the time of Tenant's exercise of any such option.

31. GENERAL PROVISIONS:

31.1 TIME. Time is of the essence in this Lease and with respect to each and all of its provisions in which performance is a factor.

31.2 SUCCESSORS AND ASSIGNS. The covenants and conditions herein contained, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of the parties hereto.

31.3 RECORDATION. Tenant shall not record this Lease or a short form memorandum hereof without the prior written consent of the Landlord.

31.4 LANDLORD'S PERSONAL LIABILITY. The liability of Landlord (which, for purposes of this Lease, shall include Landlord and the owner of the Building if other than the Landlord) to Tenant for any default by Landlord under the terms of this Lease shall be limited to the actual interest of Landlord and its present or future partners or members in the Premises or the Building, and Tenant agrees to look solely to the Premises for satisfaction of

any liability and shall not look to other assets of Landlord nor seek any recourse against the assets of the individual partners, members, directors, officers, shareholders, agents or employees of Landlord (including without limitation, any property management company of Landlord); it being intended that Landlord and the individual partners, members, directors, officers, shareholders, agents and employees of Landlord (including without limitation, any property management company of Landlord) shall not be personally liable in any manner whatsoever for any judgement or deficiency. The liability of Landlord under this Lease is limited to its actual period of ownership of title to the Building, and Landlord shall be automatically released from further performance under this Lease upon transfer of Landlord's interest in the Premises or the Building.

31.5 SEPARABILITY. Any provisions of this Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provisions hereof and such other provision shall remain in full force and effect.

31.6 CHOICE OF LAW. This Lease shall be governed by, and construed in accordance with, the laws of the State of California.

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EXHIBIT A TO PURCHASE AND SALE AGREEMENT

LEGAL DESCRIPTION OF THE LAND

All that certain real property situated in the City of San Jose, County of Santa Clara, State of California, described as follows:

Parcel A, as shown on that Parcel Map filed for record in the office of the Recorder of the County of Santa Clara, State of California on February 24, 1984, in Book 525 of Maps, pages(s) 4.

APN No: 706-10-026

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EXHIBIT B TO PURCHASE AND SALE AGREEMENT

ASSIGNMENT AND ASSUMPTION OF LEASES

This Assignment and Assumption of Leases (the "Assignment") is made and entered into as of this day of , 199 ("Assignment Date"), by and between Lincoln-RECP Great Oaks OPCO, LLC, a Delaware limited liability company ("Assignor"), and Jabil Circuit, Inc., a Delaware corporation ("Assignee"), with reference to the following facts.

RECITALS

A. Assignor and Assignee are parties to that certain Purchase and Sale Agreement, made and entered into as of , 199 (the "Purchase Agreement"), pursuant to which Assignor agreed to sell to Assignee, and Assignee agreed to purchase from Assignor that certain improved real property located at 30-32 Great Oaks Blvd., San Jose, California, as legally described in Exhibit A attached hereto and made a part hereof (the "Land") together with all (i) improvements and fixtures, including that certain office building (collectively, the "Improvements") and personal property (the "Personal Property") owned by Assignor (if any) located on the Land, and (ii) easements, appurtenances, rights and privileges belonging thereto. The Land, the Improvements, the Personal Property and the interests described in (ii) above are collectively referred to herein as the "Property."

B. Assignor has previously entered into certain leases of the Property, as more particularly described in Schedule 1 attached hereto and made a part hereof (collectively, the "Leases").

C. Assignor has accepted rent prepaid more than one (1) month in advance and security deposits from the tenants under the Leases in the amounts set forth

in Schedule 2 attached hereto and made a part hereof (collectively, the "Security Deposits").

D. Assignee has acquired fee title to the Property from Assignor on the Assignment Date. Assignor now desires to assign and transfer to Assignee all of Assignor's rights, title and interests in and to, and obligations under the Leases and the Security Deposits, and Assignee desires to assume all of Assignor's rights, title, interests and obligations in, to and under the Leases and the Security Deposits, as set forth herein.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

1. Assignment and Assumption. Effective as of the Assignment Date, Assignor hereby grants, transfers, conveys, bargains, assigns and delegates to Assignee all of its rights, title, interests and obligations of Assignor in, to and under the Leases and the Security Deposits. Assignee hereby accepts such assignment and delegation by Assignor and agrees to assume all the obligations of Assignor under the Leases and with respect to the Security Deposits accruing on or after the Assignment Date. Notwithstanding the foregoing or anything to the contrary contained herein, Assignor shall retain all rights, title and interest in and to all rentals and other amounts payable by the tenants under the Leases for the period of time prior to the Assignment Date.

2. Assignee's Indemnity. Assignee agrees to, and shall, indemnify, defend (with counsel reasonably acceptable to Assignor), and hold each of the parties comprising Assignor and each of their partners, trustees, employees, representatives, successors and assigns (collectively, the "Assignor Indemnitees") harmless from and against any and all claims, damages, liabilities, judgments, demands, costs and expenses, including, without limitation, reasonable attorneys' fees and costs (collectively, the "Claims"), under the Leases and with respect to the Security Deposits transferred to Assignee which accrue on or after the Assignment Date in connection with the obligations assumed by Assignee hereunder.

3. Attorneys' Fees. If Assignor or Assignee bring any action against the other for the enforcement or interpretation of this Assignment, the losing party shall pay to the prevailing party a reasonable sum for attorneys' fees and costs.

4. Counterparts. This Assignment may be executed in counterparts, each of which shall be deemed an original, and all of which shall taken together be deemed one document.

5. Survival. This Assignment and the provisions hereof shall inure to the benefit of and be binding upon the parties to this Assignment and their respective successors, heirs and permitted assigns. There shall be no third party beneficiaries of, in, to or under this Assignment.

6. Limited Liability. Assignee on behalf of itself and its agents, employees, representatives, successors and assigns hereby agrees that in no event or circumstance shall any of the employees, representatives, officers, directors, agents, property management company, affiliated or related entities of Assignor or Assignor's property management company, namely Lincoln Property Company Management Company, Inc., have any personal liability under this Assignment, or to any of Assignee's creditors, or to any other party in connection with the Property.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment as of the Assignment Date.

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ASSIGNOR:

LINCOLN-RECAP GREAT OAKS OPCO, LLC,
a Delaware limited liability company

By: RECP LINCOLN GREAT OAKS HOLDCO, LLC,
a Delaware limited liability company
Its Managing Member

By: CF REALTY, INC.,

a Delaware corporation
Its Managing Member

By: -----

Its: -----

By: -----

Its: -----

ASSIGNEE:

Jabil Circuit, Inc.,
a Delaware corporation

By: -----

Its: -----

By: -----

Its: -----

EXHIBIT B-1
CONSTRUCTION INSURANCE REQUIREMENTS

Before commencing work, the contractor shall procure and maintain at its sole cost and expense until completion and final acceptance of the work, at least the following minimum levels of insurance.

- A. Workers' Compensation in statutory amounts and Employers Liability Insurance in the minimum amounts of \$100,000 each accident for bodily injury by accident and \$100,000 each employee for bodily injury by disease with a \$500,000 policy limit, covering each and every worker used in connection with the contract work.
- B. Comprehensive General Liability Insurance on an occurrence basis including, but not limited to, protection for Premises/Operations Liability, Broad Form Contractual Liability, Owner's and Contractor's Protective, and Products/Completed Operations Liability*, in the following minimum limits of liability.

Bodily Injury, Property Damage, and	
Personal Injury Liability	\$2,000,000/each occurrence
	\$2,000,000/aggregate

* Products/Completed Operations Liability Insurance is to be provided for a period of at least one (1) year after completion of work.

Coverage should include protection for Explosion, Collapse and Underground Damage.

- C. Comprehensive Automobile Liability Insurance with the following minimum limits of liability.

Bodily Injury and Property	\$1,000,000/limits
Damage Liability	\$1,000,000/limits

This insurance will apply to all owned, non-owned or hired automobiles to be used by the Contractor in the completion of the work.

- D. Umbrella Liability Insurance in a minimum amount of five million dollars (\$5,000,000), providing excess coverage on a following-form basis over the

Employer's Liability limit in Paragraph A and the liability coverages outlined in Paragraphs B and C.

- E. Equipment and Installation coverages in the broadest form available covering Contractor's tools and equipment and material not accepted by Tenant. Tenant will provide Builders Risk Insurance on all accepted and installed materials.

All policies of insurance, duplicates thereof or certificates evidencing coverage shall be delivered to Landlord prior to commencement of any work and shall name Landlord, and its partners and lenders as additional insureds as their interests may appear. All insurance policies shall (1) be issued by a company or companies licensed to be business in the state of California, (2) provide that no cancellation, non-renewal or material modification shall be effective without thirty (30) days prior written notice provided to Landlord, (3) provide no deductible greater than \$15,000 per occurrence, (4) contain a waiver to subrogation clause in favor of Landlord, and its partners and lenders, and (5) comply with the requirements of Sections 12.2, 12.3 and 12.4 of the Lease to the extent such requirements are applicable.

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EXHIBIT B-2
BUILDING STANDARDS

OUTLINE SPECIFICATION FOR
NEW OFFICE BUILD-OUT IN R & D BUILDINGS

Office Area

DEMISING PARTITION AND CORRIDOR WALLS:

Note: One hr. rated walls where required based on occupancy group.

- A. 6" 20-gage metal studs at 24" O.C. (or as required by code based on roof height) framed full height from finish floor to surface above.
- B. One (1) LAYER 5/8" drywall Type "X" both sides of wall, fire taped only.

INTERIOR PARTITIONS:

- A. 3 5/8" 25 gage metal studs at 24" O.C. to bottom of T-Bar ceiling grid approximately 9'0" high.
- B. One (1) layer 5/8" drywall both sides of wall, smooth ready for paint.
- C. 3 5/8" metal studs including all lateral bracing as required by code.

PERIMETER DRYWALL (AT OFFICE AREAS):

- A. 3 5/8" metal studs @ 24" O.C. to 12'0" above finished floor. (or as required by Title-24 for full height envelope then use demising wall spec.)
- B. One (1) layer 5/8" Type "X" drywall taped smooth and ready for paint.

COLUMN FURRING:

- A. Furring channel all sides of 2 1/2" metal studs per details.
- B. One (1) layer 5/8" drywall taped smooth and ready for paint.
- C. Columns within walls shall be furred-out.

ACOUSTICAL CEILING:

Note: Gyp. Bd. ceiling at all restrooms Typ.

- A. 2' X 4" standard white T-Bar grid system as manufactured by Chicago Metallic of equal.
- B. 2' X 4' X 5/8" white, no-directional acoustical tile to be regular second look as manufactured by Armstrong or equal.

PAINTING:

- A. Sheetrock walls within office to receive two (2) coats of interior latex paint as manufactured by Kelly Moore or equal. Some portions of second coat to be single accent color.
- B. Semigloss paint all restrooms and lunch rooms.

WINDOW COVERING:

- A. 1" aluminum mini-blinds as manufactured by Levelor, Bali or equal, color to be selected by L.P.C. (brushed aluminum or white).
- B. Blinds to be sized to fit window module.

VCT:

- A. VCT to be 1/8" X 12" X 12" as manufactured by Armstrong-Excelon Series or equal.
- B. Slabs shall be water proofed per manufacturer recommendation, at sheet vinyl or VCT areas.

LIGHT FIXTURES:

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- A. 2" X 4" T-bar lay in 3-tube energy efficient fixture with cool white tubes with parabolic lens as manufactured by Lithonia or equal. (Approximately 50 F.C.)

LIGHT SWITCHES:

- A. Switching as required by Title 24.
- B. Switch assembly to be Levinton or equal, color - White

ELECTRICAL OUTLET:

- A. 110V duplex outlet in demising or interior partitions only, as manufactured by Leviton or equal, color to be White.
- B. Maximum eight (8) outlets per circuit, spacing to meet code or minimum 2 per office, conference room, reception and 2 dedicated over cabinet at lunch room junction boxes above ceiling for large open Area with furniture partitions.
- C. Transformers to be a minimum of 20% or over required capacity.
- D. Contractors to inspect electric room and to include an rotary metering cost.
- E. No aluminum wiring is acceptable.

TELEPHONE/DATA OUTLET:

- A. One(1) single outlet box in wall with pullwire from outlet box to area above T-bar ceiling per office.
- B. Cover plate for phone outlets by telephone/data vendors.

FIRE SPRINKLERS:

As required by fire codes.

TOPSET BASE:

- A. 4" rubber base as manufactured by Burke or equal, standard colors only.
- B. 4" rubber ban at VCT areas.

TOILET AREAS:

Wet walls to receive Duraboard or Wonder Board and ceramic tile up to 48".
Floors to receive ceramic tile with self covered base as required by code.

CARPET:

Note any of the following carpets are acceptable

Designweave: Alumni 28 oz., Windswept Classic 30 oz. or Stratton Design Series III 30 oz, Structure II 28 oz.

WOOD DOORS:

Shall be 3'0 x 9'0" x 1 3/4" (unless otherwise specified) solid core, prefinished harmony (rotary N. birch).

DOOR FRAMES:

Shall be ACI or equal, 3 3/4" or 4 7/8" throat, brushed, standard aluminum, snap-on trim.

HARDWARE:

1 1/2 pr. butts F179 Stanley, Latchset D10S Rhodes Schlage, Lockset D53PD Rhodes Schlage, Dome Type floor stop Gylmn Johnson FB13, Closer 4110LCN (where required) brushed chrome.

INSULATION:

By Title 24 insulation.

PLUMBING:

A. Shall comply with all local codes and handicapped code requirements. Fixtures shall be either "American Standard", "Kohler" or "Norris". All toilet accessories and grab bars shall be "Bobrick" or equal and approved by owner.

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B. Plumbing bid shall include 5 gallon minimum hot water heater, or insta hot with mixer valve including all connections.

TOILET PARTITIONS:

Shall be as manufactured by Fiat, global or equal if approved by owner. Color to be white or gray.

HVAC:

HVAC units per specifications.

Five (5) year warranty provided on all HVAC compressor units. All penetrations including curbs and sleepers to be hot moped to LPC standard.

WAREHOUSE AREAS:

Floor - seal concrete with water base clear acrylic sealer.
Fire Extinguishers - 2A 10 BC surface mount by code x by S.F.

400 W metal halide lighting at warehouse minimum 5-7 foot candles.

Note: All high pile storage requirements are excluded for standard building T.I.

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EXHIBIT C TO LEASE AGREEMENT
RULES & REGULATIONS

This exhibit, entitled "Rules & Regulations", is and shall constitute EXHIBIT C to that certain Lease Agreement dated May 12, 1998 (the "Lease"), by and between Lincoln-RECP Great Oaks OPCO, LLC, a Delaware limited liability company ("Landlord") and Jabil Circuit, Inc., a Delaware corporation ("Tenant") for the leasing of certain premises located at 30-32 Great Oaks Blvd., San Jose, California (the "Premises"). The terms, conditions and provisions of this

EXHIBIT C are hereby incorporated into and are made a part of the Lease. Any capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed to such terms as set forth in the Lease:

1. No advertisement, picture or sign of any sort shall be displayed on or outside the Premises or the Building without the prior written consent of Landlord. Landlord shall have the right to remove any such unapproved item without notice and at Tenant's expense.
2. Tenant shall not regularly store motor vehicles in designated parking areas after the conclusion of normal daily business activity.
3. Tenant shall not use any method of heating or air conditioning other than that supplied by Landlord without the prior written consent of Landlord.
4. All window coverings installed by Tenant and visible from the outside of the Building require the prior written approval of Landlord.
5. Tenant shall not use, keep or permit to be used or kept any foul or noxious gas or substance or any flammable or combustible materials on or around the Premises or the Building.
6. Tenant shall not alter any lock or install any new locks or bolts on any door at the Premises without the prior consent of Landlord.
7. Tenant agrees not to make any duplicate keys without the prior consent of Landlord.
8. Tenant shall park motor vehicles in those general parking areas as designated by Landlord except for loading and unloading. During those periods of loading and unloading, Tenant shall not unreasonably interfere with traffic flow.
9. Intentionally omitted.
10. No person shall go on the roof without Landlord's permission.
11. Business machines and mechanical equipment belonging to Tenant which cause noise or vibration that may be transmitted to the structure of the Building shall be placed and maintained by Tenant, at Tenant's expense, on vibration eliminators or other devices sufficient to eliminate noise or vibration, if such noise or vibration will cause damage to the structure of the Building, as reasonable determined by Landlord.
12. All goods, including material used to store goods, delivered to the Premises of Tenant shall be immediately moved into the Premises and shall not be left in parking or receiving areas overnight.
13. Tractor trailers which must be unhooked or parked with dolly wheels beyond the concrete loading areas must use steel plates or wood blocks under the dolly wheels to prevent damage to the asphalt paving surfaces. No parking or storing of such trailers will be permitted in the auto parking areas or on streets adjacent thereto.
14. Forklifts which operate on asphalt paving areas shall not have solid rubber tires and shall only use tires that do not damage the asphalt.
15. Tenant is responsible for the storage and removal of all trash and refuse. All such trash and refuse shall be contained in suitable receptacles stored behind screened enclosures at locations approved by Landlord.
16. Tenant shall not store or permit the storage or placement of goods, or merchandise or pallets or equipment of any sort in or around the Premises or the Building. No displays or sales of merchandise shall be allowed in the parking lots.
17. Tenant shall not permit any animals, including, but not limited to, any household pets, to be brought or kept in or about the Premises or the Building.
18. Tenant shall not permit any motor vehicles to be washed on any portion of the Premises, nor shall Tenant permit mechanical work or maintenance of motor vehicles to be performed on any portion of the Premises.

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31.7 ATTORNEYS' FEES. In the event any dispute between the parties results in litigation or proceeding, the prevailing party shall be reimbursed by the party not prevailing for all reasonable and expenses, including, without limitation, reasonable attorneys' and experts' fees and costs incurred by the prevailing party in connection with such litigation or other proceeding, and any appeal thereof. Such costs, expenses and fees shall be included in and made a part of the judgment recovered by the prevailing party, if any.

31.8 ENTIRE AGREEMENT. This Lease supersedes any prior agreements, representations, negotiations or correspondence between the parties, and contains the entire agreement of the parties on matters covered. No other agreement, statement or promise made by any party, that is not in writing and signed by all parties to this Lease, shall be binding.

31.9 WARRANTY OF AUTHORITY. On the date that Tenant executes this Lease, Tenant shall deliver to Landlord an original certificate of status for Tenant issued by the California Secretary of State or statement of partnership for Tenant recorded in the county in which the Premises are located, as applicable, and such other documents as Landlord may reasonably request with regard to the lawful existence of Tenant. Each person executing this Lease on behalf of a party represents and warrants that (1) such person is duly and validly authorized to do so on behalf of the entity it purports to so bind, and (2) if such party is a partnership, corporation or trustee, that such partnership, corporation or trustee has full right and authority to enter into this Lease and perform all of its obligations hereunder. Tenant hereby warrants that this Lease is valid and binding upon Tenant and enforceable against Tenant in accordance with its terms.

31.10 NOTICES. Any and all notices and demands required or permitted to be given hereunder to Landlord shall be in writing and shall be sent: (a) by United States mail, certified and postage prepaid; or (b) by personal delivery; or (c) by overnight courier, addressed to Landlord at 101 Lincoln Centre Drive, Fourth Floor, Foster City, California 94404-1167. Any and all notices and demands required or permitted to be given hereunder to Tenant shall be in writing and shall be sent: (i) by United States mail, certified and postage prepaid; or (ii) by personal delivery to any employee or agent of Tenant over the age of eighteen (18) years of age; or (iii) by overnight courier, all of which shall be addressed to Tenant at the Premises. Notice and/or demand shall be deemed given upon the earlier of actual receipt or the third day following deposit in the United States mail. Any notice or requirement of service required by any statute or law now or hereafter in effect, including, but not limited to, California Code of Civil Procedure Sections 1161, 1161.1, and 1162 (including any amendments, supplements or substitutions thereof), is hereby waived by Tenant.

31.11 JOINT AND SEVERAL. If Tenant consists of more than one person or entity, the obligations of all such persons or entities shall be joint and several.

31.12 COVENANTS AND CONDITIONS. Each provision to be performed by Tenant hereunder shall be deemed to be both a covenant and a condition.

31.13 WAIVER OF JURY TRIAL. The parties hereto shall and they hereby do waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matters whatsoever arising out of or in any way related to this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Premises or the Building, and/or any claim of injury, loss or damage.

31.14 COUNTERCLAIMS. In the event Landlord commences any proceedings for nonpayment of Rent, Additional Rent, or any other sums or amounts due hereunder, Tenant shall not interpose any counterclaim of whatever nature or description in any such proceedings, provided, however, nothing contained herein shall be deemed or construed as a waiver of the Tenant's right to assert such claims in any separate action brought by Tenant or the right to offset the amount of any final judgment owed by Landlord to Tenant.

31.15 UNDERLINING. The use of underlining within the Lease is for Landlord's reference purposes only and no other meaning or emphasis is intended by this use, nor should any be inferred.

31.16 MERGER. The voluntary or other surrender of this Lease by Tenant, the mutual termination or cancellation hereof by Landlord and Tenant, or a

termination of this Lease by Landlord for a material default by Tenant hereunder, shall not work a merger, and, at the sole option of Landlord, (i) shall terminate all or any existing subleases or subtenancies, or (ii) may operate as an assignment to Landlord of any or all of such subleases or subtenancies. Landlord's election of either or both of the foregoing options shall be exercised by delivery by Landlord of written notice thereof to Tenant and all known subtenants under any sublease.

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(v) All fees payable to the Architect and any engineer if they are required to redesign any portion of the Tenant Improvements following Tenant's and Landlord's approval of the Construction Documents;

(vi) Utility connection fees;

(vii) Inspection fees and filing fees payable to local governmental authorities, if any;

(viii) All costs of all permanently affixed equipment and non-trade fixtures provided for in the Construction Documents, including the cost of installation; and,

(ix) A construction management fee ("CM Fee") payable to Landlord in the amount of seventy five thousand and 00/100 dollars (\$75,000.00) Tenant Improvement Allowance.

The Tenant Improvement Allowance shall be the maximum contribution by Landlord for the Tenant Improvement Costs, and the disbursement of the Tenant Improvement Allowance is subject to the terms contained hereinbelow.

Except for payment of the CM Fee, Landlord will make payments to Tenant from the Tenant Improvement Allowance to reimburse Tenant for Tenant Improvement Costs paid or incurred by Tenant. Payment of the CM Fee shall be the first payment from the Tenant Improvement Allowance and shall be made by means of a deduction or credit against the Tenant Improvement Allowance. All other payments of the Tenant Improvement Allowance shall be by progress payments not more frequently than once per month and only after satisfaction of the following conditions precedent: (a) receipt by Landlord of conditional mechanics' lien releases for the work completed and to be paid by said progress payment, conditioned only on the payment of the sums set forth in the mechanics' lien release, executed by the Contractor and all subcontractors, labor suppliers and materialmen; (b) receipt by Landlord of unconditional mechanics' lien releases from the Contractor and all subcontractors, labor suppliers and materialmen for all work other than that being paid by the current progress payment previously completed by the Contractor, subcontractors, labor suppliers and materialmen and for which Tenant has received funds from the Tenant Improvement Allowance to pay for such work; (c) receipt by Landlord of any and all documentation reasonably required by Landlord detailing the work that has been completed and the materials and supplies used as of the date of Tenant's request for the progress payment, including, without limitation, invoices, bills, or statements for the work completed and the materials and supplies used; and (d) completion by Landlord or Landlord's agents of any inspections of the work completed and materials and supplies used as deemed reasonably necessary by Landlord. Except for the CM Fee payment (credit), Tenant Improvement Allowance progress payments shall be paid to Tenant within fourteen (14) days from the satisfaction of the conditions set forth in the immediately preceding sentence. The preceding notwithstanding, all Tenant Improvement Costs paid or incurred by Tenant prior to Landlord's approval of the Construction Documents in connection with the design and planning of the Tenant Improvements by Architect shall be paid from the Tenant Improvement Allowance, without any retention, within fourteen (14) days following Landlord's receipt of invoices, bills or statements from Architect evidencing such costs. Notwithstanding the foregoing to the contrary, Landlord shall be entitled to withhold and retain five percent (5%) of the Tenant Improvement Allowance or of any Tenant Improvement Allowance progress payment until the lien-free expiration of the time for filing of any mechanics' liens claimed or which might be filed on account of any work ordered by Tenant or the Contractor or any subcontractor in connection with the construction and installation of the Tenant Improvements.

B. Landlord shall not be obligated to pay any Tenant Improvement Allowance progress payment or the Tenant Improvement Allowance retention if on the date Tenant is entitled to receive the Tenant Improvement Allowance progress payment or the Tenant Improvement Allowance retention Tenant is in default of this

Lease. Such payments shall resume upon Tenant curing any such default within the time periods which may be provided for in the Lease.

C. Should the total cost of constructing the Tenant Improvements be less than the Tenant Improvement Allowance, the Tenant Improvement Allowance shall be automatically reduced to the amount equal to said actual cost.

6. Termination. If the Lease is terminated prior to the date on which the Tenant Improvements are completed, for any reason due to the default of Tenant hereunder, in addition to any other remedies available to Landlord under the Lease, Tenant shall pay to Landlord as Additional Rent under the Lease, within five (5) days of receipt of a statement therefor, any and all costs incurred by Landlord and not reimbursed or otherwise paid by Tenant through the date of termination in connection with the Tenant improvements to the extent planned, installed and/or constructed as of such date of termination, including, but not limited to, any costs related to the removal of all or any portion of the Tenant Improvements and restoration costs related thereto. Subject to the provisions of Section 10.2 of the Lease, upon the expiration or earlier termination of the Lease, Tenant shall not be required to remove the Tenant Improvements it being the intention of the parties that the Tenant Improvements are to be considered incorporated into the Building.

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7. Lease Provisions; Conflict. The terms and provisions of the Lease, insofar as they are applicable, in whole or in part, to this EXHIBIT B, are hereby incorporated herein by reference, and specifically including all of the provisions of Section 31 of the Lease. In the event of any conflict between the terms of the Lease and this EXHIBIT B, the terms of this EXHIBIT B shall prevail. Any amounts payable by Tenant to Landlord hereunder shall be deemed to be Additional Rent under the Lease and, upon any default in the payment of same, Landlord shall have all rights and remedies available to it as provided for in the Lease.

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EXHIBIT C TO PURCHASE AND SALE AGREEMENT

ASSIGNMENT AND ASSUMPTION OF CONTRACTS, WARRANTIES AND PERMITS

This Assignment and Assumption of Contracts, Warranties and Permits (the "Assignment") is made and entered into as of this _____ day of _____, 1998 ("Assignment Date"), by and between Lincoln-RECP Great Oaks OPCO, LLC, a Delaware limited liability company ("Assignor"), and Jabil Circuit, Inc., a Delaware corporation ("Assignee"), with reference to the following facts.

RECITALS

A. Assignor and Assignee are parties to that certain Purchase and Sale Agreement, made and entered into as of _____, 1998 (the "Purchase Agreement"), pursuant to which Assignor agreed to sell to Assignee, and Assignee agreed to purchase from Assignor that certain improved real property located at 30-32 Great Oaks Blvd., San Jose, California, as legally described in Exhibit A attached hereto and made a part hereof (the "Land") together with all (i) improvements and fixtures, including that certain office building (collectively, the "Improvements") and personal property (the "Personal Property") owned by Assignor (if any) located on the Land, and (ii) easements, appurtenances, rights and privileges belonging thereto. The Land, the Improvements, the Personal Property and the interests described in (ii) above are collectively referred to herein as the "Property."

B. Assignee has acquired fee title to the Property from Assignor on the Assignment Date. Assignor now desires to assign and transfer to Assignee all of Assignor's rights, title and interests in, to and under the Contracts,

Warranties and Permits, as hereinafter defined.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

1. Assignment and Assumption. Effective as of the Assignment Date, Assignor hereby grants, transfers, conveys, bargains, assigns and delegates to Assignee all of its rights, title, and interests of Assignor in, to and under (i) those warranties and guaranties that are set forth in Schedule 1 attached hereto and made a part hereof (collectively, the "Warranties"); (ii) all intangible property now owned by Assignor in connection with any portion of the Property, including without limitation, all governmental permits, approvals and licenses (to the extent assignable) (collectively, the "Permits"); and (iii) those agreements, utility contracts, service contracts, maintenance contracts, operating contracts and other rights relating to the ownership, use or operation of the Property that are set forth in Schedule 2 attached hereto and made a part hereof (collectively, the "Contracts"). Assignee hereby accepts such assignment and delegation by Assignor and agrees to assume all the obligations of Assignor under the Warranties, Permits and Contracts accruing on or after the Assignment Date.

2. No Warranties. Assignee does hereby covenant with Assignor, and represents and warrants to Assignor, that Assignor is transferring each of the Warranties, Permits and Contracts to Assignee (to the extent the terms of any of the Contracts do not limit or restrict such right) without any warranty of any kind or nature.

3. Attorneys' Fees. If Assignor or Assignee bring any action against the other for the enforcement or interpretation of this Assignment, the losing party shall pay to the prevailing party a reasonable sum for attorneys' fees and costs.

4. Counterparts. This Assignment may be executed in counterparts, each of which shall be deemed an original, and all of which shall taken together be deemed one document.

5. Survival. This Assignment and the provisions hereof shall inure to the benefit of and be binding upon the parties to this Assignment and their respective successors, heirs and permitted assigns. There shall be no third party beneficiaries of, in, to or under this Assignment.

6. Limited Liability. Assignee on behalf of itself and its agents, employees, representatives, successors and assigns hereby agrees that in no event or circumstance shall any of the employees, representatives, officers, directors, agents, property management company, affiliated or related entities of Assignor or Assignor's property management company, namely Lincoln Property Company

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Management Company, Inc., have any personal liability under this Assignment, or to any of Assignee's creditors, or to any other party in connection with the Property.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment as of the Assignment Date.

ASSIGNOR:

LINCOLN-RECP GREAT OAKS OPCO, LLC,
a Delaware limited liability company

By: RECP LINCOLN GREAT OAKS HOLDCO, LLC,
a Delaware limited liability company
Its Managing Member

By: CF REALTY, INC.
a Delaware corporation
Its Managing Member

By:

Its: -----
By: -----
Its: -----

ASSIGNEE:

Jabil Circuit, Inc.,
a Delaware corporation

By: -----
Its: -----
By: -----
Its: -----

EXHIBIT D TO PURCHASE AND SALE AGREEMENT

GRANT DEED

Recording Requested by and
When Recorded Mail to,
and Mail Tax Statements to:

Attention: _____

Space Above This Line for Recorder's Use

GRANT DEED

The undersigned Grantor declared that Documentary Transfer Tax is not part of the public records.

For valuable consideration, receipt of which is acknowledged, Lincoln-RECP Great Oaks OPCO, LLC, a Delaware limited liability company ("Grantor"), hereby grants to Jabil Circuit, Inc., a Delaware corporation ("Grantee"), that certain real property located in the City of San Jose, County of Santa Clara, State of California, as legally described in Exhibit A attached hereto and made a part hereof, and referred to as Assessor's Parcel Number _____ (the "Property") together with all of Grantor's right title and interest in and to all improvements located thereon and all easements, appurtenances, rights and privileges of Grantor appertaining to the Property.

The Property is conveyed subject to:

(a) The lien of supplemental taxes, if any, assessed pursuant to the provisions of Chapter 3.5 (commencing with Section 75) of the Revenue and

Taxation Code of the State of California;

(b) The liens for real property taxes for the fiscal year 199_-199_ not yet due and payable;

(c) All liens, encumbrances, easements, leases, covenants, conditions and restrictions of record;

(d) All matters which would be disclosed by an inspection of the Property; and

(e) Zoning ordinances and regulations and any other laws, ordinances, regulations or orders of any governmental agency having or claiming jurisdiction over the use, occupancy or enjoyment of the Property.

IN WITNESS WHEREOF, Grantor has caused its duly authorized representative to execute this instrument as of the date hereinafter written.

DATED: _____, 199_

GRANTOR:

LINCOLN-RECP GREAT OAKS OPCO, LLC,
a Delaware limited liability company

By: RECP LINCOLN GREAT OAKS HOLDCO, LLC,
a Delaware limited liability company
Its Managing Member

By: CF REALTY, INC.,
a Delaware corporation
Its Managing Member

By: _____

Its: _____

By: _____

Its: _____

EXHIBIT E TO PURCHASE AND SALE AGREEMENT
BILL OF SALE

NO WARRANTY BILL OF SALE

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Lincoln-RECP Great Oaks OPCO, LLC, a Delaware limited liability company ("Seller"), does hereby GRANT, SELL, CONVEY, TRANSFER AND DELIVER to Jabil Circuit, Inc., a Delaware corporation ("Buyer"), without any warranty of any kind, any and all of Seller's rights, title and interests in and to the personal property described in Schedule 1 attached hereto and made a part hereof (the "Personal Property"), utilized by Seller in connection with the operation and management of the realty described in Exhibit A attached hereto and made a part hereof (the "Property").

From and after the date of this Bill of Sale, it is intended by the parties that Buyer and its successors and assigns shall have the right to use, have, hold and own the Personal Property forever. This Bill of Sale may be executed in counterparts, each of which shall be deemed an original, and all of which shall taken together be deemed one document.

Buyer hereby acknowledges, covenants, represents and warrants that Seller has made absolutely no warranties or representations of any kind or nature regarding title to the Personal Property or the condition of the

Personal Property. Buyer on behalf of itself and its officers, directors, employees, partners, agents, representatives, successors and assigns hereby agrees that in no event or circumstance shall any of the parties comprising Seller or their partners, trustees, employees, representatives, officers, successors or assigns have any personal liability under this Bill of Sale, or to any of Buyer's creditors, or to any other party in connection with the Personal Property or the Property.

IN WITNESS WHEREOF, the parties have executed this Bill of Sale as of this ____ day of _____, 199_.

SELLER:

LINCOLN-RECP GREAT OAKS OPCO, LLC,
a Delaware limited liability company

By: RECP LINCOLN GREAT OAKS HOLDCO, LLC,
a Delaware limited liability company
Its Managing Member

By: CF REALTY, INC.,
a Delaware corporation
Its Managing Member

By: _____

Its: _____

By: _____

Its: _____

BUYER:

Jabil Circuit, Inc.,
a Delaware corporation

By: _____

Its: _____

By: _____

Its: _____

EXHIBIT E

HAZARDOUS MATERIALS DISCLOSURE CERTIFICATE

Your cooperation in this matter is appreciated. Initially, the information provided by you in this Hazardous Materials Disclosure Certificate is necessary for the Landlord (identified below) to evaluate and finalize a lease agreement with you as tenant. After a lease agreement is signed by you and the Landlord (the "Lease Agreement"), on an annual basis in accordance with the provisions of Section 29 of the signed Lease Agreement, you are to provide an update to the information initially provided by you in this certificate. The information contained in the initial Hazardous Materials Disclosure Certificate and each annual certificate provided by you thereafter will be maintained in confidentiality by Landlord subject to release and disclosure as required by (i) any lenders and owners and their respective environmental consultants, (ii) any

prospective purchaser(s) of all or any portion of the property on which the Premises are located, (iii) Landlord to defend itself or its lenders, partners or representatives against any claim or demand, and (iv) any laws, rules, regulations, orders, decrees, or ordinances, including, without limitation, court orders or subpoenas. Any and all capitalized terms used herein, which are not otherwise defined herein, shall have the same meaning ascribed to such term in the signed Lease Agreement. Any questions regarding this certificate should be directed to, and when completed, the certificate should be delivered to:

Landlord:

c/o LPC MS, Inc.
101 Lincoln Centre Drive, Fourth Floor
Foster City, California 94404
Attn: Mr. Todd Hedrick
Phone: (650) 571-2200

Name of (Prospective) Tenant:

Mailing Address:

Contact Person, Title and Telephone Number(s):

Contact Person for Hazardous Waste Materials Management and Manifests and Telephone Number(s):

Address of (Prospective) Premises:

Length of (Prospective) initial Term:

1. GENERAL INFORMATION:

Describe the initial proposed operations to take place in, on, or about the Premises, including, without limitation, principal products processed, manufactured or assembled services and activities to be provided or otherwise conducted. Existing tenants should describe any proposed changes to on-going operations.

2. USE, STORAGE AND DISPOSAL OF HAZARDOUS MATERIALS

2.1 Will any Hazardous Materials be used, generated, stored or disposed of in, on or about the Premises? Existing tenants should describe any Hazardous Materials which continue to be used, generated, stored or disposed of in, on or about the Premises.

Wastes Yes [] No []
Chemical Products Yes [] No []
Other Yes [] No []

If Yes is marked, please explain:

2.2 If Yes is marked in Section 2.1, attach a list of any Hazardous

Materials to be used, generated, stored or disposed of in, on or about the Premises, including the applicable hazard class and an estimate of the quantities of such Hazardous Materials at any given time; estimated annual throughput; the proposed location(s) and method of storage (excluding nominal amounts of ordinary household cleaners and janitorial supplies which are not regulated by any Environmental Laws); and the proposed location(s) and method

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of disposal for each Hazardous Material, including, the estimated frequency, and the proposed contractors or subcontractors. Existing tenants should attach a list setting forth the information requested above and such list should include actual data from on-going operations and the identification of any variations in such information from the prior year's certificate.

3. STORAGE TANKS AND SUMPS

3.1 Is any above or below ground storage of gasoline, diesel, petroleum, or other Hazardous Materials in tanks or sumps proposed in, on or about the Premises? Existing tenants should describe any such actual or proposed activities.

Yes [] No []

If yes, please explain: _____

4. WASTE MANAGEMENT

4.1 Has your company been issued an EPA Hazardous Waste Generator I.D. Number? Existing tenants should describe any additional identification numbers issued since the previous certificate.

Yes [] No []

4.2 Has your company filed a biennial or quarterly reports as a hazardous waste generator? Existing tenants should describe any new reports filed.

Yes [] No []

If yes, attach a copy of the most recent report filed.

5. WASTEWATER TREATMENT AND DISCHARGE

5.1 Will your company discharge wastewater or other wastes to:

_____ storm drain? _____ sewer?
_____ surface water? _____ no wastewater or other wastes discharged.

Existing tenants should indicate any actual discharges. If so, describe the nature of any proposed or actual discharge(s).

5.2 Will any such wastewater or waste be treated before discharge?

Yes [] No []

If yes, describe the type of treatment proposed to be conducted. Existing tenants should describe the actual treatment conducted.

6. AIR DISCHARGES

6.1 Do you plan for any air filtration systems or stacks to be used in your company's operations in, on or about the Premises that will discharge into the air; and will such air emissions be monitored? Existing tenants should indicate whether or not there are any such air filtration systems or stacks in use in, on or about the Premises which discharge into the air and whether such air emissions are being monitored.

Yes [] No []

If yes, please describe: _____

6.2 Do you propose to operate any of the following types of equipment, or any other equipment requiring an air emissions permit? Existing tenants should specify any such equipment being operated in, on or about the Premises.

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_____ Spray booth(s) _____ Incinerator(s)
_____ Dip tank(s) _____ Other (Please describe)
_____ Drying oven(s) _____ No Equipment Requiring Air Permits

If yes, please describe: _____

7. HAZARDOUS MATERIALS DISCLOSURES

7.1 Has your company prepared or will it be required to prepare a Hazardous Materials management plan ("Management Plan") pursuant to Fire Department or other governmental or regulatory agencies' requirements? Existing tenants should indicate whether or not a Management Plan is required and has been prepared.

Yes [] No []

If yes, attach a copy of the Management Plan. Existing tenants should attach a copy of any required updates to the Management Plan.

7.2 Are any of the Hazardous Materials, and in particular chemicals, proposed to be used in your operations in, on or about the Premises regulated under Proposition 65? Existing tenants should indicate whether or not there are any new Hazardous Materials being so used which are regulated under Proposition 65.

Yes [] No []

If yes, please explain: _____

8. ENFORCEMENT ACTIONS AND COMPLAINTS

8.1 With respect to Hazardous Materials or Environmental Laws, has your company ever been subject to any agency enforcement actions, administrative orders, or consent decrees or has your company received requests for information, notice or demand letters, or any other inquiries regarding its operations? Existing tenants should indicate whether or not any such actions, orders or decrees have been, or are in the process of being, undertaken or if any such requests have been received.

Yes [] No []

If yes, describe the actions, orders or decrees and any continuing compliance obligations imposed as a result of these actions, orders or decrees and also describe any requests, notices or demands, and attach a copy of all such documents. Existing tenants should describe and attach a copy of any new actions, orders, decrees, requests, notices or demands not already delivered to Landlord pursuant to the provisions of Section 29 of the signed Lease Agreement.

8.2 Have there ever been, or are there now pending, any lawsuits against your company regarding any environmental or health and safety concerns?

Yes [] No []

If yes, describe any such lawsuits and attach copies of the complaint(s), cross-complaint(s), pleadings and all other documents related thereto as requested by Landlord. Existing tenants should describe and attach a copy of any new complaint(s), cross-complaint(s), pleadings and other related documents not already delivered to Landlord pursuant to the provisions of Section 29 of the signed Lease Agreement.

8.3 Have there been any problems or complaints from adjacent tenants, owners or other neighbors at your company's current facility with regard to environmental or health and safety concerns? Existing tenants should indicate whether or not there have been any such problems or complaints from adjacent tenants, owners or other neighbors at, about or near the Premises.

Yes [] No []

If yes, please describe. Existing tenants should describe any such problems or complaints not already disclosed to Landlord under the provisions of the signed Lease Agreement.

9. PERMITS AND LICENSES

9.1 Attach copies of all Hazardous Materials permits and licenses including a Transporter Permit number issued to your company with respect to its proposed operations in, on or about the Premises, including, without limitation, any wastewater discharge permits, air emission permits, and use permits or approvals. Existing tenants should attach copies of any new permits and licenses as well as any renewals of permits or licenses previously issued.

The undersigned hereby acknowledges and agrees that (A) this Hazardous Materials Disclosure Certificate is being delivered in connection with, and as required by, Landlord in connection with the evaluation and finalization of a Lease Agreement and will be attached thereto as an exhibit; (B) that this Hazardous Materials Disclosure Certificate is being delivered in accordance with, and as required by, the provisions of Section 29 of the Lease Agreement; and (C) that Tenant shall have and retain full and complete responsibility and liability with respect to any of the Hazardous Materials disclosed in the HazMat Certificate notwithstanding Landlord's/Tenant's receipt and/or approval of such certificate. Tenant further agrees that none of the following described acts or events shall be construed or otherwise interpreted as either (a) excusing, diminishing or otherwise limiting Tenant from the requirement to fully and faithfully perform its obligations under the Lease with respect to Hazardous Materials, including, without limitation, Tenant's indemnification of the Indemnitees and compliance with all Environmental Laws, or (b) imposing upon Landlord, directly or

indirectly, any duty or liability with respect to any such Hazardous Materials, including, without limitation, any duty on Landlord to investigate or otherwise verify the accuracy of the representations and statements made therein or to ensure that Tenant is in compliance with all Environmental Laws; (i) the delivery of such certificate to Landlord and/or Landlord's acceptance of such certificate, (ii) Landlord's review and approval of such certificate, (iii) Landlord's failure to obtain such certificate from Tenant at any time, or (iv) Landlord's actual or constructive knowledge of the types and quantities of Hazardous Materials being used, stored, generated, disposed of or transported on or about the Premises by Tenant or Tenant's Representatives. Notwithstanding the foregoing or anything to the contrary contained herein, the undersigned acknowledges and agrees that Landlord and its partners, lenders and representatives may, and will, rely upon the statements, representations, warranties, and certifications made herein and the truthfulness thereof in entering into the Lease Agreement and the continuance thereof throughout the term, and any renewals thereof, of the Lease Agreement.

I (print name) _____, acting with full authority to bind the (proposed) Tenant and on behalf of the (proposed) Tenant, certify, represent and warrant that the information contained in this certificate is true and correct.

(PROSPECTIVE) TENANT:

By: _____

Title: _____

Date: _____

EXHIBIT F
FIRST AMENDMENT TO LEASE AGREEMENT
CHANGE OF COMMENCEMENT DATE

This first Amendment to Lease Agreement (the "Amendment") is made and entered into to be effective as of _____, by and between _____ ("LANDLORD"), and _____ ("TENANT"), with reference to the following facts:

RECITALS

A. Landlord and Tenant have entered into that certain Lease Agreement dated _____ (the "Lease"), for the leasing of certain premises containing approximately _____ rentable square feet of space located at _____, California (the "Premises") as such Premises are more fully described in the Lease.

B. Landlord and Tenant wish to amend the commencement Date of the Lease.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. Recitals: Landlord and Tenant agree that the above recitals are true and correct.
2. The Commencement Date of the Lease shall be _____.
3. The last day of the Term of the Lease (the "Expiration Date") shall be _____.
4. The dates on which the Base Rent will be adjusted are:
 - for the period _____ to _____ the monthly Base Rent shall be \$_____;
 - for the period _____ to _____ the monthly Base Rent shall be \$_____;
 - for the period _____ to _____ the monthly Base Rent shall be \$_____.

5. Effect of Amendment: Except as modified herein, the terms and conditions of the Lease shall remain unmodified and continue in full force and effect. In the event of any conflict between the terms and conditions of the Lease and this Amendment, the terms and conditions of this Amendment shall prevail.
6. Definitions: Unless otherwise defined in this Amendment, all terms not defined in this amendment shall have the meaning set forth in the Lease.
7. Authority: Subject to the provisions of the Lease, this Amendment shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, legal representatives, successors and assigns. Each party hereto and the persons signing below warrant that the person signing below on such party's behalf is authorized to do so and to bind such party to the terms of this Amendment.
8. The terms and provisions of the Lease are hereby incorporated in this Amendment.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date and year first above written.

[PROPERTY MANAGER: PLEASE PROVIDE TENANT INFORMATION AND WORD PROCESSING WILL COMPLETE THE SIGNATURE BLOCK]

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ADDENDUM 1
RIGHT OF FIRST OFFER TO PURCHASE

This Addendum 1 is incorporated as a part of that certain Lease Agreement dated May 12, 1998 by and between Jabil Circuit, Inc., a Delaware corporation (Tenant), and Lincoln-RECP Great Oaks OPCO, LLC, a Delaware limited liability company ("Landlord"), for the leasing of the Premises. Any capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed to such terms as set forth in the Lease.

As set forth in this Addendum I, Tenant shall have two (2) rights of first offer (individually, the "First Right of First Offer" and "Second Right of First Offer," and collectively, "Right of First Offer") to purchase the Premises upon the terms and conditions contained in this Addendum 1. Tenant's Right of First Offer, as granted herein, shall be void if (i) Tenant has been in default beyond any applicable cure period per the Terms of the Lease in the performance of any of Tenant's obligations under the Lease, or (ii) on the date of Landlord's First Availability Notice (defined below) or Landlord's Second Availability Notice (defined below), as applicable, Tenant is then in default in the performance of any of its obligations under the Lease, or (iii) the Premises or a portion thereof have been assigned or are being subleased at the time of the delivery to Tenant of Landlord's First Availability Notice or Landlord's Second Availability Notice, as applicable.

Provided the above conditions are satisfied, in the event Landlord shall decide to sell the Premises during the Term of this Lease, Landlord shall give written notice to Tenant that Landlord intends to sell the Premises and that Tenant has the right to exercise Tenant's First Right of First Offer to purchase the Premises; provided, however, Landlord covenants with Tenant that Landlord shall give to Tenant, once during the initial forty-eight (48) months of the Term, such written notice to Tenant ("Landlord's First Availability Notice") so that Tenant may exercise Tenant's First Right of First Offer. Tenant shall have a period of ten (10) days following receipt of Landlord's First Availability Notice to notify Landlord in writing of Tenant's election to purchase the Premises ("Tenant's Acceptances"), which purchase of the Premises pursuant to Tenant's First Right of First Offer shall be upon the exact terms and conditions contained in the Purchase and Sale Agreement attached to this Lease as Addendum 2 ("Purchase Agreement"). Within three (3) business days after Tenant timely and properly delivers Tenant's Acceptance to Landlord, Landlord and Tenant shall execute and deliver to the other and to Title Company (as defined in the Purchase Agreement) two (2) originals of the Purchase Agreement and the parties shall proceed under the terms of the Purchase Agreement. If Tenant declines Landlord's First Availability Notice, or if Tenant fails to deliver to Landlord Tenant's Acceptance within the time specified herein or if Tenant requests modifications, changes or amendments to the Purchase Agreement, it shall be deemed that (i) Tenant has elected not to purchase the Premises; and

(ii) Landlord may thereafter enter into negotiations with any person or entity and/or negotiate with an consummate an agreement to sell the Premises to any person or entity on any terms and conditions Landlord, in its sole and absolute discretion, shall deem desirable. Time is of the essence herein.

In the event Tenant shall not purchase the Premises pursuant to Tenant's First Right of First Offer and in the event Landlord shall thereafter not consummate the sale of the Premises to such other entity or person described in subsection (i) of the immediately preceding paragraph, Tenant shall have a Second Right of First Offer during the balance of the initial Term in the event Landlord shall decide to sell the Premises during such time period. Such Second Right of First Offer shall be upon and subject to the same terms and conditions set forth above with respect to Tenant's First Right of First Offer except (i) with respect to this Second Right of First Offer, the purchase price for the Premises shall no longer be the Purchase Price (as defined in the Purchase Agreement) set forth in the Purchase Agreement and Landlord shall no longer be bound by such Purchase Price but rather, the purchase price for the Premises shall be determined solely by Landlord in Landlord's business judgment; (ii) with respect to this Second Right of First Offer, Landlord shall only give Tenant written notice that Landlord intends to sell the Premises (Landlord's Second Availability Notice") in the event Landlord decides to sell the Premises during the balance of the initial Term and, in the event Landlord shall not desire or decide to sell the Premises during the balance of the initial Term, Landlord shall be under no obligation whatsoever to deliver to Tenant Landlord's Second Availability Notice; and (ii) that, upon Tenant's failure to deliver Tenant's Acceptance to landlord within the ten (10) day period following delivery by Landlord (if at all) to Tenant of Landlord's Second Availability Notice or upon Tenant's declining this Second Right of First Offer or upon Tenant requesting modifications, change or amendments to the Purchase Agreement, this Second Right of First Offer (and all rights of Tenant under this Addendum 1) shall terminate and be of no further force or effect and it shall be deemed that (a) Tenant has elected not to purchase the Premises; and (b) Landlord may thereafter enter into negotiations with any person or entity and/or negotiate with and consummate an agreement to sell the Premises to any person or entity on any terms and conditions Landlord, in its sole and absolute discretion, shall deem desirable. Time is of the essence herein.

This Right of First Offer is personal to Tenant and may not be assigned, voluntarily or involuntarily, separate from or as a part of the Lease.

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Until the consummation of the purchase and sale of the Premises to Tenant, this Lease shall remain in full force and effect.

Upon consummation of the purchase and sale of the Premises to Tenant, this Lease shall terminate and be of no further force or effect. In the event the Premises are sold to any person or entity other than Tenant during the term this Lease or in the event Landlord and Tenant fail to consummate the purchase and sale of the Premises pursuant to the terms and conditions of the Purchase Agreement, Tenant shall remain in possession of the Premises subject to the terms, covenants, conditions and provisions of this Lease.

Landlord and Tenant represent and warrant to the other that no person or entity shall be entitled to a brokerage or real estate commission of any kind in connection with the subject matter of this Addendum 1.

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THIS PURCHASE AND SALE AGREEMENT (the "Agreement") is made and entered into as of this day of _____, _____ (the "Agreement Date"), by and between Lincoln-RECP Great Oaks OPCO, LLC, a Delaware limited liability company ("Seller"), and Jabil Circuit, Inc., a Delaware corporation ("Buyer"), with reference to the following facts.

RECITALS

A. Seller is the owner of that certain improved real property located at 30-32 Great Oaks Boulevard, San Jose, California, as legally described in Exhibit A attached hereto and made a part hereof (the "Land") together with all (i) improvements and fixtures, including that certain office building (collectively, the "Improvements") and personal property (the "Personal Property") owned by Seller (if any) located on the Land, and (ii) easements, appurtenances, rights and privileges belonging thereto. The Land, the Improvements, the Personal Property and the interests described in (ii) above are collectively referred to herein as the "Property".

B. Seller desires to sell to Buyer and Buyer desires to purchase from Seller the Property, in accordance with the terms and provisions hereinafter contained in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Sale of the Property. Seller shall sell to Buyer and Buyer shall purchase from Seller the Property at the Closing (hereinafter defined in Section 6 below), on the terms and conditions contained herein.

2. Deposits.

2.1 Initial Deposit. Within one (1) business day after the Agreement Date, Buyer shall place on deposit into the escrow account (the "Escrow Account") to be opened with Fidelity National Title Company located at 50 California Street, Suite 2950, San Francisco, California (Attention: Bill Waite) ("Title Company" or "Escrow Holders") the amount of Two Hundred Fifty Thousand Dollars (\$250,000.00) as an initial deposit (the "Initial Deposit"). The Title Company shall cause the Initial Deposit to be placed into an interest bearing bank account acceptable to Buyer and Seller. Any interest earned on the Initial Deposit shall be included as part of the Initial Deposit. The Initial Deposit and interest earned thereon, shall be fully refundable to Buyer until the earlier of (a) the removal or waiver by Buyer of all Pre-Closing Conditions (hereafter defined), or (b) thirty (30) days after the Agreement Date (the "Conditions Period"). If Buyer fails to deliver the Initial Deposit into the Escrow Account strictly as and when contemplated herein, Seller shall have the right to terminate this Agreement by delivering written notice thereof to Buyer at any time and thereafter neither party shall have any further rights or obligations hereunder except for the indemnities contained in Sections 4.4 and 15 below and Buyer's obligations under Section 4.3 below to deliver to Seller the Due Diligence Materials (defined below).

2.2 Additional Deposit. Provided that Buyer has not earlier terminated this Agreement, within one (1) business day after the expiration of the Conditions Period Buyer shall place on deposit into the Escrow Account, the amount of Two Hundred Fifty Thousand Dollars (\$250,000.00) as an additional deposit (the "Additional Deposit"). The Escrow Holder shall cause the Additional Deposit to be placed into an interest bearing bank account acceptable to Seller. Any interest earned on the Additional Deposit shall be included as part of the Additional Deposit. The Additional Deposit shall be retained in the Escrow Account until the Closing (defined below). Subject to the satisfaction of all of the Closing Conditions (defined below) in accordance with the provisions of this Agreement, the Additional Deposit shall be non-refundable to Buyer. If Buyer fails to deliver the Additional Deposit into the Escrow Account strictly as and when contemplated herein, Seller shall have the right to terminate this Agreement by delivering written notice thereof to Buyer at any time and thereafter neither party shall have any further rights or obligations hereunder except for the indemnities contained in Sections 4.4 and 15 below and Buyer's obligations under Section 4.3 below to deliver to Seller the Due Diligence Materials (defined below). The Initial Deposit and Additional Deposit are collectively referred to herein as "Deposits".

3. Purchase Price. The purchase price for the Property shall be Twenty Five Million One Hundred Forty Three Thousand Seven Hundred Ten Dollars (\$25,143,710.00) (the "Purchase Price"), adjusted for prorations in accordance

with the provisions of Section 13 below. The Deposits, to the extent actually made by Buyer, shall be applied to the Purchase Price at the Closing. At the Closing, the balance of the Purchase Price remaining after deduction for the Deposits actually made by Buyer hereunder, shall be paid by Buyer to Seller in cash, in immediately available funds via wire transfer, adjusted for prorations in accordance with the provisions of Section 13 below.

4. Conditions to Buyer's Obligations.

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4.1 Pre-Closing Conditions. Buyer's obligations under this Agreement shall be subject to the satisfaction of or waiver by Buyer in its sole discretion of the following described matters (collectively, the "Pre-Closing Conditions") on or before the earlier of (i) the time periods specified in each subsection below, or (ii) the expiration of the Conditions Period" (provided, Seller shall not be obligated to provide to Buyer and Buyer shall not have access to any of the following which are legally privileged or confidential in nature):

4.1.1 Title. Within five (5) days following the Agreement Date, Seller shall cause to be issued and delivered to Buyer a preliminary title report for the Property, together with all documents evidencing exceptions to title referred to therein issued by the Title Company (the "Title Report"). Buyer shall have until the expiration of the Conditions Period to either approve of the exceptions (if any) contained therein, or to notify Seller in writing, specifying any exceptions to which Buyer objects. Seller shall have until two (2) business days prior to the expiration of the Conditions Period (a) to remove, or agree to remove prior to the Closing, those exceptions to which Buyer has objected, and to inform Buyer of the same, or (b) to advise Buyer, in writing, that Seller does not agree to remove some or all of those exceptions to which Buyer has objected; the foregoing election by Seller being at Seller's sole option and discretion. Failure by Seller or Seller's refusal to remove those specified exceptions which Seller has expressly agreed to remove within the specified period shall be deemed to be a failure of this condition, in which event the Agreement shall terminate, and the Initial Deposit and the Additional Deposit (to the extent then made) shall be returned to Buyer, and the partial shall have no further obligations hereunder except for the indemnities contained in Sections 4.4 and 15 below and Buyer's obligations under Section 4.3 below to deliver to Seller the Due Diligence Materials (defined below), unless Buyer withdraws its objections in writing, prior to the expiration of the Conditions Period.

4.1.2 Physical Inspections. Within five (5) days following the Agreement Date, but only to the extent same is in Seller's possession or reasonably accessible to Seller shall deliver to Buyer, without any warranty or representation as to the accuracy thereof or to the ability of Buyer to rely thereon, a copy of the most recent environmental site assessment report with respect to an evaluation of Hazardous Materials (hereafter defined) in, on or under the Property. After Buyer has provided to Seller a certificate of insurance evidencing Buyer's procurement of a commercial general liability insurance policy with a combined single limit for property damage and bodily injury in the amount of Two Million Dollars (\$2,000,000.00) under which Seller is named as an additional insured. Buyer and its authorized agents shall have a license to make and perform such environmental evaluations, and other inspections and investigations of the physical condition of the Property. The aforementioned insurance coverage may be obtained under a blanket policy carried by Buyer. Notwithstanding the foregoing, Buyer shall not be permitted to undertake any intrusive or destructive testing of the Property, including without limitation a "Phase II" environmental assessment, without in each instance first obtaining Seller's written consent thereto, which consent Seller may give or withhold in Seller's sole and absolute discretion. Prior to conducting any inspections or tests (on each occasion), Buyer shall deliver to Seller prior notice thereof and shall afford Seller a reasonable opportunity to have a representative present to accompany Buyer while Buyer performs its evaluations, inspections and other investigations of the physical condition of the Property. Buyer shall have until the expiration of the Conditions Period to notify Seller in writing, of its approval or disapproval of such evaluations, inspections and investigations.

4.1.3 Plans, Permits, Reports and Related Information. Within five (5)

days following the Agreement Date, but only to the extent same is in Seller's possession or reasonably accessible to Seller. Seller shall deliver to Buyer a true and complete copy of (a) property tax bills for the three (3) most recent tax fiscal year; (b) without any warranty or representation as to the accuracy thereof or to the ability of Buyer to rely thereon soils reports, ADA reports, as-built plans and specifications, and structural or engineering studies or reports; and (c) without any warranty or representation as to the accuracy thereof or to the ability of Buyer to rely thereon, a copy of any existing survey of the Property. Buyer shall have until the expiration of the Conditions Period to notify Seller in writing, of its approval or disapproval of such matters.

4.1.4 Leases and Income and Expense Statements. Within five (5) days following the Agreement Date, but only to the extent same is in Seller's possession or reasonably accessible to Seller shall deliver to Buyer or otherwise make available to Buyer at Seller's offices during normal business hours for inspection by Buyer the following described document and information: (a) a copy of all existing and pending leases and if subleases together with any amendments or modifications thereof affecting any portion of the Property (collectively, the "Leases"). Seller shall assign its rights, title and interest in and to the Leases and all security deposits to Buyer at the Closing pursuant to the Assignment and Assumption of Leases in substantially the form attached hereto as Exhibit B, and made a part hereof.

4.1.5 Contracts. Within five (5) days following the Agreement Date, but only to the extent same is in Seller's possession or reasonably accessible to Seller shall deliver to Buyer a true and complete copy of all contracts, service agreements, commission agreements, maintenance agreements, reciprocal easement agreements, and other agreements related to the Property, except for any management agreement between Seller and the management company presently managing the Property (collectively, the "Contracts"). Buyer shall have until the expiration of the Conditions Period to either approve of any such Contracts, or to notify Seller in writing, specifying any Contracts which Buyer desires he terminated on or before the Closing the ("Disapproved Contracts"). Seller shall have until one (1) business day prior to the expiration of the Conditions Period to agree, in Seller's sole and absolute discretion, to terminate such Disapproved Contracts prior to the Closing; provided, however, in no event shall Seller be required to terminate any Contracts which by their terms are not terminable prior to the Closing or otherwise not terminable without payment by Seller of a penalty or premium. Those contracts not expressly disapproved by Buyer and those contracts which by their terms are not terminable prior to the Closing or are otherwise not terminable without payment by Seller of a penalty or premium shall be deemed approved by Buyer (collectively, the "Approved Contracts") and Seller shall assign its rights under the Approved Contracts to Buyer at the Closing pursuant to the Assignment

and Assumption of Contracts, Warranties and Permits in substantially the form attached hereto as Exhibit C, and made a part hereof. Failure by Seller to agree to so terminate the Disapproved Contracts within the specified period shall be deemed to be a failure of this condition, in which event the Agreement shall terminate, and the Initial Deposit and the Additional Deposit (to the extent then made) shall be returned to Buyer, and the parties shall have no further obligations hereunder except for the indemnities contained in Sections 4.4 and 15 below and Buyer's obligations under Section 4.3 below to deliver to Seller the Due Diligence Materials (defined below), unless Buyer withdraws its disapproval or rejection in writing, prior to the expiration of the Conditions Period.

4.2 Closing Conditions. Following the expiration of the Conditions Period, Buyer's obligation to consummate the purchase of the Property shall be subject to the satisfaction of the following condition (the "Closing Conditions"):

4.2.1 Seller's Delivery of Closing Documents. Seller shall have delivered to Escrow Holder or Buyer, as appropriate, all of the documents referred to in Section 6.4.1 below.

4.2.2 Delivery of CLTA Title Policy. At the Closing the Title Company shall be irrevocably committed to issue to Buyer the CLTA Title Policy (hereafter defined).

4.3 Failure of Conditions. In the event that any or all of the Pre-Closing Conditions are not satisfied or waived within the applicable time periods specified in Section 4.1 above, then Buyer may terminate this Agreement by delivering written notice thereof to Seller on or before the expiration of said time periods. If Buyer so elects to terminate this Agreement, the Initial Deposit and the Additional Deposit (to the extent then made) shall be returned to Buyer and neither Buyer nor Seller shall have any further liability or obligation to each other, except for the indemnities contained in Sections 4.4 and 15; provided, notwithstanding anything to the contrary contained herein if Buyer terminates this Agreement for failure of a Pre-Closing Condition or for any other reason other than a default on the part of Seller, Buyer shall deliver to Seller a copy of all materials, tests, audits, surveys, reports, studies and the results of any and all investigations and inspections conducted by Buyer (excluding any proprietary materials but including any materials given to Buyer by or on behalf of Seller) (collectively, the "Due Diligence Materials") as a condition precedent to Buyer's right to obtain the return of the Initial Deposit and the Additional Deposit (to the extent then made). If Buyer does not elect to terminate this Agreement due to a failure of any of the Pre-Closing Conditions (i) the Initial Deposit shall become non-refundable to Buyer, and (ii) within one (1) business day after the expiration of the Conditions Period, Buyer shall deposit into the Escrow Account, the Additional Deposit which shall also become non-refundable to Buyer subject to the satisfaction or waiver of the Closing Conditions. If the Pre-Closing Conditions are satisfied or waived by Buyer but any Closing Condition is not satisfied or waived by Buyer on or before the date established for the Closing, then Buyer may terminate this Agreement by delivering written notice thereof to Seller on or before such date and the Deposits shall be returned to Buyer concurrently with Buyer's delivery to Seller of the Due Diligence Materials, and neither Buyer nor Seller shall have any further liability or obligation to each other, except for the indemnities contained in Sections 4.4 and 15. Failure by Buyer to notify Seller within the specified time periods set forth herein, shall be deemed an approval by Buyer of each such matter, in which event all such conditions and contingencies shall be deemed to be satisfied and approved. In the event Buyer terminates this Agreement pursuant to the provisions hereof, Buyer shall be solely responsible for the payment of any and all escrow cancellation charges or fees payable to the Title Company.

4.4 Investigations Indemnity. Buyer shall indemnify, defend (with counsel reasonably satisfactory to Seller), protect, and hold Seller and each of the parties comprising Seller and each of their partners, members, officers, trustees, employees, representatives, agents, successors and assigns harmless from and against any and all claims, liabilities, losses, costs, damages, and expenses (including, without limitation, attorneys' and experts' fees and costs) arising in any manner whatsoever from any studies, evaluations, inspections, investigations or tests made by Buyer or Buyer's representatives relating to or in connection with the Property (exclusive of the financial effects of the discovery of the presence of any Hazardous Materials (defined below)), or entries by Buyer's representatives onto the Property. Notwithstanding any provision to the contrary in this Agreement, the indemnity obligations of Buyer under this Agreement shall survive any termination of this Agreement or the delivery of the Grant Deed and the transfer of title. In addition to the foregoing indemnity, if there is any damage to the Property caused by Buyer's agents' entry in or on the Property, Buyer shall immediately restore the Property substantially to the same condition existing prior to Buyer's entry onto the Property. "Hazardous Materials" shall mean and include (a) any hazardous or toxic wastes, materials or substances, and other pollutants or contaminants, which are or become regulated by any Environmental Laws; (b) petroleum, petroleum by products, gasoline, diesel fuel, crude oil or any fraction thereof; (c) asbestos and asbestos containing material, in any form, whether friable or non-friable; (d) polychlorinated biphenyls; (e) radioactive materials; (f) lead and lead-containing materials; (g) any other material, waste or substance displaying toxic, reactive, ignitable or corrosive characteristics, as all such terms are used in their broadest sense, and are defined or become defined by any Environmental Law (defined below); or (h) any materials which cause or threatens to cause a nuisance upon or waste to any portion of the Property or any surrounding property; or poses or threatens to pose a hazard to the health and safety of persons on the Property or any surrounding property. "Environmental Laws" means any and all local, state and federal environmental, health and/or safety related laws, rules, regulations, orders and ordinances applicable to the Property.

5. LIQUIDATED DAMAGES.

5.1 BUYER'S DEFAULT. IF BUYER FAILS TO COMPLETE THE PURCHASE OF THE PROPERTY AS PROVIDED IN THIS AGREEMENT BY REASON OF ANY DEFAULT OF BUYER, SELLER

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FROM ITS OBLIGATION TO SELL THE PROPERTY TO BUYER, AND MAY PROCEED AGAINST BUYER UPON ANY CLAIM OR REMEDY WHICH IT MAY HAVE AT LAW OR IN EQUITY; PROVIDED, HOWEVER, THAT BUYER AND SELLER HEREBY ACKNOWLEDGE AND AGREE THAT IT WOULD BE IMPRACTICAL AND/OR EXTREMELY DIFFICULT TO FIX OR ESTABLISH THE ACTUAL DAMAGE SUSTAINED BY SELLER AS A RESULT OF SUCH DEFAULT BY BUYER, AND AGREE THAT THE AGGREGATE AMOUNT OF THE DEPOSITS (INCLUDING ALL INTEREST), THE PAYMENT BY BUYER OF ALL ESCROW CANCELLATION ON CHARGES AND FEES, AND THE DELIVERY TO SELLER BY BUYER OF THE DUE DILIGENCE MATERIALS IS A REASONABLE APPROXIMATION THEREOF. ACCORDINGLY, IN THE EVENT THAT BUYER BREACHES THIS AGREEMENT BY DEFAULTING IN THE COMPLETION OF THE PURCHASE, THE AGGREGATE AMOUNT OF THE DEPOSITS (INCLUDING ALL INTEREST), THE PAYMENT BY BUYER OF ALL ESCROW CANCELLATION CHARGES AND FEES, AND THE DELIVERY TO SELLER BY BUYER OF THE DUE DILIGENCE MATERIALS SHALL CONSTITUTE AND BE DEEMED TO BE THE AGREED AND LIQUIDATED DAMAGES OF SELLER, AND SHALL BE PAID BY BUYER TO SELLER AND THE TITLE COMPANY AS SELLER'S SOLE REMEDY. SELLER AGREES TO WAIVE ALL OTHER REMEDIES AGAINST BUYER WHICH SELLER MIGHT OTHERWISE HAVE AT LAW OR IN EQUITY BY REASON OF SUCH DEFAULT BY BUYER; PROVIDED, HOWEVER, THE FOREGOING SHALL NOT LIMIT (I) BUYER'S OBLIGATIONS TO PAY TO SELLER ALL ATTORNEYS' FEES AND COSTS OF SELLER TO ENFORCE THE PROVISIONS OF THIS SECTION 5.1 AND/OR BUYER'S INDEMNITY OBLIGATIONS UNDER SECTIONS 4.4 AND 15 HEREOF, (II) BUYER'S INDEMNITY OBLIGATIONS UNDER SECTIONS 4.4 AND 15 HEREOF, OR (III) THE ABILITY AND RIGHT OF SELLER TO ENFORCE SUCH INDEMNITIES.

SELLER'S INITIALS _____ BUYER'S INITIALS _____

5.2 SELLER'S DEFAULT. IF SELLER FAILS TO COMPLETE THE SALE OF THE PROPERTY AS PROVIDED IN THIS AGREEMENT BY REASON OF ANY MATERIAL DEFAULT OF SELLER, BUYER SHALL BE RELEASED FROM ITS OBLIGATION TO PURCHASE THE PROPERTY FROM SELLER, AND BUYER MAY EITHER (I) PROCEED AGAINST SELLER BY BRINGING AN ACTION FOR SPECIFIC PERFORMANCE UNDER THIS AGREEMENT, OR (II) TERMINATE THIS AGREEMENT IN WHICH EVENT THE DEPOSITS (TO THE EXTENT MADE BUT INCLUDING ALL INTEREST) SHALL BE RETURNED TO BUYER WITHOUT THE NECESSITY OF DELIVERING TO SELLER THE DUE DILIGENCE MATERIALS AND SELLER SHALL PAY ALL ESCROW CANCELLATION FEES AND CHARGES. BUYER AND SELLER HEREBY ACKNOWLEDGE AND AGREE THAT IT WOULD BE IMPRACTICAL AND/OR EXTREMELY DIFFICULT TO FIX OR ESTABLISH THE ACTUAL DAMAGE SUSTAINED BY BUYER AS A RESULT OF SUCH MATERIAL DEFAULT BY SELLER, AND AGREE THAT THE REMEDY SET FORTH IN (II) ABOVE IS A REASONABLE APPROXIMATION THEREOF. ACCORDINGLY, IN THE EVENT THAT SELLER BREACHES THIS AGREEMENT BY MATERIALLY DEFAULTING IN THE COMPLETION OF THE SALE, AND BUYER ELECTS NOT TO EXERCISE THE REMEDY SET FORTH IN (I) ABOVE BUT INSTEAD ELECTS THE REMEDY SET FORTH IN (II) ABOVE, SUCH SUMS SHALL CONSTITUTE AND BE DEEMED TO BE THE AGREED AND LIQUIDATED DAMAGES OF BUYER. BUYER AGREES TO, AND DOES HEREBY, WAIVE ALL OTHER REMEDIES AGAINST SELLER WHICH BUYER MIGHT OTHERWISE HAVE AT LAW OR IN EQUITY BY REASON OF SUCH DEFAULT BY SELLER.

SELLER'S INITIALS _____ BUYER'S INITIALS _____

6. Closing and Escrow.

6.1 Escrow Instructions. Upon execution of this Agreement, the parties hereto shall deposit a copy of an executed counterpart of this Agreement with Escrow Holder and this instrument shall serve as the instructions to Escrow Holder for consummation of the purchase and sale contemplated hereby. Seller and Buyer agree to execute such additional and supplementary escrow instructions as may be appropriate to enable the Escrow Holder to comply with the terms of this Agreement; provided, however, that in the event of any conflict between the provisions of this Agreement and any supplementary escrow instructions, the terms of this Agreement shall control.

6.2 Date of Closing. Unless otherwise agreed to in writing by the parties, escrow shall close on or before the fifteenth (15th) day following the expiration of the Conditions Period (the "Closing Date"). Such Closing Date may not be further extended without the prior written approval of both Seller and Buyer, except as otherwise expressly provided in this Agreement. In the event the Closing does not occur on or before the Closing Date, the Escrow Holder shall, unless it is notified by both parties to the contrary within three (3) days prior to the actual date on which the Closing occurs, return to the depositor thereof items which may have been deposited hereunder. Any such return shall not, however, relieve either party hereto of any liability it may have for its wrongful failure to close. For purposes of this Agreement, all references in

this Agreement (other than in this Section 6.2) to the term "Closing Date" shall mean and refer to the actual date on which the Closing occurs.

6.3 Conveyance. At Closing, Seller shall convey to Buyer fee simple title to the Property (excluding the Personal Property), by means of a duly executed and acknowledged grant deed in substantially the form of Exhibit D attached hereto and made a part hereof (the "Grant Deed"), subject to all applicable laws, rules, regulations, codes, ordinances and orders, those exceptions and survey matters approved by Buyer in accordance with the provisions of Section 4.1.1, rights of tenants and subtenants in possession of any portion of the Property, general real estate taxes and assessments for the then applicable tax fiscal year in which the Closing occurs, and general real estate taxes and assessments for subsequent years not yet due and payable. The Closing shall mean the date that the Grant Deed is recorded in the official records of Santa Clara County, possession of the Property is delivered to Buyer (subject to tenants' and subtenants' rights to possession), and Buyer fulfills its obligations hereunder. If Seller cannot so deliver title to the Property to Buyer, Buyer may, at its option, take title to the Property in such condition as Seller can convey, without

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abatement the Purchase Price or, at Buyer's option, Buyer may exercise its remedies in accordance with the provisions of Section 5.2 above.

6.4 Closing Documents.

6.4.1 Seller's Closing Documents. At Closing, in addition to the Grant Deed, Seller shall deliver to Buyer, or Escrow Holder for release to Buyer, all of the following documents: (i) originals or true and complete copies of the Approved Contracts, if any; (ii) two (2) counterparts of the Assignment and Assumption of Leases in substantially the form attached hereto as Exhibit B, executed by Seller; (iii) two (2) counterparts of the Assignment and Assumption of Contracts, Warranties and Permits in substantially the form attached hereto as Exhibit C, executed by Seller, (iv) two (2) counterparts of a no warranty bill of sale (the "Bill of Sale") for all of Seller's Personal Property, if any, in substantially the form attached hereto as Exhibit E and made a part hereof, executed by Seller; and (v) a certificate of non-foreign status in accordance with the requirements of Internal Revenue Code Section 1445, as amended ("FIRPTA Certificate") and a California Form 590-RE.

6.4.2 Buyer's Closing Payments and Documents. At Closing, in addition to Buyer's payment to Seller of the Purchase Price, Buyer shall deliver to Seller and/or Escrow Holder for delivery to Seller, as applicable, the following: (i) two (2) counterparts of the Assignment and Assumption of Leases in substantially the form attached hereto as Exhibit B, executed by Buyer; (ii) two (2) counterparts of the Assignment and Assumption of Contracts, Warranties and Permits in substantially the form attached hereto as Exhibit C, executed by Buyer; (iii) two (2) counterparts of the Bill of Sale, executed by Buyer; and (iv) such other documents and instruments as may be reasonably required by Seller, Buyer's lender or the Title Company to consummate the transaction contemplated herein.

7. Maintenance of the Property; Casualty and Condemnation. Between the Agreement Date and the date of the Closing, Seller shall maintain the Property in substantially the same manner as at present, except for reasonable wear and tear and any casualty. In the event that, prior to Closing, the Property, or any part thereof, is destroyed or materially damaged, or if condemnation proceedings are commenced against the Property, Buyer shall have the right, exercisable by giving written notice of such decision to Seller within fifteen (15) days after receiving written notice of such damage, destruction or condemnation proceedings or threat thereof, to terminate this Agreement (provided that Buyer shall not have the right to terminate this Agreement if Buyer or any affiliate of Buyer which is a tenant under any one of the Leases caused, directly or indirectly, any damage or destruction to the Property), in which case, Seller shall cause the return to Buyer of the Deposits (to the extent made), and neither Buyer nor Seller shall have any further liability or obligation to each other hereunder except for the indemnities contained in Sections 4.4 and 15 hereof, but subject to the provisions of Section 4.3 above regarding Buyer's delivery to Seller of the Due Diligence Materials. For purposes of this Agreement, material damage shall mean any damage or loss which would (a) cost in excess of One Million Dollars (\$1,000,000.00) to

repair or restore, as determined in good faith by Seller and Buyer, (b) require more than ninety (90) days to repair or restore, as determined in good faith by Seller and Buyer, or (c) reduce the total square footage of the Property by more than twenty percent (20%). If Buyer elects to accept the Property in its then existing condition, all proceeds of insurance or condemnation awards paid or payable to Seller (subject to any of the tenants' rights thereto) by reason of such damage, destruction or condemnation shall be paid or assigned to Buyer and there shall not be any reduction or abatement of the Purchase Price. In the event of non-material damage to the Property, Buyer shall accept the Property in its then existing condition and proceed with the purchase, in which case all proceeds of insurance or condemnation awards paid or payable to Seller (subject to any of the tenants' rights thereto) by reason of such damage, destruction or condemnation shall be paid or assigned to Buyer and there shall not be any reduction or abatement of the Purchase Price.

8. Buyer's Consent to New Contracts Affecting the Property; Seller's Cooperation. Seller shall not, after the expiration of the Conditions Period, (a) enter into any lease, or any contract or agreement pertaining to the Property which would survive the Closing or create any lien or obligation on the Property that could survive the Closing, or (b) substantially modify any lease, contract or agreement pertaining to the Property or waive any rights of Seller thereunder, without in each case obtaining Buyer's prior written consent thereto, which consent shall not be unreasonably withheld, conditioned or delayed. Notwithstanding anything to the contrary contained herein, if Seller proposes to enter into any lease, contract or agreement or any modification of any of the foregoing affecting or pertaining to the Property, Seller shall deliver to Buyer a true and complete copy of such document or instrument for Buyer's written approval, which approval shall not be unreasonably withheld, conditioned or delayed. Within five (5) days after Buyer's receipt of any such proposed document or instrument, Buyer shall advise Seller of whether or not Buyer reasonably approves of such proposed document or instrument. If Buyer fails to notify Seller of its decision within such five (5) day period, then such proposed document or instrument shall be deemed approved by Buyer. Seller shall reasonably cooperate with Buyer in its acquisition of the Property. No agreement executed by Buyer with respect to the Property shall be binding upon Seller or the Property unless Buyer first obtains Seller's written consent thereto.

9. Limited Liability. Buyer on behalf of itself and its agents, employees, representatives, successors and assigns hereby agrees that in no event or circumstance shall any of the employees, representatives, members, partners, officers, directors, agents, property management company, affiliated or related entities of Seller or Seller's property management company, namely Lincoln Property Company Management Company, Inc., have any personal liability under this Agreement, or to any of Buyer's creditors, or to any other party in connection with the Property.

10. Intentionally omitted

11. RELEASE. BUYER HEREBY AGREES THAT EACH OF SELLER AND LINCOLN PROPERTY COMPANY MANAGEMENT COMPANY, INC., AND EACH OF THEIR PARTNERS, MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, AGENTS, AFFILIATED AND RELATED ENTITIES, SUCCESSORS AND ASSIGNS (COLLECTIVELY, THE "RELEASEES") SHALL BE RELEASED AND DISCHARGED FROM ANY AND ALL LIABILITIES, LOSSES, CLAIMS (INCLUDING THIRD PARTY CLAIMS), DAMAGES (OF ANY NATURE WHATSOEVER), CAUSES OF ACTION, COSTS, PENALTIES, FINES, JUDGMENTS, ATTORNEYS' FEES, CONSULTANTS' FEES AND COSTS AND EXPERTS' FEES (COLLECTIVELY, THE "CLAIMS") DUE TO OR ARISING FROM (I) THE PRESENCE OF ANY ENVIRONMENTAL PROBLEMS, OR THE USE, PRESENCE, STORAGE, RELEASE, DISCHARGE, OR MIGRATION OF HAZARDOUS MATERIALS ON, IN, UNDER OR AROUND THE PROPERTY REGARDLESS OF WHEN SUCH HAZARDOUS MATERIALS WERE FIRST INTRODUCED IN, ON OR ABOUT THE PROPERTY, (II) ANY PATENT OR LATENT DEFECTS OR DEFICIENCIES WITH RESPECT TO THE PROPERTY, (III) ANY AND ALL MATTERS RELATED TO THE PROPERTY OR ANY PORTION THEREOF, INCLUDING, WITHOUT LIMITATION, THE CONDITION AND/OR OPERATION OF THE PROPERTY AND EACH PART THEREOF, AND (IV) THE PRESENCE, RELEASE AND/OR REMEDIATION OF ASBESTOS AND ASBESTOS CONTAINING MATERIALS IN, ON OR ABOUT THE PROPERTY REGARDLESS OF WHEN SUCH ASBESTOS AND ASBESTOS CONTAINING MATERIALS WERE FIRST INTRODUCED IN, ON OR ABOUT THE PROPERTY. BUYER SHALL BEAR

inspection and investigation of the Property, including without limitation, Buyer's review and determination of the applicability and effect of such laws and regulations. Except for any representations expressly made by Seller in this Agreement, Buyer has neither received nor relied upon any representations concerning such laws and regulations from Seller, Seller's employees, agents or any other person acting on or in behalf of Seller. The provisions of this Section 12 shall survive the Closing and shall not be deemed merged into any instrument or conveyance delivered at the Closing.

13. Prorations and Rent Arrearages. At Closing, all prepaid rents, rents actually paid and collected, and any other charges owing and which have been collected by Seller for or in respect of the month in which the Closing occurs shall be prorated as of and through the Closing Date on the basis of a 365-day year, and the prorated amount attributable to the period following the Closing shall either be paid to Buyer at the Closing or credited against the Purchase Price, at Seller's option. Any CAM charges payable by tenants on an estimated basis shall be reconciled against actual expenses as of and at the Closing and Seller shall provide a proposed reconciliation for Buyer's approval. There shall not be any further reconciliation of such CAM expenses after the Closing, the proration of such CAM expenses at the Closing being conclusively presumed to be accurate. In addition, to the extent not paid directly by any tenants of the Property, real property taxes and assessments, water, sewer and utility charges and amounts payable under the Approved Contracts (calculated on the basis of the period covered), and other expenses normal to the operation and maintenance of the Property shall be prorated as of and through the Closing Date on the basis of a 365-day year. At the Closing Seller shall credit against the Purchase Price the amount equal to the aggregate of all security deposits being held by Seller in connection with the Leases. Buyer shall promptly account to Seller and shall immediately reimburse Seller for all expense reimbursements and other charges received by Buyer after the Closing which apply to any period prior to the Closing to the extent Seller has not already been paid for or credited with such sums.

14. Closing Costs. Except as expressly set forth herein, all costs associated with the transfer of title and the associated escrow shall be in accordance with the customary practices in Santa Clara County. Seller shall pay one-half of any applicable city transfer tax, the documentary county transfer taxes, the escrow fee, the premium charged by the Title Company for the CLTA Title Policy (excluding any endorsements thereto), and the recording costs with respect to the Grant Deed. At Closing, Buyer shall obtain from the Title Company a CLTA Owner's Policy of Title Insurance in the amount of the Purchase Price insuring fee simple title to the Property in Buyer (the "CLTA Title Policy"). Buyer may elect to cause the Title Company to issue an ALTA Owner's Policy of Title Insurance (Form 1992) and if Buyer so elects in writing, Buyer shall provide the Title Company with an ALTA Survey of the Property, at its sole cost and expense the "ALTA Policy"). At Closing Buyer shall pay the escrow fees, one-half of the applicable city transfer tax and the incremental premiums or other charges related to the ALTA Policy (including all endorsements thereto).

15. Broker. Seller and Buyer respectively represent that there are no brokers or other intermediaries entitled to receive brokerage commissions or fees or other compensation out of or with respect to the sale of the Property. Seller and Buyer shall indemnify and save and hold each other harmless from and against all claims, suits, damages and costs incurred or resulting from the claim of any person that a commission, fee or remuneration is due in connection with this transaction.

16. Notices. Any notice or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given when delivered by U.S. mail, registered or certified, return receipt requested, postage prepaid, or by overnight delivery service showing receipt of delivery, or by personal delivery, or by facsimile transmission. Such notices shall be sent to the parties at the following addresses, or such other address as may otherwise be indicated by any such party in writing.

If to Seller: Lincoln Property Company N.C., Inc.
 101 Lincoln Centre Drive, Fourth Floor
 Foster City, California 94404
 Attention: Mr. Barry DiRaimondo
 AND Ms. Darleen Fraser
 Phone number: 650-571-2200
 Facsimile number: 650-571-2262

with a copy to: Real Estate Law Group, LLP

Marina Office Plaza
2330 Marinship Way, Suite 211
Sausalito, California 94965
Attention: Jeffrey D. Ebstein, Esquire
Phone number: 415-331-2555
Facsimile number: 415-331-7272

If to Buyer: Jabil Circuit, Inc.
10800 Roosevelt Blvd.
St. Petersburg, FL 33716
Attention: Mr. Bob Paver
Phone number: _____
Facsimile number: _____

with a copy to: _____

Attention: _____
Phone number: _____
Facsimile number: _____

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Notices as aforesaid shall be effective upon the earlier of actual receipt, or twenty-four (24) hours after deposit with the messenger or delivery service, or the next business day after delivery to an overnight delivery service, or within three (3) days after the deposit in the U.S. mail, or upon confirmation of transmission by facsimile, or when receipt is refused.

17. Entire Agreement. This Agreement constitutes the entire understanding of the parties and all prior agreements, representations, and understandings between the parties, whether oral or written, are deemed null and void, all of the foregoing having been merged into this Agreement. The parties acknowledge that each party and/or its counsel have reviewed and revised this Agreement and that no rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall be employed in the interpretation of this Agreement or any amendments or exhibits to this Agreement or any document executed and delivered by either party in connection with this Agreement.

18. Assignment. Buyer may not assign its rights, obligations and interest in this Agreement to any other person or entity, without first obtaining Seller's prior written consent thereto, which consent may be given or withheld in Seller's sole and absolute discretion. If Seller expressly consents to any assignment requested by Buyer then any such assignment shall not relieve Buyer from any liability or its obligations under or in connection with this Agreement. Any attempted assignment not in compliance with the provisions of this Section 18 shall be null and void. This Agreement shall inure to the benefit of and be binding upon the parties to this Agreement and their respective successors and permitted assigns.

19. Severability. If for any reason, any provision of this Agreement shall be held to be unenforceable, it shall not affect the validity or enforceability of any other provision of this Agreement and to the extent any provision of this Agreement is not determined to be unenforceable, such provision, or portion thereof, shall be, and remain, in full force and effect.

20. California Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

21. Modifications. Any and all exhibits attached hereto shall be deemed part hereof. This Agreement, including exhibits, if any, expresses the entire agreement of the parties with respect to the purchase and sale of the Property and supersedes any and all previous agreements between the parties with regard to the purchase and sale of the Property. There are no other understandings, oral or written, which in any way alter or enlarge the terms of this Agreement, and there are not warranties or representations of any nature whatsoever with respect to the purchase and sale of the Property, either expressed or implied, except as may expressly be set forth herein. Any and all future modifications of this Agreement will be effective only if it is in writing and signed by the parties hereto. The terms and conditions of such future modifications of this Agreement shall supersede and replace any inconsistent provisions in this Agreement.

22. Confidentiality. Buyer agrees that, (a) except as otherwise provided or required by valid law, (b) except to the extent Buyer considers such documents or information reasonably necessary to prosecute and/or defend any claim made with respect to the Property or this Agreement, and (c) except to the extent reasonably necessary to deliver such documents or information to Buyer's employees, paralegals, attorneys and/or consultants in connection with Buyer's evaluation of this transaction, (i) Buyer, including without limitation, Buyer's agents, consultants, representatives and employees, shall use diligent efforts to keep the contents of this Agreement (including without limitation, the amount of consideration being paid by Buyer hereunder) and any materials, reports, documents, data, test results, and other information related to the transaction contemplated hereby confidential, including without limitation, the contents of this Agreement, and all information regarding Buyer's agents, consultants, representatives and employees, shall refrain from generating or participating in any publicity or press release regarding this transaction without the prior written consent of Seller. The provisions of this Section 22 shall survive the Closing and shall not be deemed merged into any instrument or conveyance delivered at the Closing.

23. Counterparts. This Agreement may be executed in counterparts. All executed counterparts shall constitute one agreement, and each counterpart shall be deemed an original. Buyer and Seller agree that the delivery of an executed copy of this Agreement by facsimile shall be legal and binding and shall have the same full force and effect as if an original executed copy of this Agreement had been delivered.

24. Dispute Costs. In the event any dispute between the parties with respect to this Agreement results in litigation or other proceeding, the prevailing party shall be reimbursed by the party not prevailing in such proceeding for all reasonable costs and expenses, including, without limitation, reasonable attorneys' and experts' fees and costs incurred by the prevailing party in connection with such litigation or other proceeding and any appeal thereof. Such costs, expenses and fees shall be included in and made a part of the judgment recovered by the prevailing party, if any.

25. Seller's Representations. Seller hereby represents to Buyer that, as of the date hereof, the following are true and accurate:

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25.1 Due Authorization. The execution of this Agreement by Seller, the deliveries by Seller to Buyer, Seller's performance hereof and the transactions contemplated hereby have been duly authorized by the requisite action on the part of Seller and no other authorization or consent is required for the execution and performance hereof. Seller hereby further represents and warrants that the parties signing this Agreement on behalf of Seller have full power and authority to do so and to fully bind Seller hereunder.

25.2 Sole Owner. Seller is the sole owner of (and Buyer will acquire hereunder) the entire right, title and interest in and to the Property.

The foregoing representations and warranties of Seller made hereinabove shall not survive the Closing and shall be deemed merged into the Grant Deed at the Closing, it being the intention of the parties that Buyer acquire the Property at the Closing "AS IS", "WHERE IS" and "WITH ALL FAULTS".

26. Buyer's Representations. Buyer hereby represents and warrants to Seller that the execution of this Agreement by Buyer, the deliveries by Buyer to Seller, Buyer's performance hereof and the transactions contemplated hereby have been duly authorized by the requisite action on the part of Buyer and no other authorization or consent is required for the execution and performance hereof. Buyer hereby further represents and warrants that the parties signing this Agreement on behalf of Buyer have full power and authority to do so and to fully bind Buyer hereunder. Buyer hereby further represents and warrants to Seller that (i) Buyer is not presently the subject of a bankruptcy, insolvency or probate proceedings and Buyer neither anticipates nor intends to file or cause to be filed any bankruptcy or insolvency proceeding involving Buyer or Buyer's assets during the pendency of this Agreement, (ii) Buyer is a sophisticated real estate company with numerous investments and extensive experience in real estate matters, and (iii) prior to Closing, Buyer and its agents will have inspected the Property, fully observed the physical characteristics and condition of the Property, and performed a thorough

investigation of the suitability of Buyer's intended use of the Property, including without limitation, the suitability of the topography; the availability of water rights or utilities; the present and future zoning, subdivision and any and all other land use matters; the condition of the soil, subsoil or groundwater of the Property and any and all other environmental matters; the purpose(s) to which the Property is suited; drainage; flooding; access to public roads; and proposed routes or roads or extensions relative to the Property.

27. Seller's Exchange. Seller shall have the right (provided Seller has notified Buyer in writing at least five (5) days prior to the date set for the Closing) to either (a) assign its rights, interest and obligations under this Agreement to an accommodator, pursuant to an agreement reasonably acceptable to both Seller and Buyer, which will enable Seller to accomplish a deferred exchange in accordance with the provisions of Section 1031 of the Internal Revenue Code, as amended (the "Code"), or (b) designate a parcel or parcels of other real property (the "Exchange Property") which Seller desires to exchange for the Property. The parties shall cooperate with one another in effecting each such exchange provided that: (i) Buyer shall not incur any additional liability of financial obligation as a consequence of Seller's exchange; (ii) any such exchange shall in no way increase the amount of monies for which Buyer is obligated to pay under the provisions of this Agreement; (iii) Buyer shall have no obligation to close on the Exchange Property other than contemporaneously with the Closing contemplated by this Agreement; (iv) Buyer shall not be required to accept title (beneficial or legal) to the Exchange Property; and (v) Seller shall defend and hold Buyer harmless from any and all liabilities, claims, losses, or expenses which Buyer incurs, or to which Buyer may be exposed (but to the extent actually incurred), as a result of Buyer's participation in the exchange contemplated herein, including, but not limited to, reasonable attorneys' fees and other costs of defense. The performance by the parties of their obligations under this Agreement shall not be contingent upon Seller's ability to effectuate an exchange, provided that Buyer does not take any acts or fail to take any acts which materially and adversely affects Seller's ability to effectuate such an exchange.

28. Time of the Essence; and Business Days. Time is of the essence of this Agreement. Unless the context otherwise requires, all periods terminating on a given day, period of days, or date shall terminate at 5:00 p.m. (Pacific Time) on such date or dates and references to "days" shall refer to calendar days except if such references are to "business days" which shall refer to days which are not a Saturday, Sunday or legal holiday. Notwithstanding the foregoing, if any period terminates on a Saturday, Sunday or legal holiday, under the laws of the State of California, the termination of such period shall be on the next succeeding business day. The time in which any act provided under this Agreement is to be done, shall be computed by excluding the first day and including the last day, unless the last day is a Saturday, Sunday or legal holiday under the laws of the State of California, and then it is also so excluded.

29. Agreement Date. The parties hereby covenant and agree that the "Agreement Date" shall be the date on which the Escrow Holder confirms in writing to both Seller and Buyer that the Escrow Holder has actually received from both parties two (2) signed and initialled original counterparts of this Agreement and the Escrow Holder is in a position to release to each of the parties a fully executed original of this Agreement signed and initialled in counterparts. The Escrow Holder shall insert such date in each original counterpart of this Agreement on Page 1 hereof. If either party fails to submit two (2) signed and initialled original counterparts of this Agreement to Escrow Holder within five (5) business days after the delivery to Escrow Holder by the other party of two (2) signed and initialled original counterparts of this Agreement, then the party which delivered to Escrow Holder said signed and initialled counterparts of this Agreement may, at its option, withdraw such signed and initialled counterparts therefrom without any obligation to resubmit same to Escrow Holder thereafter.

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

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SELLER:

LINCOLN-RECP GREAT OAKS OPCO, LLC,
a Delaware limited liability company

By: RECP LINCOLN GREAT OAKS HOLDCO, LLC,
a Delaware limited liability company
Its Managing Member

By: CF REALTY, INC.,
a Delaware corporation
Its Managing Member

By: _____

Its: _____

By: _____

Its: _____

BUYER:

Jabil Circuit, Inc.,
a Delaware corporation

By: _____

Its: _____

By: _____

Its: _____

AMENDED AND RESTATED LOAN AGREEMENT

DATED AS OF AUGUST 3, 1998

AMONG

JABIL CIRCUIT, INC.

AND

CERTAIN BORROWING SUBSIDIARIES,

THE BANKS NAMED THEREIN

AND

THE FIRST NATIONAL BANK OF CHICAGO,
AS ADMINISTRATIVE AGENT

SUNTRUST BANK, TAMPA BAY,
AS DOCUMENTATION AGENT

FIRST CHICAGO CAPITAL MARKETS, INC.,
AS ARRANGER

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THIS AMENDED AND RESTATED LOAN AGREEMENT, dated as of August 3, 1998 (as amended or modified from time to time, this "Agreement"), is by and among JABIL CIRCUIT, INC., a Delaware corporation (the "Company"), each of the Subsidiaries of the Company designated in Section 1.1 as a Borrowing Subsidiary (individually, a "Borrowing Subsidiary" and collectively, the "Borrowing Subsidiaries") (the Company and the Borrowing Subsidiaries may each be referred to as a "Borrower" and, collectively, as the "Borrowers"), and the Banks set forth on the signature pages hereof (collectively, the "Banks" and individually, a "Bank") and THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, as administrative agent for the Banks (in such capacity, the "Agent").

INTRODUCTION

A. The Borrowers, certain banks and The First National Bank of Chicago, as agent for such banks, entered into an Amended and Restated Loan Agreement dated as of August 6, 1997 (as amended prior to the date hereof, the "Original Loan Agreement"), in which such banks agreed to make loans and other credit available to the Borrowers (the "Original Credit Facility").

B. The parties hereto wish to continue the existing credit relationship between them by amending and restating the Original Loan Agreement rather than entering into a new and unrelated loan agreement.

C. The Borrowers, the Banks and the Agent desire to restructure the Original Credit Facility so as to (i) extend the term of the Original Credit Facility, (ii) increase the aggregate commitments thereunder to the Aggregate Commitment and (iii) amend various other provisions in the Original Credit Agreement.

D. Pursuant to the terms of this Agreement, the Borrowers desire to obtain a revolving credit facility, including letters of credit and bank guarantees, in the aggregate principal amount of \$225,000,000 (or the equivalent thereof in any other Permitted Currency), in order to refinance

certain existing indebtedness, including indebtedness under the Original Loan Agreement, and provide funds for their general corporate purposes, and the Banks are willing to establish such a credit facility in favor of the Borrowers on the terms and conditions herein set forth.

In consideration of the premises and of the mutual agreements herein contained, the parties hereto agree that the Original Loan Agreement shall be amended and restated as follows:

ARTICLE I.
DEFINITIONS

1.1 Certain Definitions. As used herein the following terms shall have the following respective meanings:

"Advance" shall mean any Loan and any Letter of Credit Advance.

"Affiliate" when used with respect to any person shall mean any other person which, directly or indirectly, controls or is controlled by or is under common control with such person. For purposes of this definition "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), with respect to any person, shall mean possession, directly or indirectly,

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of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities or by contract or otherwise.

"Aggregate Commitment" means the aggregate of the Commitments of all of the Banks, as reduced or modified from time to time pursuant to the terms hereof, which Aggregate Commitment shall initially be \$225,000,000 as of the Effective Date.

"Applicable Administrative Office" shall be: (a) with respect to all Advances denominated in Dollars, the principal office of the Agent in Chicago, Illinois; (b) with respect to all Bank Guarantees, the principal London office of the Agent, currently located at First Chicago House, 90 Long Acre, London, England; and (c) for all other purposes, the principal office of the Agent in Chicago, Illinois.

"Applicable Rate" shall mean with respect to any Eurocurrency Rate Loan, commitment fee, usage fee, or S/L/C fee, as the case may be, the applicable percentage set forth in the applicable table below as adjusted on the first Business Day of the calendar month after the date on which the financial statements and compliance certificate required pursuant to Section 5.1(d)(iii) and (iv) are delivered to the Banks and shall remain in effect until the next change to be effected pursuant to this definition, provided, that (a) if any financial statements referred to above are not delivered within the time period specified above, then, until the financial statements are delivered, the Applicable Rate shall be as set forth in Level IV, and (b) if any Event of Default has occurred and is continuing, the Applicable Rate shall be as set forth in Level IV:

APPLICABLE RATE

Level	Total Indebtedness to Total Capitalization	Eurocurrency Rate Loan/ S/L/C Fee	Commitment Fee	Usage Fee

I.	Equal to or less than 0.30:1.0	0.625%	0.20%	0.125%
II.	Greater than 0.30:1.0 but less than or equal to 0.40:1.0	0.75%	0.20%	0.125%
III.	Greater than 0.40:1.0 but less than or equal to 0.50:1.0	0.875%	0.225%	0.125%
IV.	Greater than 0.50:1.0	1.00%	0.25%	0.25%

"Bank Guarantee" shall mean each guarantee and any other similar instrument having an analogous effect denominated in Pounds Sterling, issued by the Issuing Bank hereunder in favor of HM Customs and Excise for the benefit of a Borrower for the purpose of guaranteeing value-added-tax and duty import payments.

"Bank Obligations" shall mean all indebtedness, obligations and liabilities, whether now owing or hereafter arising, direct, indirect, contingent or otherwise, of the Borrowers to the Agent or any Bank pursuant to the Loan Documents.

"Borrowing" shall mean the aggregation of Advances made to any Borrower, or continuations and conversions of such Advances, made pursuant to Article II on a single date and for a single Interest Period. A Borrowing may be referred to for purposes of this Agreement by reference to the type of Loan comprising the relating Borrowing, e.g., a "Floating Rate Borrowing" if such Loans are Floating Rate Loans or a "Eurocurrency Rate Borrowing" if such Loans are Eurocurrency Rate Loans.

"Borrowing Subsidiary" shall mean each of the Subsidiaries of the Company set forth on Schedule 1.1 on the Effective Date together with any other Subsidiary of the Company upon request by the Company to the Agent for designation of such Subsidiary as a "Borrowing Subsidiary" hereunder, so long as (a) all of the Banks approve, in their sole and absolute discretion, the designation of such Subsidiary as a "Borrowing Subsidiary", (b) each of the Guarantors guarantees the obligations of such new Borrowing Subsidiary pursuant to the terms of the Guaranty, (c) such new Borrowing Subsidiary delivers Notes executed in favor of each Bank, all documents and items referred to in Section 2.5 and Security Documents granting a security interest in all assets pursuant to Section 2.10, all in form and substance satisfactory to the Banks, and (d) the Company and such new Borrowing Subsidiary execute an agreement in the form of Exhibit A hereto.

"Business Day" shall mean a day other than a Saturday, Sunday or other day on which (a) the Agent is not open to the public for carrying on substantially all of its banking functions or banks located in Chicago are authorized or required to close, and (b) if such reference relates to the date for payment or purchase of any amount denominated in any currency other than Dollars or in respect of any Eurocurrency Rate Loan, banks are not generally open to the public for carrying on substantially all of their banking functions in the principal financial center of the country issuing such currency and in London, England.

"Capital Expenditures" shall mean, for any period, the additions to property, plant and equipment and other capital expenditures of the Company and its Subsidiaries for such period as the same are (or should be) set forth, in accordance with Generally Accepted Accounting Principles, in consolidated financial statements of the Company and its Subsidiaries for such period.

"Capital Lease" of any person shall mean any lease which, in accordance with Generally Accepted Accounting Principles, is capitalized on the books of such person.

"Capital Stock" shall include all capital stock and any securities exchangeable for or convertible into capital stock and any warrants, rights or other options to purchase or otherwise acquire capital stock or such securities or any other form of equity securities.

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"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and the regulations thereunder.

"Collateral Agent" shall mean First Chicago.

"C/L/C" shall mean any commercial letter of credit issued by the Issuing Bank hereunder.

"Commitment" shall mean, with respect to each Bank, the commitment of each such Bank to make Loans and to participate in Letter of Credit Advances made through the Issuing Bank pursuant to Section 2.1(a) and (b), in amounts not exceeding in aggregate principal amount outstanding at any time the respective commitment amount for each such Bank set forth next to the name of each such Bank in the signature pages hereof, as such amounts may be reduced from time to time pursuant to Section 2.2.

"Consolidated" or "consolidated" shall mean, when used with reference to any financial term in this Agreement, the aggregate for the Company and its consolidated Subsidiaries of the amounts signified by such term for all such persons determined on a consolidated basis in accordance with Generally Accepted Accounting Principles.

"Contingent Liabilities" of any person shall mean, as of any date, all obligations of such person or of others for which such person is contingently liable, as obligor, guarantor, surety or in any other capacity, or in respect of which obligations such person assures a creditor against loss or agrees to take any action to prevent any such loss (other than endorsements of negotiable instruments for collection in the ordinary course of business), including without limitation all reimbursement obligations of such person in respect of any letters of credit, surety bonds or similar obligations and all obligations of such person to advance funds to, or to purchase assets, property or services from, any other person in order to maintain the financial condition of such other person.

"Contractual Obligation" shall mean, as to any person, any material provision of any security issued by such person or of any agreement, instrument or other undertaking to which such person is a party or by which it or any of its property is bound.

"Corporate Base Rate" shall mean a rate per annum equal to the corporate base rate of interest announced by First Chicago from time to time, changing when and as said corporate base rate changes.

"Current Assets" and "Current Liabilities" of any person shall mean, as of any date, all assets or liabilities, respectively, of such person which, in accordance with Generally Accepted Accounting Principles, should be classified as current assets or current liabilities, respectively, on a balance sheet of such person.

"Current Ratio" shall mean, as of any date, the ratio of (a) Consolidated Current Assets to (b) Consolidated Current Liabilities.

"Default" shall mean any of the events or conditions described in Section 6.1 which might become an Event of Default with notice or lapse of time or both.

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"Defaulting Bank" means any Bank that fails to make available to the Agent such Bank's Loans required to be made hereunder or shall not have made a payment required to be made to the Agent hereunder. Once a Bank becomes a Defaulting Bank, such Bank shall continue as a Defaulting Bank until such time as such Defaulting Bank makes available to the Agent, the amount of such Defaulting Bank's Loans and all other amounts required to be paid to the Agent pursuant to this Agreement.

"Dollar Equivalent" shall mean, with respect to each Advance, the sum in Dollars resulting from the conversion of the amount of such Advance from the Permitted Currency in which such Advance is denominated into Dollars at the spot exchange rate determined by the Agent to be available to it for the purchase of such Permitted Currency with Dollars at approximately 11:00 a.m. local time of the Applicable Administrative Office on the date any Advance is disbursed or rolled over, or on such other date as a determination of the Dollar Equivalent is made.

"Dollars" and "\$" shall mean the lawful money of the United States of America.

"Domestic Borrower" shall mean any Borrower incorporated or formed in any State of the United States of America or any political subdivision of any such State.

"Domestic Subsidiary" shall mean any Subsidiary of any Borrower incorporated or formed in any State of the United States or any political subdivision of any such State.

"EBIT" shall mean, with respect to any person, for any period, the sum of (a) Net Income or loss plus (b) all amounts deducted in determining such Net Income or loss on account of (i) all consolidated interest expense and (ii) taxes based on or measured by income, all as determined in accordance with Generally Accepted Accounting Principles.

"EBITDA" shall mean, with respect to any person, for any period, EBIT for such period plus, to the extent deducted in determining such EBIT, depreciation and positive amortization expense, all as determined in accordance with Generally Accepted Accounting Principles.

"Effective Date" shall mean the effective date specified in the final paragraph of this Agreement.

"Environmental Laws" at any date shall mean all provisions of law, statute, ordinances, rules, regulations, judgments, writs, injunctions, decrees, orders, awards and standards which are applicable to any Borrower or any Subsidiary and promulgated by the government of the United States of America or any foreign government or by any state, province, municipality or other political subdivision thereof or therein or by any court, agency, instrumentality, regulatory authority or commission of any of the foregoing concerning the protection of, or regulating the discharge of substances into, the environment.

"Equivalent" of an amount of one currency (the "first currency") denominated in another currency (the "second currency"), as of any date of determination, shall mean the amount of the second currency which could be purchased with the amount of the first currency at the spot exchange rate quoted by the Agent at approximately 11:00 a.m. local time of the Applicable Administrative Office on such date.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations thereunder.

"ERISA Affiliate" shall mean, with respect to any person, any trade or business (whether or not incorporated) which, together with such person or any Subsidiary of such person, would be treated as a single employer under Section 414 of the Code.

"Eurocurrency Rate" applicable to any Eurocurrency Interest Period means, the per annum rate that is equal to the sum of:

(a) the Applicable Rate, plus

(b) the rate per annum obtained by dividing (i) the per annum rate determined by the Agent to be the rate at which First Chicago offers to place deposits in the Permitted Currency in which such Eurocurrency Rate Loan is to be denominated with first-class banks in the London interbank market at approximately 11:00 a.m. local time in London, England on the second Eurocurrency Business Day prior to the first day of such Eurocurrency Interest Period, in the approximate amount of First Chicago's relevant Eurocurrency Rate Loan and having a maturity approximately equal to such Eurocurrency Interest Period by (ii) an amount equal to one minus the stated maximum rate (expressed as a decimal) of all reserve requirements including, without limitation, any marginal, emergency, supplemental, special or other reserves, that is specified on the first day of such Eurocurrency Interest Period by the Board of Governors of the Federal Reserve System (or any successor agency thereto) or the relevant fiscal or monetary authority for determining the maximum reserve requirement with respect to eurocurrency funding (currently referred to as "Eurocurrency liabilities" in Regulation D of such Board) maintained by a member bank of such System; all as conclusively determined by the Agent, absent manifest error, such sum to be rounded up, if necessary, to the nearest whole multiple of one one-hundredth of one percent (1/100 of 1%); which Eurocurrency Rate shall change simultaneously with any change in the Applicable Rate.

"Eurocurrency Business Day" shall mean, with respect to any Eurocurrency Rate Loan, a day which is both a Business Day and a day on which dealings in deposits of the relevant Permitted Currency are carried out in the relevant interbank market.

"Eurocurrency Interest Period" shall mean, with respect to any Eurocurrency Rate Loan, the period commencing on the day such Eurocurrency Rate Loan is made, converted to or continued as a Eurocurrency Rate Loan and ending on the date one, two, three or six months thereafter, as any Borrower may elect under Section 2.4 or 2.7, and each subsequent period commencing on the last day of the immediately preceding Eurocurrency Interest Period and ending on the date one, two, three or six months thereafter, as a Borrower may elect under Section 2.4 or 2.7, provided, however, that (a) any Eurocurrency Interest Period which commences on the last Eurocurrency Business Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Eurocurrency Business Day of the appropriate subsequent calendar month, (b) each Eurocurrency Interest Period which would otherwise end on a day which is not a Eurocurrency Business Day shall end on the next succeeding Eurocurrency Business Day or, if such next succeeding Eurocurrency Business Day falls in the next succeeding calendar month, on the next preceding Eurocurrency Business Day, (c) no Eurocurrency Interest Period shall be permitted which would end after the Termination Date and (d) during the initial sixty days after the Effective Date, no Eurocurrency Interest Period may exceed one month, unless otherwise agreed by the Agent.

"Eurocurrency Rate Loan" shall mean any Loan which bears interest at the Eurocurrency Rate.

"Event of Default" shall mean any of the events or conditions described in Section 6.1.

"Federal Funds Rate" shall mean the per annum rate that is equal to the per annum rate established and announced by the Federal Reserve Bank of New

York from time to time as the opening federal funds rate; as conclusively determined by the Agent, absent manifest error, such rate to be rounded up, if necessary, to the nearest whole multiple of one one-hundredth of one percent (1/100 of 1%), which Federal Funds Rate shall change simultaneously with any change in such announced rates.

"First Chicago" shall mean The First National Bank of Chicago, in its individual capacity, and its successors.

"Fixed Charge Coverage Ratio" of any person shall mean, as of any date, the ratio of (a) Consolidated EBITDA as calculated for the four most recently ended consecutive fiscal quarters of the Company plus all payments relating to operating leases of such person during such period to (b) all consolidated interest expense during such period for such person, plus all payments relating to operating leases of such person during such period.

"Floating Rate" shall mean, as of any date, the per annum rate equal to the greater of (i) the Corporate Base Rate in effect from time to time, or (ii) the sum of the Federal Funds Rate in effect from time to time plus one-half of one percent (1/2 of 1%) per annum; which Floating Rate shall change simultaneously with any change in such Corporate Base Rate or Federal Funds Rate, as the case may be.

"Floating Rate Loan" shall mean any Loan which bears interest at the Floating Rate.

"Foreign Borrower" shall mean any Borrower incorporated or formed in any jurisdiction other than any State of the United States of America or any political subdivision of any such State.

"Foreign Subsidiary" shall mean any Subsidiary incorporated or formed in any jurisdiction other than any State of the United States of America or any political subdivision of any such State.

"Funded Indebtedness" of any person shall mean, as of any date, all Indebtedness of such person for borrowed money, including without limitation, all obligations under any Capital Lease and all Indebtedness under any agreement entered into as part of a Permitted Receivables Transaction, but excluding Subordinated Debt.

"Generally Accepted Accounting Principles" shall mean Generally Accepted Accounting Principles in effect from time to time and applied on a basis consistent with that reflected in the financial statements referred to in Section 4.6.

"Guarantor" shall mean each Domestic Borrower and each Domestic Subsidiary of any Borrower and each person becoming a Domestic Borrower or Domestic Subsidiary of any Borrower, or otherwise entering into a Guaranty from time to time.

"Guaranty" shall mean the guaranty entered into by each Guarantor for the benefit of the Agent and the Banks pursuant to Article VIII of this Agreement and any other guaranties entered into by a Guarantor pursuant to Section 5.1(g), as amended or modified from time to time.

"Hazardous Materials" shall mean any material or substance: (1) which is or becomes defined as a hazardous substance, pollutant, or contaminant, pursuant to the Comprehensive Environmental Response Compensation and Liability Act (42 USC ss.9601 et. seq.) as amended and regulations promulgated under it; (2) containing gasoline, oil, diesel fuel or other petroleum products; (3) which is or becomes defined as hazardous waste pursuant to the Resource Conservation and Recovery Act (42 USC ss.6901 et. seq.) as amended and regulations promulgated under it; (4) containing polychlorinated biphenyls (PCBs); (5) containing asbestos; (6) which is radioactive; (7) the presence of which requires investigation or remediation under any Environmental Law; (8) which is or becomes defined or identified as a hazardous waste, hazardous substance, hazardous or toxic chemical, pollutant, contaminant, or biologically Hazardous Material under any Environmental Law.

"Indebtedness" of any person shall mean (i) indebtedness for borrowed money, (ii) obligations evidenced by bonds, debentures, notes or other similar instruments, (iii) obligations to pay the deferred purchase price of property or services, except for trade accounts payable arising in the ordinary course of business that are not more than 90 days past due or as are reasonably being contested, (iv) obligations as lessee under leases which have been in accordance with Generally Accepted Accounting Principles, recorded as Capital Leases, (v) obligations to purchase property or services if payment is required regardless of whether such property is delivered or services are performed (generally called "take or pay" contracts), (vi) obligations in respect of currency or interest rate swaps or comparable transactions valued at the maximum termination payment payable by the obligor, (vii) all obligations of others similar in character to those described in clauses (i) through (iv) of this definition for which such person is contingently liable, as guarantor, surety, accommodation party, partner or in any other capacity, or in respect of which obligations such person assures a creditor against loss or agrees to take any action to prevent any such loss (other than endorsements of negotiable instruments for collection in the ordinary course of business), including without limitation all reimbursement obligations of such person in respect of letters of credit, surety bonds or similar obligations and all obligations of such person to advance funds to, or to purchase assets, property or services from, any other person in order to maintain the financial condition of such other person, (viii) liabilities in respect of unfunded vested benefits under plans covered by Title IV of ERISA, and (ix) the aggregate principal amount of the financing provided to the Company and its Subsidiaries under any agreement entered into as part of a Permitted Receivables Transaction.

"Intercreditor Agreement" shall mean the Intercreditor Agreement dated as of May 30, 1996, as now and hereafter amended or modified from time to time, among the Company, the Banks, the Agent, the Collateral Agent and the Note Purchasers.

"Interest Payment Date" shall mean (a) with respect to any Eurocurrency Rate Loan, the last day of each Interest Period with respect to such Eurocurrency Rate Loan and, in the case of any Interest Period exceeding three months, those days that occur during such Interest Period at intervals of three months after the first day of such Interest Period, and (b) in all other cases, the last Business Day of each August, November, February and May occurring after the date hereof, commencing with the first such Business Day occurring after the date of this Agreement.

"Interest Period" shall mean any Eurocurrency Interest Period.

"Investment Grade Senior Debt Rating" means, at any date, a person's senior unsecured long term debt is rated BBB- or better by Standard & Poor's Corporation and Baa3 or better by Moody's Investor Service, Inc.

"Issuing Bank" shall mean First Chicago, together with its successors and assigns, and any other Bank hereafter designated as an "Issuing Bank" upon the prior written agreement of the Company, the Agent and such Bank.

"Jabil Malaysia" shall mean Jabil Circuit Sbn Bhd., a corporation organized and existing under the laws of Malaysia.

"Jabil Ltd" shall mean Jabil Circuit Ltd., a corporation organized and existing under the laws of Scotland.

"Letter of Credit" shall mean a Bank Guarantee, S/L/C or C/L/C having a stated expiry date or a date by which any draft drawn thereunder must be presented not later than twelve months after the date of issuance and not later than the fifth Business Day before the Termination Date, issued by the Issuing Bank on behalf of the Banks for the account of any Borrower under an application and related documentation acceptable to the Issuing Bank requiring, among other things, immediate reimbursement by such Borrower to the Issuing Bank in respect of all drafts or other demand for payment honored thereunder and all reasonable and customary expenses paid or incurred by the Issuing Bank

relative thereto.

"Letter of Credit Advance" shall mean any issuance of a Letter of Credit under Section 2.4 made pursuant to Section 2.1 in which each Bank acquires a pro rata participation (based on such Bank's Commitment) pursuant to Section 2.4(d).

"Letter of Credit Documents" shall have the meaning set forth in Section 3.3(b).

"Lien" shall mean any pledge, assignment, deed of trust, hypothecation, mortgage, security interest, conditional sale or title retaining contract, financing statement filing, or any other type of lien, charge, encumbrance or other similar claim or right.

"Loan" shall mean any Revolving Credit Loan or any Swing Line Loan, as the context may require.

"Loan Documents" shall mean this Agreement, the Notes, the Letter of Credit Documents, the Security Documents and any other agreement, instrument or document executed at any time in connection with this Agreement.

"Majority Banks" shall mean Banks holding not less than fifty-one percent (51%) of the Commitments (or fifty-one percent (51%) of the outstanding Advances if the Commitments have been terminated).

"Material Adverse Effect" shall mean a material adverse effect on (a) the business, assets, operations or financial condition of the Company and its Subsidiaries, taken as a whole, (b) the ability of any Borrower to perform its obligations under any Loan Document, or (c) the validity or enforceability of any Loan Document or the rights or remedies of the Agent or the Banks under any Loan Document.

"Multiemployer Plan" shall mean any "multiemployer plan" as defined in Section 4001(a)(3) of ERISA or Section 414(f) of the Code.

"Net Cash Proceeds" shall mean, in connection with any issuance or sale of any Capital Stock, the cash proceeds received from such issuance, net of investment banking fees, reasonable and documented attorneys' fees, accountants' fees, underwriting discounts and commissions and other customary fees and other costs and expenses actually incurred in connection therewith.

"Net Income" of any person shall mean, for any period, the net income (after deduction for income and other taxes of such person determined by reference to income or profits of such person) of such person for such period, all as determined in accordance with Generally Accepted Accounting Principles.

"Notes" shall mean the Revolving Credit Notes and the Swing Line Notes; "Note" shall mean any Revolving Credit Note or any Swing Line Note.

"Note Purchase Agreement" shall mean the Note Purchase Agreement between the Company and the Note Purchasers dated as of May 30, 1996, as amended or modified from time to time.

"Note Purchasers" shall mean Connecticut General Life Insurance Company, Life Insurance Company of North America and Metropolitan Life Insurance Company.

"Original Dollar Amount" shall mean, with respect to any Advance, the Equivalent in Dollars of the original principal amount of such Advance specified in the related request therefor given by a Borrower pursuant to Section 2.4 (a) as such amount is reduced by payments of principal made in respect of such Advance in Dollars (or the Dollar Equivalent thereof in the case of a payment made in a Permitted Currency other than Dollars) and (b) as such amount is adjusted pursuant to Section 3.1(c).

"Overdue Rate" shall mean (a) in respect of principal of Floating

Rate Loans, a rate per annum that is equal to the sum of two percent (2%) per annum plus the Floating Rate, (b) in respect of principal of Eurocurrency Rate Loans or Swing Line Loans, a rate per annum that is equal to the sum of two percent (2%) per annum plus the per annum rate in effect thereon until the end of the then current Interest Period for such Loan and, thereafter, a rate per annum that is equal to the sum of two percent (2%) per annum plus, with respect to Loans denominated in Dollars, the Floating Rate and, with respect to Loans denominated in any other Permitted Currency, the relevant market rate for such Permitted Currency plus the Applicable Rate for Eurocurrency Rate Loans, and (c) in respect of other amounts payable by any Borrower hereunder (other than interest), a per annum rate that is equal to the sum of two percent (2%) per annum plus the Floating Rate.

"PBGC" shall mean the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"Permitted Currency" shall mean Dollars, Pounds Sterling, French Francs, Swiss Francs, Deutsche Marks, Dutch Guilders and any other currency which is freely transferable and convertible into Dollars, is readily available in the Euromarket and is approved by all the Banks.

"Permitted Liens" shall mean Liens permitted by Section 5.2(f) hereof.

"Permitted Receivables Transactions" shall mean, collectively, (i) if an SPC is created in connection therewith, the creation of the SPC to purchase accounts receivable generated by and owed to the Company or any Subsidiary, (ii) the entry by one or more Receivables Sellers into one or more receivables purchase agreements with Purchasers, pursuant to which each Purchaser will, from time to

time, purchase from such Receivables Sellers undivided interests in the receivables described in clause (i), and (iii) the entry by such Receivables Sellers into such ancillary agreements, documents and instruments as are necessary or advisable in connection with such receivables purchase agreements, provided that (x) the outstanding principal amount of the financing provided by all Purchasers pursuant to all such receivables purchase agreements shall not exceed \$175,000,000 in the aggregate at any time and (y) the primary structural terms of each such receivables purchase agreement, including without limitation, the amount of any recourse to the Company or any of its Subsidiaries for uncollectible receivables, shall be reasonably satisfactory to the Agent in each case.

"Person" or "person" shall include an individual, a corporation, a limited liability company, an association, a partnership, a trust or estate, a joint stock company, an unincorporated organization, a joint venture, a trade or business (whether or not incorporated), a government (foreign or domestic) and any agency or political subdivision thereof, or any other entity.

"Plan" shall mean, with respect to any person, any pension plan (other than a Multiemployer Plan) subject to Title IV of ERISA or to the minimum funding standards of Section 412 of the Code which has been established or maintained by such person, any Subsidiary of such person or any ERISA Affiliate, or by any other person if such person, any Subsidiary of such person or any ERISA Affiliate could have liability with respect to such pension plan.

"Pledge Agreement" shall mean the Pledge Agreement entered into by the Company in favor of the Collateral Agent for the benefit of the Banks and the Note Purchasers pursuant to the Intercreditor Agreement in substantially the form of Exhibit B hereto, as amended or modified from time to time.

"Private Placement Debt" shall mean the Indebtedness evidenced by the Senior Notes.

"Private Placement Documents" shall mean the Note Purchase Agreement, the Senior Notes, together with any and all other documents, instruments and certificates executed and delivered pursuant thereto, as amended or modified

from time to time and any other documents executed in exchange or replacement therefor.

"Prohibited Transaction" shall mean any non-exempt transaction involving any Plan which is proscribed by Section 406 of ERISA or Section 4975 of the Code.

"Purchaser" shall mean a purchaser of accounts receivable from one or more Receivables Sellers pursuant to a Permitted Receivables Transaction.

"Receivables Seller" shall mean any one of any SPC, the Company, or a Subsidiary which is the seller of receivables in a Permitted Receivables Transaction, and "Receivables Sellers" means all of such entities collectively.

"Reportable Event" shall mean a reportable event as described in Section 4043(b) of ERISA including those events as to which the thirty (30) day notice period is waived under Part 2615 of the regulations promulgated by the PBGC under ERISA.

"Required Banks" shall mean Banks holding not less than sixty-six percent (66%) of the Commitments (or sixty-six percent (66%) of the outstanding Advances if the Commitments have been terminated).

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"Requirement of Law" shall mean as to any person, the certificate of incorporation and by-laws or other organizational or governing documents of such person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other governmental authority, in each case applicable to or binding upon such person or any of its property or to which such person or any of its property is subject.

"Revolving Credit Advance" shall mean any Revolving Credit Loan and any Letter of Credit Advance.

"Revolving Credit Note" shall mean any promissory note of any Borrower evidencing the Revolving Credit Advances in substantially the form annexed hereto as Exhibit C, as amended or modified from time to time and together with any promissory note or notes issued in exchange or replacement therefor.

"Revolving Credit Loan" shall mean any Borrowing under Section 2.4 evidenced by the Revolving Credit Notes and made pursuant to Section 2.1(a).

"Security Documents" shall mean, collectively, the Pledge Agreement, the Guaranties, the Intercreditor Agreement and all other related agreements and documents, including financing statements and similar documents delivered pursuant to this Agreement or otherwise entered into by any person to secure the Advances.

"Senior Notes" shall mean the 6.89% Senior Notes due May 30, 2004 issued pursuant to the Note Purchase Agreement.

"S/L/C" shall mean any standby letter of credit issued by the Issuing Bank hereunder.

"SPC" shall mean any special purpose corporation or other legal entity created in connection with a Permitted Receivables Transaction and which performs the function of purchasing receivables from the Company and/or one or more Subsidiaries and selling them to a Purchaser.

"Subordinated Debt" of any person shall mean, as of any date, that Indebtedness of such person for borrowed money which is expressly subordinate and junior in right and priority of payment to the Advances and other Indebtedness of such person to the Banks in manner and by agreement satisfactory in form and substance to the Majority Banks.

"Subsidiary" of any person shall mean any other person (whether now existing or hereafter organized or acquired) in which (other than directors'

qualifying shares required by law) at least a majority of the securities or other ownership interests of each class having ordinary voting power or analogous right (other than securities or other ownership interests which have such power or right only by reason of the happening of a contingency), at the time as of which any determination is being made, are owned, beneficially and of record, by such person or by one or more of the other Subsidiaries of such person or by any combination thereof. Unless otherwise specified, reference to "Subsidiary" shall mean a Subsidiary of the Company.

"Swing Line Bank" shall mean First Chicago, together with its successors and assigns, and any other Bank hereafter designated as a "Swing Line Bank" upon the prior written agreement of the Company, the Agent and such Bank.

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"Swing Line Facility" shall have the meaning specified in Section 2.1(b).

"Swing Line Interest Period" shall mean, with respect to any Swing Line Loan, the period commencing on the day such Swing Line Loan is made and ending on the date agreed upon between the Borrower requesting such Loan and the Swing Line Bank at the time such Swing Line Loan is made, provided no Swing Line Interest Period which would end after the Termination Date shall be permitted.

"Swing Line Loan" shall mean any borrowing under Section 2.4 evidenced by a Swing Line Note and made pursuant to Section 2.1(b).

"Swing Line Note" means any promissory note of any Borrower payable to the order of the Swing Line Bank, in substantially the form annexed hereto as Exhibit D, as amended or modified from time to time and together with any promissory note or notes issued in exchange or replacement therefor.

"Swing Line Rate" shall mean, with respect to any Swing Line Rate Loan, the rate per annum agreed upon between the Borrower requesting such Loan and the Swing Line Bank at the time such Swing Line Rate Loan is made.

"Tangible Net Worth" of any person shall mean, as of any date, (a) the amount of any capital stock, paid in capital and similar equity accounts plus (or minus in the case of a deficit) the capital surplus and retained earnings of such person and the amount of any foreign currency translation adjustment account shown as a capital account of such person, less (b) the net book value of all items of the following character which are included in the assets of such person: (i) goodwill, including, without limitation, the excess of cost over book value of any asset, (ii) organization or experimental expenses, (iii) unamortized debt discount and expense, (iv) patents, trademarks, trade names and copyrights, (v) treasury stock, (vi) franchises, licenses and permits, and (vii) other assets which are deemed intangible assets under Generally Accepted Accounting Principles.

"Termination Date" shall mean the earlier to occur of (a) August 3, 2001 and (b) the date on which the Commitments shall be terminated pursuant to Section 2.2 or 6.2.

"Total Capitalization" of any person shall mean the sum of (a) Tangible Net Worth plus (b) Funded Indebtedness plus (c) deferred income taxes of such person.

"Total Indebtedness" of any person shall mean, as of any date, all Indebtedness of such person for borrowed money, including without limitation, all obligations under any Capital Lease and Subordinated Debt.

"Unfunded Benefit Liabilities" shall mean, with respect to any Plan as of any date, the amount of the unfunded benefit liabilities determined in accordance with Section 4001(a)(18) of ERISA.

"Year 2000 Issues" means anticipated costs, problems and uncertainties associated with the inability of certain computer applications to

effectively handle data including dates on and after January 1, 2000, as such inability materially affects the business, operations and financial condition of the Company and its Subsidiaries, taken as a whole.

"Year 2000 Program" is defined in Section 4.17.

1.2 Other Definitions; Rules of Construction. As used herein, the terms "Agent", "Banks", "Company", "Borrower", "Borrowers", "Borrowing Subsidiary", "Borrowing Subsidiaries", "Original Credit Facility", "Original Loan Agreement" and "this Agreement" shall have the respective meanings ascribed thereto in the introductory paragraphs of this Agreement. Such terms, together with the other terms defined in Section 1.1, shall include both the singular and the plural forms thereof and shall be construed accordingly. All computations required hereunder and all financial terms used herein shall be made or construed in accordance with Generally Accepted Accounting Principles unless such principles are inconsistent with the express requirements of this Agreement provided that, if the Company notifies the Agent that the Company wishes to amend any covenant in Article V to eliminate the effect of any change in Generally Accepted Accounting Principles in the operation of such covenant (or if the Agent notifies the Company that the Majority Banks wish to amend Article V for such purpose), then the Borrowers' compliance with such covenant shall be determined on the basis of Generally Accepted Accounting Principles in effect immediately before the relevant change in Generally Accepted Accounting Principles became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrowers and the Majority Banks. Use of the terms "herein", "hereof", and "hereunder" shall be deemed references to this Agreement in its entirety and not to the Section or clause in which such term appears. References to "Sections" and "subsections" shall be to Sections and subsections, respectively, of this Agreement unless otherwise specifically provided.

ARTICLE II.
THE COMMITMENTS AND THE ADVANCES

2.1 Commitments of the Banks.

(a) Revolving Credit Advances. Each Bank agrees, for itself only, subject to the terms and conditions of this Agreement, to make Revolving Credit Loans to the Borrowers pursuant to Section 2.4 and to participate in Letter of Credit Advances to the Borrowers pursuant to Section 2.4, from time to time from and including the Effective Date to but excluding the Termination Date, not to exceed in aggregate principal amount at any time outstanding the amount determined pursuant to Section 2.1(c). On the date of each Advance, the Dollar Equivalent on such date of all Advances, including the Advances to be made or requested on such date, shall not exceed the Aggregate Commitment.

(b) Swing Line Loan. (i) Any Borrower may request the Swing Line Bank to make, and the Swing Line Bank may, in its sole discretion provided that the requirements of Section 2.6 are complied with by the Borrowers at the time of such request, make, Swing Line Loans to any Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an aggregate principal amount not to exceed at any date the lesser of (A) \$10,000,000 (or the Dollar Equivalent thereof in any other Permitted Currency) (the "Swing Line Facility") and (B) the aggregate of the unused portions of the Commitments of the Banks as of such date. Each Bank's Commitment shall be deemed utilized by an amount equal to such Bank's pro rata share (based on such Bank's Commitment) of each Swing Line Loan for purposes of determining the amount of Revolving Credit Advances required to be made by such Bank, but no Bank's Commitment shall be deemed utilized for purposes of determining commitment fees under Section 2.3(a)(i). Swing Line Loans shall bear interest at the Floating Rate or at the Swing Line Rate, as elected by the Borrower requesting such Loan pursuant to Section 2.4. Within the limits of the Swing Line Facility, so long as the Swing Line Bank, in

its sole discretion, elects to make Swing Line Loans, the Borrowers may borrow and reborrow under this Section 2.1(b)(i).

(ii) The Swing Line Bank may at any time in its sole and absolute discretion require that any Swing Line Loan be refunded by a Revolving Credit Loan which is, in the case of any Swing Line Loan denominated in Dollars, a Floating Rate Loan, and in the case of any Swing Line Loan in any other Permitted Currency, a Eurocurrency Rate Loan in the same Permitted Currency in which such Swing Line Loan is denominated, and upon written notice thereof by the Swing Line Bank to the Agent, the Banks and the Borrower for any such Swing Line Loan, such Borrower shall be deemed to have requested a Revolving Credit Loan for the account of such Borrower for any such Swing Line Loan bearing interest at the Floating Rate or Eurocurrency Rate with an Interest Period of one month, as provided above, in an amount equal to the amount of any such Swing Line Loan in the same Permitted Currency in which such Swing Line Loan is denominated (unless a Default or Event of Default has occurred and is continuing at which time all Swing Line Loans being refunded under this Section 2.1(b)(ii) or Section 2.1(b)(iii) may, at the option of the Required Banks, be converted to Dollars), and such Revolving Credit Loan shall be made to refund such Swing Line Loan. Each Bank shall be absolutely and unconditionally obligated (except as set forth in Section 2.1(b)(i)) to fund its pro rata share (based on such Bank's Commitment) of such Revolving Credit Loan or, if applicable, purchase a participating interest in the Swing Line Loans pursuant to Section 2.1(b)(iii) and such obligation shall not be affected by any circumstance, including, without limitation, (A) any set-off, counterclaim, recoupment, defense or other right which such Bank or any Borrower or any of their respective Subsidiaries may have against the Agent, any Borrower or any of their respective Subsidiaries or anyone else for any reason whatsoever; (B) the occurrence or continuance of a Default or an Event of Default, subject to Section 2.1(b)(iii); (C) any adverse change in the condition (financial or otherwise) of any Borrower or any of its Subsidiaries; (D) any breach of this Agreement by any Borrower or any of their respective Subsidiaries or any other Bank; or (E) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing (including any Borrower's failure to satisfy any conditions contained in Article II or any other provision of this Agreement).

(iii) If, for any reason (including without limitation as a result of the occurrence of an Event of Default with respect to any Borrower pursuant to Section 6.1(i)), Revolving Credit Loans may not be made by the Banks as described in Section 2.1(b)(ii), then (A) each Borrower agrees that each Swing Line Loan not paid pursuant to Section 2.1(b)(ii) shall bear interest, payable on demand by the Agent, at the Overdue Rate then applicable to Floating Rate Loans with respect to Swing Line Loans denominated in Dollars and at the Overdue Rate then applicable to Eurocurrency Rate Loans in the Permitted Currency in which such Swing Line Loan is denominated in all other cases, and (B) effective on the date each such Revolving Credit Loan would otherwise have been made, each Bank severally agrees that it shall unconditionally and irrevocably, without regard to the occurrence of any Default or Event of Default, in lieu of deemed disbursement of loans, to the extent of such Bank's Commitment, purchase a participating interest in the Swing Line Loans by paying its participation percentage thereof. Each Bank will immediately transfer to the Agent, in same day funds, the amount of its participation. Each Bank shall share on a pro rata basis (calculated by reference to its Commitment) in any interest which accrues thereon and in all repayments thereof. If and to the extent that any Bank shall not have so made the amount of such participating interest available to the Agent, such Bank and the Borrower of such Swing Line Loan severally agree to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from the date of demand by the Agent until the date such amount is paid to the Agent, at (x) in the case of any Borrower, at the interest rate specified above and (y) in the case of such Bank, the Federal Funds Rate.

(c) Limitation on Amount of Advances. Notwithstanding anything in this Agreement to the contrary, (i) the Dollar Equivalent of the aggregate principal amount of the Revolving Credit Advances made by any Bank at any time outstanding shall not exceed the amount of its respective Commitment as of the date any such Advance is made, (ii) the Dollar Equivalent of the aggregate principal amount of all Revolving Credit Advances at any time outstanding to any Borrower shall not exceed the amount set forth next to the name of such Borrower set forth on Schedule 1.1, and (iii) the Dollar Equivalent of the aggregate principal amount of Revolving Credit Advances and Swing Line Loans outstanding to the Borrowers shall not exceed the Aggregate Commitment, provided, however, that the Dollar Equivalent of the aggregate principal amount of Letter of Credit Advances outstanding at any time shall not exceed \$10,000,000.

2.2 Termination and Reduction of Commitments.

(a) (i) The Company shall have the right to terminate or reduce the Aggregate Commitment at any time and from time to time at its option, provided that (A) the Company shall give five days' prior written notice of such termination or reduction to the Agent (with sufficient executed copies for each Bank) specifying the amount and effective date thereof, (B) each partial reduction of the Aggregate Commitment shall be in a minimum amount of \$5,000,000 and in integral multiples of \$1,000,000 and shall reduce the Commitments of all of the Banks proportionately in accordance with the respective commitment amounts for each such Bank set forth in the signature pages hereof next to the name of each such Bank, (C) no such termination or reduction shall be permitted with respect to any portion of the Aggregate Commitment as to which a request for a Borrowing pursuant to Section 2.4 is then pending and (D) the Aggregate Commitment may not be terminated if any Advances are then outstanding and may not be reduced below the principal amount of Advances then outstanding.

The Commitments or any portion thereof terminated or reduced pursuant to this Section 2.2(a), whether optional or mandatory, may not be reinstated. The Borrowers shall immediately prepay the Loans to the extent they exceed the reduced Aggregate Commitment pursuant hereto, and any reduction hereunder shall reduce the Commitment amount of each Bank proportionately in accordance with the respective Commitment amounts for each such Bank set forth on the signature pages hereof next to the name of each such Bank.

(b) For purposes of this Agreement, a Letter of Credit Advance (i) shall be deemed outstanding in an amount equal to the sum of the maximum amount available to be drawn under the related Letter of Credit on or after the date of determination and on or before the stated expiry date thereof plus the amount of any draws under such Letter of Credit that have not been reimbursed by a Revolving Credit Loan as provided in Section 3.3 and (ii) shall be deemed outstanding at all times on and before such stated expiry date or such earlier date on which all amounts available to be drawn under such Letter of Credit have been fully drawn, and thereafter until all related reimbursement obligations have been paid. Upon each payment made by the Agent in respect of any draft or other demand for payment under any Letter of Credit, the amount of any Letter of Credit Advance outstanding immediately prior to such payment shall be automatically reduced by the amount of each Revolving Credit Loan deemed advanced in respect of the related reimbursement obligation of the Borrower.

2.3 Fees.

(a) (i) The Company agrees to pay to the Banks a commitment fee on the daily average unused amount of the Aggregate Commitment, for the period from the Effective Date to but excluding the Termination Date, at a rate equal to the Applicable Rate.

(ii) During any calendar quarter during the period from the Effective Date to but excluding the Termination Date when the aggregate daily

average amount of outstanding Advances exceeded 50% of the Aggregate Commitment at any time during such quarter, the Company agrees to pay to the Banks a usage fee on the daily average amount of outstanding Advances during such quarter at a rate equal to the Applicable Rate.

(iii) Accrued commitment and usage fees shall be payable quarterly in arrears in Dollars on the last Business Day of each August, November, February and May, commencing on the first such Business Day occurring after the date of this Agreement, and on the Termination Date. For the purpose of calculating the fees under this Section 2.3(a) only, the aggregate amount of S/L/Cs and Bank Guarantees outstanding shall constitute usage of the Commitment while the aggregate amount of C/L/Cs outstanding shall not constitute usage of the Commitment. For the purpose of calculating the fees under this Section 2.3(a) only, but not for the purpose of calculating the available Commitment of each Bank, Swing Line Loans shall not constitute usage of the Commitment for any Bank for the purpose of calculating the commitment fee and will count as usage of the Aggregate Commitment for the purpose of calculating the usage fee.

(b) The Borrowers agree to pay (i) with respect to S/L/Cs, (A) a fee to Agent for the benefit of the Banks computed at the Applicable Rate on the maximum amount available to be drawn from time to time under such S/L/C for the period from and including the date of issuance of such S/L/C to and including the stated expiry date of such S/L/C, and (B) to pay an additional fee to the Issuing Bank for its own account computed at the rate of one-eighth of one percent ($1/8$ of 1%) per annum of such maximum amount for such period, which fee shall be paid annually in advance at the time such S/L/C is issued or amended, (ii) with respect to C/L/Cs, a fee to the Agent for the ratable benefit of the Banks computed at the rate of three-eighths of one percent ($3/8$ of 1%) per annum, which fees shall be paid at each time as any C/L/C is presented or drawn upon, in whole or in part on the amount of such C/L/C which is presented or drawn upon, in whole or in part, and (iii) with respect to Bank Guarantees, a fee to the Agent for the ratable benefit of the Banks computed at the rate of seven-eighths of one percent ($7/8$ of 1%) per annum on the maximum amount available to be drawn from time to time under such Bank Guarantee for the period from and including the date of issuance of such Bank Guarantee to and including the stated expiry date of such Bank Guarantee, which fee shall be paid by the Borrower in advance at three month intervals from issuance of the Bank Guarantee. Such fees are nonrefundable and the Borrowers shall not be entitled to any rebate of any portion thereof if such Letter of Credit does not remain outstanding through its stated expiry date or for any other reason. The Borrowers further agree to pay to the Issuing Bank, on demand, such other customary and reasonable administrative fees, charges and expenses of the Issuing Bank in respect of the issuance, negotiation, acceptance, amendment, transfer and payment of such Letter of Credit or otherwise payable pursuant to the application and related documentation under which such Letter of Credit is issued in accordance with a schedule of fees provided by the Issuing Bank to the Company.

(c) The Company also agrees to pay to each Bank on the Effective Date an upfront fee in an amount equal to one tenth of one percent (0.10%) of the amount of such Bank's Commitment.

(d) The Company agrees to pay to the Agent and First Chicago Capital Markets, Inc. (the "Arranger") an arrangement fee and an agency fee for their services as Agent and Arranger, respectively, under this Agreement in such amounts as may from time to time be agreed upon by the Company, the Agent and the Arranger.

2.4 Disbursement of Advances.

(a) Except with respect to Swing Line Loans, a Borrower shall give the Agent notice of its request for each Advance in substantially the form of Exhibit E hereto at the principal office of the Agent and at the Applicable Administrative Office with respect to such Advance not later than 11:00 a.m. local time of the Applicable Administrative Office (i) three Eurocurrency Business Days prior to the date such Advance is requested to be made if such Borrowing is to be made as a Eurocurrency Rate Borrowing, and (ii) three

Business Days prior to the date any Letter of Credit Advance is requested to be made and (iii) on the date such Advance is requested to be made if such Advance is to be made as a Floating Rate Borrowing. Such notice shall specify whether a Eurocurrency Rate Loan, Floating Rate Loan or a Letter of Credit Advance is requested and, in the case of each requested Eurocurrency Rate Loan, the Interest Period to be initially applicable to such Loan and the Permitted Currency in which such Loan is to be denominated. With respect to Swing Line Loans, a Borrower shall give the Swing Line Bank notice of its request for each Swing Line Loan in substantially the form of Exhibit E hereto at the Applicable Administrative Office with respect to such Advance not later than 1:00 p.m. local time of the Applicable Administrative Office on the same Business Day any Swing Line Loan is requested to be made which notice shall specify the Permitted Currency in which such Loan is to be denominated and whether such Borrower elects the Swing Line Rate or the Floating Rate with respect to such Swing Line Loan. The Agent, on the same day any such notice is given, shall provide notice of such requested Loan, other than any Swing Line Loan, to each Bank (which notice shall be provided by 1:00 p.m. local time of the Applicable Administrative Office with respect to Floating Rate Loans). Subject to the terms and conditions of this Agreement, the proceeds of each such requested Loan shall be made available to the Borrower requesting such Loan by depositing the proceeds thereof, in immediately available, freely transferable cleared funds, in the case of any Loan denominated in Dollars in an account maintained and designated by such Borrower, and, in all other cases, in an account maintained and designated by such Borrower at a bank acceptable to the Agent in the principal financial center of the country issuing the Permitted Currency in which such Loan is denominated or in such other place specified by the Agent. Subject to the terms and conditions of this Agreement, the Issuing Bank shall, on the date any Letter of Credit Advance is requested to be made, issue the related Letter of Credit on behalf of the Banks for the account of the Borrower requesting such Letter of Credit. Notwithstanding anything herein to the contrary, the Issuing Bank may decline to issue any requested Letter of Credit on the basis that the beneficiary, the purpose of issuance or the terms or the conditions of drawing are unacceptable to it in its reasonable discretion.

(b) Each Bank, on the date any Loan is requested to be made, shall make its pro rata share of such Loan available in immediately available, freely transferable cleared funds for disbursement to the Borrower requesting such Loan pursuant to the terms and conditions of this Agreement, in the case of any Loan denominated in Dollars, at the principal office of the Agent and, in all other cases, to the account of the Agent at its designated branch or correspondent bank in the country issuing such Permitted Currency in which such Loan is denominated or at such other place specified by the Agent. Unless the Agent shall have received prior notice from any Bank that such Bank will not make available to the Agent such Bank's pro rata portion of such Loan, the Agent may assume that such Bank has made such portion available to the Agent on the date such Loan is requested to be made in accordance with this Section 2.4. If, after receiving notice of a Loan from the Agent in accordance with this Section 2.4, and to the extent such Bank shall not have so made such pro rata portion available to the Agent, the Agent may (but shall not be obligated to) make such amount available to such Borrower, and such Bank agrees to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from the date such amount is made available to such Borrower by the Agent until the date such amount is repaid to the Agent, at a rate per annum equal to the Federal Funds Rate or the relevant market interbank

compensation rate with respect to Permitted Currencies other than Dollars then in effect. If such Bank shall pay such amount to the Agent together with interest, such amount so paid shall constitute a Loan by such Bank as part of the related Borrowing for purposes of this Agreement and interest shall accrue from the date of the related Borrowing. The failure of any Bank to make its pro rata portion of any such Borrowing available to the Agent shall not relieve any other Bank of its obligation to make available its pro rata portion of such Loan on the date such Loan is requested to be made, but no Bank shall be responsible for failure of any other Bank to make such pro rata portion available to the Agent on the date of any such Loan.

(c) All Revolving Credit Loans made under this Section 2.4 shall be

evidenced by the Revolving Credit Notes and all Swing Line Loans made under this Section 2.4 shall be evidenced by the Swing Line Notes, and all such Loans shall be due and payable and bear interest as provided in Article III. Each Bank is hereby authorized by the Borrowers to record on its books and records, the date, amount and type of each Loan and the duration of the related Interest Period (if applicable), the amount of each payment or prepayment of principal thereon, and the other information provided for in such books and records, which books and records shall constitute prima facie evidence of the information so recorded, provided, however, that failure of any Bank to record, or any error in recording, any such information shall not relieve the Borrowers of their obligation to repay the outstanding principal amount of the Loans, all accrued interest thereon and other amounts payable with respect thereto in accordance with the terms of the Notes and this Agreement. Subject to the terms and conditions of this Agreement, each Borrower may borrow Revolving Credit Loans under this Section 2.4, prepay Revolving Credit Loans pursuant to Section 3.1 and reborrow Revolving Credit Loans.

(d) Nothing in this Agreement shall be construed to require or authorize any Bank to issue any Letter of Credit, it being recognized that the Issuing Bank has the sole obligation under this Agreement to issue Letters of Credit on behalf of the Banks, and the Commitment of each Bank with respect to Letter of Credit Advances is expressly conditioned upon the Issuing Bank's performance of such obligations. Upon such issuance by the Issuing Bank, each Bank shall automatically acquire a pro rata participation interest in such Letter of Credit Advance based on the amount of its respective Commitment. If the Issuing Bank shall honor a draft or other demand for payment presented or made under any Letter of Credit, the Issuing Bank shall provide notice thereof to each Bank on the date such draft or demand is honored unless a Borrower shall have satisfied its reimbursement obligation by payment to the Issuing Bank on such date. Each Bank, on such date, shall make its pro rata share of the amount paid by the Issuing Bank available in immediately available funds at the principal office of the Agent for the account of the Issuing Bank, subject to Section 9.5(b). If and to the extent such Bank shall not have made such pro rata portion available to the Agent, such Bank and the Borrower severally agree to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from the date such amount was paid by the Issuing Bank until such amount is so made available to the Agent at a per annum rate equal to, in the case of the Borrower at the Floating Rate or the relevant interbank compensation market rate plus the Applicable Rate with respect to Permitted Currencies other than Dollars and, in the case of any Bank, the Federal Funds Rate or the relevant interbank compensation market rate with respect to Permitted Currencies other than Dollars. If such Bank shall pay such amount to the Agent together with such interest, such amount so paid shall, subject to Section 3.3(a)(ii), constitute a Revolving Credit Loan by such Bank as part of the Revolving Credit Borrowing disbursed in respect of the reimbursement obligation of the Borrower for purposes of this Agreement. The failure of any Bank to make its pro rata portion of any such amount paid by the Issuing Bank available to the Agent shall not relieve any other Bank of its obligation to make available its pro rata portion of such amount, but no Bank shall be responsible for failure of any other Bank to make such pro rata portion available to the Agent.

2.5 Conditions for First Disbursement. The obligation of each Bank to make its first Advance hereunder is subject to receipt by each Bank and the Agent of the following documents and completion of the following matters, in form and substance reasonably satisfactory to the Agent:

(a) Charter Documents. Certificates of recent date of the appropriate authority or official of each Borrower's and each Guarantor's state of incorporation listing all charter documents of such Borrower or such Guarantor, on file in that office and certifying as to the good standing and corporate existence of such Borrower or such Guarantor, together with copies of such charter documents of such Borrower or such Guarantor, certified as of a recent date by such authority or official and certified as true and correct as of the Effective Date by a duly authorized officer of such Borrower or such Guarantor;

(b) By-Laws and Corporate Authorizations. Copies of the by-laws of

each Borrower and each Guarantor together with all authorizing resolutions and evidence of other corporate action taken by such Borrower or such Guarantor to authorize the execution, delivery and performance by such Borrower or such Guarantor of the Loan Documents to which it is a party and the consummation by such Borrower or such Guarantor of the transactions contemplated hereby, certified as true and correct as of the Effective Date by a duly authorized officer of such Borrower or such Guarantor;

(c) Incumbency Certificate. Certificates of incumbency of each Borrower and each Guarantor containing, and attesting to the genuineness of, the signatures of those officers authorized to act on behalf of such Borrower or such Guarantor in connection with the Loan Documents and the consummation by such Borrower or such Guarantor of the transactions contemplated hereby, certified as true and correct as of the Effective Date by a duly authorized officer of such Borrower or such Guarantor;

(d) Notes. The Notes, duly executed on behalf of each Borrower, for each Bank;

(e) Security Documents. The Security Documents duly executed on behalf of each Borrower and each Guarantor granting to the Banks and the Agent the collateral and security intended to be provided pursuant to Section 2.10.

(f) Legal Opinion. The favorable written opinion of Robert Paver, General Counsel of the Company, and the favorable written opinion of counsel of Jabil Circuit Ltd, each in substantially the form of Exhibit F attached hereto; and

(g) Consents, Approvals, Etc. Copies of all governmental and nongovernmental consents, approvals, authorizations, declarations, registrations or filings, if any, required on the part of each Borrower and each Guarantor in connection with the execution, delivery and performance of the Loan Documents or the transactions contemplated hereby or as a condition to the legality, validity or enforceability of this Agreement and the Notes, certified as true and correct and in full force and effect as of the Effective Date by a duly authorized officer of such Borrower or such Guarantor, or, if none are required, a certificate of such officer to that effect.

2.6 Further Conditions for Disbursement. The obligation of each Bank to make any Advance (including its first Advance), or any continuation or conversion under Section 2.7, is further subject to the satisfaction of the following conditions precedent:

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(a) The representations and warranties contained in Article IV hereof and in any other Loan Document shall be true and correct in all material respects on and as of the date such Advance is made, continued or converted (both before and after such Advance is made, continued or converted) as if such representations and warranties were made on and as of such date; and

(b) No Event of Default and no Default shall exist or shall have occurred and be continuing on the date such Advance is made, continued or converted (whether before or after such Advance is made, continued or converted); and

(c) In the case of any Letter of Credit Advance, the Borrower requesting such Letter of Credit Advance shall have delivered to the Agent an application for the related Letter of Credit and other related documentation requested by and acceptable to the Agent appropriately completed and duly executed on behalf of such Borrower.

Each Borrower shall be deemed to have made a representation and warranty to the Banks at the time of the requesting of, the making of, and the continuation or conversion under Section 2.7 of, each Advance to the effects set forth in clauses (a) and (b) of this Section 2.6. For purposes of this Section 2.6, the representations and warranties contained in Section 4.6 hereof shall be deemed made with respect to the most recent financial statements delivered pursuant to Section 5.1(d)(ii) and (iii).

2.7 Subsequent Elections as to Borrowings. A Borrower may elect (a) to continue a Eurocurrency Rate Borrowing, or a portion thereof, as a Eurocurrency Rate Borrowing, or (b) may elect to convert a Eurocurrency Rate Borrowing, or a portion thereof, to a Floating Rate Borrowing or (c) elect to convert a Floating Rate Borrowing, or a portion thereof, to a Eurocurrency Rate Borrowing, or (d) elect to convert a Loan denominated in a Permitted Currency to a Loan denominated in another Permitted Currency, in each case by giving notice thereof to the Agent in substantially the form of Exhibit G hereto at the principal office of the Agent and at the Applicable Administrative Office with respect to such Loan not later than 11:00 a.m. local time of the Applicable Administrative Office (i) three Eurocurrency Business Days prior to the date any such continuation of or conversion to a Eurocurrency Rate Borrowing is to be effective and (ii) the date such continuation or conversion is to be effective in all other cases, provided that an outstanding Eurocurrency Rate Borrowing may only be converted on the last day of the then current Interest Period with respect to such Borrowing, and provided, further, if a continuation of a Borrowing as, or a conversion of a Borrowing to, a Eurocurrency Rate Borrowing is requested, such notice shall also specify the Interest Period to be applicable thereto upon such continuation or conversion. The Agent, on the day any such notice is given, shall promptly provide notice of such election to the Banks. If a Borrower shall not timely deliver such a notice with respect to any outstanding Eurocurrency Rate Borrowing, the Borrower shall be deemed to have elected to convert such Eurocurrency Rate Borrowing to a Floating Rate Borrowing on the last day of the then current Interest Period with respect to such Borrowing.

2.8 Limitation of Requests and Elections. Notwithstanding any other provision of this Agreement to the contrary, if, upon receiving a request for a Eurocurrency Rate Borrowing pursuant to Section 2.4, or a request for a continuation of a Eurocurrency Rate Borrowing as a Eurocurrency Rate Borrowing, or a request for a conversion of a Floating Rate Borrowing to a Eurocurrency Rate Borrowing pursuant to Section 2.7, (a) in the case of any Eurocurrency Rate Borrowing, deposits in the relevant Permitted Currency for periods comparable to the Interest Period elected by the Borrower are not available to any Bank in the relevant interbank or secondary market and such Bank has provided to the Agent and the Borrowers a certificate prepared in good faith to that effect, or (b) any Bank

reasonably determines that the Eurocurrency Rate will not adequately and fairly reflect the cost to such Bank of making, funding or maintaining the related Eurocurrency Rate Loan and such Bank has provided to the Agent and the Borrowers a certificate prepared in good faith to that effect, or (c) by reason of national or international financial, political or economic conditions or by reason of any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect, or the interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by any Bank with any directive of such authority (whether or not having the force of law), including without limitation exchange controls, it is impracticable, unlawful or impossible for any Bank (i) to make or fund the relevant Eurocurrency Rate Borrowing or (ii) to continue such Eurocurrency Rate Borrowing as a Eurocurrency Rate Borrowing or (iii) to convert a Loan to such a Eurocurrency Rate Loan, and such Bank has provided to the Agent and the Borrowers a certificate prepared in good faith to that effect, then the Borrowers shall not be entitled, so long as such circumstances continue, to request a Eurocurrency Rate Borrowing of the affected type pursuant to Section 2.4 or a continuation of or conversion to a Eurocurrency Rate Borrowing pursuant to Section 2.7. In the event that such circumstances no longer exist, the Banks shall again honor requests, subject to this Agreement, for Eurocurrency Rate Borrowings of the affected type pursuant to Section 2.4, and requests for continuations of and conversions to Eurocurrency Rate Borrowings of the affected type pursuant to Section 2.7.

2.9 Minimum Amounts; Limitation on Number of Borrowings. Except for (a) Borrowings and conversions thereof which exhaust the entire remaining amount of the Commitments, (b) conversions or payments required pursuant to Section

3.1(c) or Section 3.7, (c) Revolving Credit Loans requested as a result of the refusal of the Agent to make a Swing Line Loan, in which case the minimum amount of the Loan shall be \$100,000, and (d) Revolving Credit Loans disbursed to satisfy reimbursement obligations under Letters of Credit pursuant to Section 3.3(a), each Revolving Credit Loan and each continuation or conversion pursuant to Section 2.7 shall be in a minimum amount of, with respect to Floating Rate Loans, \$1,000,000 and in integral multiples of \$100,000 and, with respect to Eurocurrency Rate Loans, \$3,000,000 and in integral multiples of \$500,000. Notwithstanding anything herein to the contrary, (a) all Loans must be denominated in a Permitted Currency and (b) Floating Rate Loans must be denominated in Dollars.

2.10 Security and Collateral. To secure the payment when due of the Notes and all other obligations of the Borrowers under this Agreement to the Banks and the Agent, each Borrower shall execute and deliver, or cause to be executed and delivered, to the Agent Security Documents granting the following:

(a) Pledges of 65% of all capital stock of all Foreign Subsidiaries (other than Jabil Malaysia) and any future Foreign Subsidiary.

(b) Guaranties of all Domestic Borrowers and present and future Domestic Subsidiaries.

ARTICLE III.
PAYMENTS AND PREPAYMENTS

3.1 Principal Payments.

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(a) Unless earlier payment is required under this Agreement, the Borrowers shall pay to the Banks on the Termination Date the entire outstanding principal amount of the Loans.

(b) The Borrowers may at any time and from time to time prepay all or a portion of the Loans without premium or penalty, provided that (i) a Borrower may not prepay any portion of any Loan as to which an election for continuation of or conversion to a Eurocurrency Rate Loan is pending pursuant to Section 2.7, and (ii) unless earlier payment is required under this Agreement or unless Borrower pays all amounts required pursuant to Section 3.9, any Eurocurrency Rate Loan may only be prepaid on the last day of the then current Interest Period with respect to such Loan and (iii) such prepayment shall only be permitted if a Borrower shall have given not less than one Business Days' notice thereof of such prepayment with respect to prepayment of Floating Rate Loans which shall be in a minimum aggregate amount of \$1,000,000 and in integral multiples of \$100,000, not less than three Eurocurrency Business Days' notice thereof with respect to prepayment of Eurocurrency Rate Loans which shall be in a minimum aggregate amount of \$3,000,000 and in integral multiples of \$500,000, such notice specifying the Loan or portion thereof to be so prepaid and shall have paid to the Banks, together with such prepayment of principal, all accrued interest to the date of payment on such Loan or portion thereof so prepaid and all amounts owing to the Banks under Section 3.9 in connection with such prepayment. Upon the giving of such notice, the aggregate principal amount of such Loan or portion thereof so specified in such notice, together with such accrued interest and other amounts, shall become due and payable on the specified date.

(c) If at any time (i) the Dollar Equivalent of the aggregate outstanding principal amount of the Revolving Credit Advances and Swing Line Loans shall exceed the Aggregate Commitments or (ii) the Dollar Equivalent of the aggregate outstanding principal amount of the Revolving Credit Advances to any Borrower shall exceed the sublimit specified for such Borrower on Schedule 1.1, the Borrowers, in the case of clause (i) above, or the relevant Borrower, in the case of clause (ii) above, shall forthwith pay to the Banks, without demand, an amount not less than the amount of such excess for application to the outstanding principal amount of the Loans, provided that if any such prepayment would be in excess of the outstanding amount of the Loans, the Borrowers or the relevant Borrower, as the case may be, shall deliver cash

collateral to the Agent to secure the outstanding Letters of Credit in the amount of such excess which is greater than the outstanding Loans and the Company hereby grants to the Agent, for the benefit of the Banks, a first priority lien and security interest in such collateral, and all such cash collateral shall be under the sole and exclusive control of the Agent.

(d) If, pursuant to Section 2.7, a Loan, or portion thereof, is continued, such Loan or portion thereof shall be repaid on the last day of the related Interest Period in the Permitted Currency in which such Loan is then denominated and the Agent shall readvance to the requesting Borrower the same amount of such Permitted Currency as has been so repaid. For purposes of effecting the repayment required by this Section 3.1(d), the Agent shall apply the proceeds of such readvance toward the repayment of such Loan or portion thereof on the last day of the related Interest Period. On the last day of such Interest Period, the Original Dollar Amount of such Loan or portion thereof shall be adjusted to the amount in Dollars resulting from the conversion of the amount of such Permitted Currency so readvanced to Dollars determined as of the second Business Day preceding such day. On the date of each such continuation, if the Dollar Equivalent on such date of all Advances, including the Advances being continued, exceeds the aggregate amount of the Commitments of the Banks, the Borrowers shall prepay the Advances, in such order as determined by the Borrowers, in an amount such that the Equivalent in Dollars of the outstanding principal amount of all Advances does not exceed the aggregate amount of the Commitments as of such date, together with all amounts owing to the Banks under Section 3.9 in connection therewith, if any.

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3.2 Interest Payments. The Borrowers shall pay interest to the Banks on the unpaid principal amount of each Loan, for the period commencing on the date such Loan is made until such Loan is paid in full, on each Interest Payment Date and at maturity (whether at stated maturity, by acceleration or otherwise), and thereafter on demand, at the following rates per annum:

(a) With respect to Revolving Credit Loans:

(i) During such periods that such Loan is a Floating Rate Loan, the Floating Rate.

(ii) During such periods that such Loan is an Eurocurrency Rate Loan, the Eurocurrency Rate applicable to such Loan for each related Eurocurrency Interest Period.

(b) With respect to Swing Line Loans, the Swing Line Rate or Floating Rate applicable to such Loan.

Notwithstanding the foregoing paragraphs (a) through (b), the Borrowers shall pay interest on demand at the Overdue Rate on the outstanding principal amount of any Loan and any other amount payable by the Borrowers hereunder (other than interest) on and after an Event of Default.

3.3 Letter of Credit Reimbursement Payments.

(a) (i) Each Borrower agrees to pay to the Banks, on the day on which the Issuing Bank shall honor a draft or other demand for payment presented or made under any Letter of Credit, an amount equal to the amount paid by the Issuing Bank in respect of such draft or other demand under such Letter of Credit and all expenses paid or incurred by the Issuing Bank relative thereto. Unless a Borrower shall have made such payment to the Agent on such day, upon each such payment by the Issuing Bank, subject to Section 3.3(a)(ii), the Issuing Bank shall be deemed to have disbursed to such Borrower, and such Borrower shall be deemed to have elected to satisfy its reimbursement obligation by, a Revolving Credit Loan bearing interest at the Floating Rate for the account of the Banks in an amount equal to the amount so paid by the Issuing Bank in respect of such draft or other demand under such Letter of Credit. Such Revolving Credit Loan shall, subject to Section 3.3(a)(ii), be disbursed notwithstanding any failure to satisfy any conditions for disbursement of any Loan set forth in Article II hereof and, to the extent of the Revolving Credit Loan so disbursed, the reimbursement obligation of the

Borrower under this Section 3.3 shall be deemed satisfied; provided, however, that nothing in this Section 3.3 shall be deemed to constitute a waiver of any Default or Event of Default caused by the failure to the conditions for disbursement or otherwise.

(ii) If, for any reason (including without limitation as a result of the occurrence of an Event of Default with respect to any Borrower pursuant to Section 6.1(i)), Floating Rate Loans may not be made by the Banks as described in Section 3.3(a)(i), then (A) each Borrower agrees that each reimbursement amount not paid pursuant to the first sentence of Section 3.3(a)(i) shall bear interest, payable on demand by the Agent, at the interest rate then applicable to Floating Rate Loans, and (B) effective on the date each such Floating Rate Loan would otherwise have been made, each Bank severally agrees that it shall unconditionally and irrevocably, without regard to the occurrence of any Default or Event of Default, in lieu of deemed disbursement of loans, to the extent of such Bank's Commitment, purchase a participating interest in each reimbursement amount. Each Bank will immediately transfer to the Agent, in same day funds, the amount of its participation. Each Bank shall

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share on a pro rata basis (calculated by reference to its Commitment) in any interest which accrues thereon and in all repayments thereof. If and to the extent that any Bank shall not have so made the amount of such participating interest available to the Agent, such Bank and the Borrower severally agree to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from the date of demand by the Agent until the date such amount is paid to the Agent, at (x) in the case of any Borrower, the interest rate then applicable to Floating Rate Loans and (y) in the case of such Bank, the Federal Funds Rate.

(b) The reimbursement obligation of each Borrower under this Section 3.3 shall be absolute, unconditional and irrevocable and shall remain in full force and effect until all obligations of the Borrowers to the Banks hereunder shall have been satisfied, and such obligations of the Borrowers shall not be affected, modified or impaired upon the happening of any event, including without limitation, any of the following, whether or not with notice to, or the consent of, any Borrower:

(i) Any lack of validity or enforceability of any Letter of Credit or any documentation relating to any Letter of Credit or to any transaction related in any way to such Letter of Credit (the "Letter of Credit Documents");

(ii) Any amendment, modification, waiver, consent, or any substitution, exchange or release of or failure to perfect any interest in collateral or security, with respect to any of the Letter of Credit Documents;

(iii) The existence of any claim, setoff, defense or other right which any Borrower may have at any time against any beneficiary or any transferee of any Letter of Credit (or any persons or entities for whom any such beneficiary or any such transferee may be acting), the Agent, the Issuing Bank or any Bank or any other person or entity, whether in connection with any of the Letter of Credit Documents, the transactions contemplated herein or therein or any unrelated transactions;

(iv) Any draft or other statement or document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) Payment by the Issuing Bank to the beneficiary under any Letter of Credit against presentation of documents which do not comply with the terms of the Letter of Credit, including failure of any documents to bear any reference or adequate reference to such Letter of Credit;

(vi) Any failure, omission, delay or lack on the part of the Agent, the Issuing Bank or any Bank or any party to any of the Letter of Credit Documents to enforce, assert or exercise any right, power or remedy conferred

upon the Agent, the Issuing Bank, any Bank or any such party under this Agreement or any of the Letter of Credit Documents, or any other acts or omissions on the part of the Agent, the Issuing Bank, any Bank or any such party;

(vii) Any other event or circumstance that would, in the absence of this clause, result in the release or discharge by operation of law or otherwise of any Borrower from the performance or observance of any obligation, covenant or agreement contained in this Section 3.3.

No setoff, counterclaim, reduction or diminution of any obligation or any defense of any kind or nature which any Borrower has or may have against the beneficiary of any Letter of Credit shall be available hereunder to such Borrower against the Agent, the Issuing Bank or any Bank.

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Nothing in this Section 3.3 shall limit the liability, if any, of the Agent or the Issuing Bank to any Borrower pursuant to Section 9.5.

3.4 Payment Method.

(a) All payments to be made by the Borrower hereunder shall be made to the Agent for the account of the Banks in the specified or relevant currency in freely transferable, cleared, same-day funds, not later than 12:00 p.m. local time in the place specified for payment on the date on which such payment is due. Payments of principal and interest on any Loan denominated, and of any other amounts due, in a Permitted Currency other than Dollars shall be made by the Borrowers by credit to the account of the Agent at its designated branch or correspondent bank in the country issuing the relevant Permitted Currency or in such other place specified by the Agent with respect to such Loan or amount under Section 2.4(b). Payments of any other amounts due under this Agreement shall be made to the Applicable Administrative Office of the Agent. Payments received after 12:00 p.m. at the place for payment shall be deemed to be payments made prior to 12:00 p.m. at the place for payment on the next succeeding Business Day. Each Borrower hereby authorizes the Agent to charge its account with the Agent in order to cause timely payment of amounts due hereunder to be made (subject to sufficient funds being available in such account for that purpose).

(b) At the time of making each such payment, a Borrower shall, subject to the other terms and conditions of this Agreement, specify to the Agent that Borrowing or other obligation of the Borrowers hereunder to which such payment is to be applied. In the event that a Borrower fails to so specify the relevant obligation or if an Event of Default shall have occurred and be continuing, the Agent may apply such payments as it may determine in its sole discretion to obligations of the Borrowers to the Banks arising under this Agreement.

(c) On the day such payments are deemed received, the Agent shall promptly remit to the Banks their pro rata shares of such payments in immediately available funds, (i) in the case of payments of principal and interest on any Borrowing denominated in a Permitted Currency other than Dollars, at an account maintained and designated by each Bank at a bank in the principal financial center of the country issuing the Permitted Currency in which such Borrowing is denominated or in such other place specified by the Agent and agreed to by the Banks and (ii) in all other cases, to the Banks at their respective address in the United States specified for notices pursuant to Section 9.2. Such pro rata shares shall be determined with respect to each such Bank, (i) in the case of payments of principal and interest on any Borrowing, by the ratio which the outstanding principal balance of its Loan included in such Borrowing bears to the outstanding principal balance of the Loans of all of the Banks included in such Borrowing and (ii) in the case of fees paid pursuant to Section 2.3 and other amounts payable hereunder (other than the Agent's fees payable pursuant to Section 2.3(d) and amounts payable to any Bank under Section 2.4 or 3.6) by the ratio which the Commitment of such Bank bears to the Aggregate Commitment.

(d) This Agreement arises in the context of an international

transaction, and the specification of payment in a specific currency at a specific place pursuant to this Agreement is of the essence. Such specified currency shall be the currency of account and payment under this Agreement. The obligations of the Borrowers hereunder shall not be discharged by an amount paid in any other currency or at another place, whether pursuant to a judgment or otherwise, to the extent that the amount so paid, on prompt conversion into the applicable currency and transfer to the Banks under normal banking procedure, does not yield the amount of such currency due under this Agreement. In the event that any payment, whether pursuant to a judgment or otherwise, upon conversion and transfer, does not

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result in payment of the amount of such currency due under this Agreement, the Banks shall have an independent cause of action against the Borrowers for the currency deficit.

(e) If for purposes of obtaining judgment in any court it becomes necessary to convert any currency due hereunder into any other currency, the Borrowers will pay such additional amount, if any, as may be necessary to ensure that the amount paid in respect of such judgment is the amount in such other currency which, when converted at the Agent's spot rate of exchange prevailing on the date of payment, would yield the same amount of the currency due hereunder. Any amount due from the Borrowers under this Section 3.4(e) will be due as a separate debt and shall not be affected by judgment being obtained for any other sum due under or in respect of this Agreement.

3.5 No Setoff or Deduction.

(a) All such payments shall be made free and clear of any present or future taxes or withholdings and without any set-off or counter claim or any restriction or condition or deduction whatsoever. The Borrowers shall indemnify the Agent and each Bank against any taxes or charges (other than on net overall income) which may be claimed from it in respect of the Advances or any of them or any sum payable by the Borrowers or any of them hereunder and against any costs, charges and expenses or liabilities in respect of such claim and such indemnity shall survive the termination of the Commitments.

(b) If at any time any Borrower is required by law or by any directive or order of any court of competent jurisdiction to make any deduction or withholding of whatsoever nature from any payment due under this Agreement or any of the Loan Documents, such Borrower will ensure that the same does not exceed the minimum liability therefor and will (a) pay to any Bank on request such additional amount as such Bank certifies will result in the net amount received by it after all deductions being equal to the full amount which would have been receivable had there been no deduction or withholding and (b) pay forthwith to the relevant authorities the full amount of the deduction or withholding and deliver to the Agent such an official receipt, certificate or other proof evidencing the amount paid in respect of such deduction or withholding. Any additional amount paid under this sub-clause shall not be treated as interest but as agreed compensation.

(c) If any payment by any Borrower is made to or for the account of any Bank after deduction for or on account of tax, and additional payments are made by the Borrower then, if any Bank shall receive or be granted a credit against or remission for such tax, such Bank shall, to the extent that it can do so without prejudice to the retention of the amount of such credit or remission, reimburse to such Borrower such amount as such Bank shall, in its absolute opinion, have concluded to be attributable to the relevant tax or deduction or withholding. Nothing herein contained shall interfere with the right of any Bank to arrange its affairs in whatever manner it thinks fit and, in particular, the Banks shall not be under any obligation to claim relief from its corporation profits or similar tax liability in respect of such tax in priority to any other claims, reliefs, credits or deductions available to it nor oblige any Bank to disclose any information relating to its tax affairs. Such reimbursement shall be made as soon as reasonably practical upon such Bank certifying that the amount of such credit or remission has been received by it.

3.6 Payment on Non-Business Day; Payment Computations. Except as

otherwise provided in this Agreement to the contrary, whenever any installment of principal of, or interest on, any Loan or any other amount due hereunder becomes due and payable on a day which is not a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, in the case of any

installment of principal, interest shall be payable thereon at the rate per annum determined in accordance with this Agreement during such extension. Computations of interest and other amounts due under this Agreement shall be made on the basis of a year of 360 days or as determined by custom and practice in the relevant market with respect to any Loan denominated in a Permitted Currency other than Dollars, for the actual number of days elapsed, including the first day but excluding the last day of the relevant period.

3.7 Additional Costs.

(a) In the event that any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not presently applicable to any Bank or the Agent, or any interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by any Bank or the Agent with any directive of any such authority (whether or not having the force of law), shall (i) affect the basis of taxation of payments to any Bank or the Agent of any amounts payable by any Borrower under this Agreement (other than taxes imposed on the overall net income of the Bank or the Agent, by the jurisdiction, or by any political subdivision or taxing authority of any such jurisdiction, in which any Bank or the Agent, as the case may be, has its principal office), or (ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by any Bank or the Agent, as the case may be, or (iii) shall impose any other condition with respect to this Agreement, the Commitments, the Notes or the Advances, and the result of any of the foregoing is to increase the cost to any Bank or the Agent, as the case may be, of making, funding or maintaining any Loan or to reduce the amount of any sum receivable by any Bank or the Agent, thereon, then the Borrowers shall pay to such Bank or the Agent, as the case may be, from time to time, upon request by such Bank (with a copy of such request to be provided to the Agent) or the Agent, additional amounts sufficient to compensate such Bank or the Agent, as the case may be, for such increased cost or reduced sum receivable to the extent, in the case of any Eurocurrency Rate Loan, such Bank or the Agent, as the case may be, is not compensated therefor in the computation of the interest rate applicable to such Eurocurrency Rate Loan. Each Bank or the Agent, as the case may be, seeking compensation hereunder shall deliver to the Borrowers a statement setting forth (i) such increased cost or reduced sum receivable as such Bank or the Agent, as the case may be, has calculated in good faith, (ii) a description of the event giving rise thereto, and (iii) a calculation in reasonable detail of the amounts requested. Such statement as to the amount of such increased cost or reduced sum receivable, prepared in good faith and in reasonable detail by such Bank or the Agent, as the case may be, and submitted by such Bank or the Agent, as the case may be, to the Borrowers, shall be conclusive and binding for all purposes absent manifest error.

(b) In the event that any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not presently applicable to any Bank or the Agent, but applicable to banks or financial institutions generally, or any interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by any Bank or the Agent with any directive of any such authority (whether or not having the force of law), including any risk-based capital guidelines, affects the amount of capital required or expected to be maintained by such Bank or the Agent (or any corporation controlling such Bank or the Agent) and such Bank or the Agent, as the case may be, determines that the amount of such capital is increased by or based upon the existence of such Bank's or the Agent's obligations hereunder and such increase has the effect of reducing the rate of return on such Bank's or the Agent's (or such controlling corporation's) capital as a consequence of such obligations hereunder to a level below that which such Bank or the Agent

(or such controlling corporation) could have achieved but for such circumstances (taking into

consideration its policies with respect to capital adequacy) by an amount deemed by such Bank or the Agent to be material, then the Borrowers shall pay to such Bank or the Agent, as the case may be, from time to time, upon request by such Bank (with a copy of such request to be provided to the Agent) or the Agent, additional amounts sufficient to compensate such Bank or the Agent (or such controlling corporation) for any reduced rate of return which such Bank or the Agent reasonably determines to be allocable to the existence of such Bank's or the Agent's obligations hereunder. Each Bank or the Agent, as the case may be, seeking compensation hereunder shall deliver to the Borrowers a statement setting forth (i) such increased cost or reduced sum receivable as such Bank or the Agent, as the case may be, has calculated in good faith, (ii) a description of the event giving rise thereto, and (iii) a calculation in reasonable detail of the amounts requested. Such statement as to the amount of such compensation, prepared in good faith and in reasonable detail by such Bank or the Agent, as the case may be, and submitted by such Bank or the Agent to the Borrowers, shall be conclusive and binding for all purposes absent manifest error.

3.8 Illegality and Impossibility. In the event that any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not presently applicable to any Bank, or any interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by any Bank with any directive of such authority (whether or not having the force of law), including without limitation exchange controls, shall make it unlawful or impossible for any Bank to maintain any Advance under this Agreement or shall make it impracticable, unlawful or impossible for, or shall in any way limit or impair the ability of, any Borrower to make or any Bank to receive any payment under this Agreement at the place specified for payment hereunder, or to freely convert any amount paid into Dollars at market rates of exchange or to transfer any amount paid or so converted to the address of its principal office specified in Section 9.2, the Borrowers shall upon receipt of notice thereof from such Bank, repay in full the then outstanding principal amount of each Loan so affected, together with all accrued interest thereon to the date of payment and all amounts owing to such Bank under Section 3.9, (a) on the last day of the then current Interest Period applicable to such Loan if such Bank may lawfully continue to maintain such Loan to such day, or (b) immediately if such Bank may not continue to maintain such Loan to such day.

3.9 Indemnification. If any Borrower makes any payment of principal with respect to any Loan on any other date than the last day of an Interest Period applicable thereto, (whether pursuant to Section 3.8 or Section 6.2 or otherwise), or if any Borrower fails to borrow or convert any Loan after notice has been given to the Banks in accordance with Section 2.4 or Section 2.7, the Borrowers shall reimburse each Bank on demand for any resulting net loss or expense incurred by each such Bank after giving credit for any earnings or other quantifiable financial benefit to such Bank from such Bank's investment or other amounts prepaid or not reborrowed, including without limitation any loss incurred in obtaining, liquidating or employing deposits from third parties, whether or not such Bank shall have funded or committed to fund such Loan. A statement as to the amount of such loss or expense, prepared in good faith and in reasonable detail by such Bank and submitted by such Bank to the Borrowers, shall be conclusive and binding for all purposes absent manifest error, provided that before delivery of such statement, each Bank shall use reasonable efforts in accordance with its normal practices and procedures to reduce amounts payable under this Section. Calculation of all amounts payable to such Bank under this Section 3.9 shall be made as though such Bank shall have actually funded or committed to fund the relevant Loan through the purchase of an underlying deposit in an amount equal to the amount of such Loan and having a maturity comparable to the related Interest Period; provided, however, that such Bank may fund any Loan in any manner it sees fit and the foregoing assumption shall be utilized only for the purpose of calculation of amounts payable under this Section 3.9.

3.10 Right of Banks to Fund Through Other Offices. Each Bank may perform its Commitment to fund its pro rata share of any Eurocurrency Rate Loan or, with respect to the Swing Line Bank, any Swing Line Loan to the Borrowers by causing an affiliate of such Bank to provide such funds in accordance with the terms of this Agreement. For all purposes of this Agreement, any amounts so advanced shall be deemed to have been advanced by such Bank, and the obligation of the Borrowers to repay such amounts shall be as provided in this Agreement.

ARTICLE IV.
REPRESENTATIONS AND WARRANTIES

Each Borrower and each Guarantor represents and warrants to the Agent and the Banks that:

4.1 Corporate Existence and Power. Each Borrower and each Guarantor is a Person duly organized, validly existing and in good standing under the laws of the state or other political subdivision of its jurisdiction of incorporation or organization, as the case may be, and is duly qualified to do business, and is in good standing, in all additional jurisdictions where such qualification is necessary under applicable law, except where the failure to be so qualified would not have a material adverse effect on the business and financial condition of the Company and its Subsidiaries taken as a whole. Each Borrower and each Guarantor have all requisite corporate power to own or lease the properties used in its business and to carry on its business as now being conducted and as proposed to be conducted, and to execute and deliver the Loan Documents to which it is a party and to engage in the transactions contemplated by the Loan Documents.

4.2 Corporate Authority. The execution, delivery and performance by each Borrower and each Guarantor of the Loan Documents to which it is a party have been duly authorized by all necessary corporate action and are not in contravention of any material law, rule or regulation, or any judgment, decree, writ, injunction, order or award of any arbitrator, court or governmental authority, or of the terms of such Borrower's or such Guarantor's charter or by-laws, or of any material contract or undertaking to which such Borrower or such Guarantor is a party or by which such Borrower or such Guarantor or any of their property is bound and do not result in the imposition of any Lien except for Permitted Liens.

4.3 Binding Effect. The Loan Documents when delivered hereunder will be, legal, valid and binding obligations of each Borrower and each Guarantor party thereto enforceable against each Borrower and each Guarantor party thereto in accordance with their respective terms; except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to creditors' rights and except that the remedy of specific performance and injunctive and other forms of equitable relief are subject to equitable defenses and to the discretion of the court before which any proceedings may be brought.

4.4 Subsidiaries. Schedule 4.4 hereto (as supplemented from time to time pursuant to Section 5.2(h)) correctly sets forth the corporate name, jurisdiction of incorporation and ownership of each Subsidiary of each Borrower. Each Subsidiary and each corporation becoming a Subsidiary of any Borrower after the date hereof is and will be a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and is and will be duly qualified to do business in each additional jurisdiction where such qualification is or may be necessary under applicable law, except where the failure to be so qualified would not have a Material Adverse Effect.

4.5 Litigation. Except as set forth in Schedule 4.5 hereto, there is no action, suit or proceeding pending or, to the best of each Borrower's and each Guarantor's knowledge, threatened against or affecting any Borrower or any of their respective Subsidiaries before or by any court, governmental authority or arbitrator, which if adversely decided would result, either individually or collectively, in any Material Adverse Effect.

4.6 Financial Condition. The consolidated balance sheet of the Company and its Subsidiaries and the related consolidated statements of income, shareholders equity and cash flows of the Company and its Subsidiaries for the fiscal year ended August 31, 1997 and reported on by KPMG Peat Marwick, independent certified public accountants, and the interim consolidated balance sheet, statements of income, and cash flows of the Company and its Subsidiaries as of and for the six-month period ended February 28, 1998, copies of which have been furnished to the Banks, fairly present, and the financial statements of the Company and its Subsidiaries delivered pursuant to Section 5.1(d) will fairly present the consolidated financial position of the Company and its Subsidiaries as at the respective dates thereof, and the consolidated results of operations of the Company and its Subsidiaries for the respective periods indicated, all in accordance with Generally Accepted Accounting Principles consistently applied (subject, in the case of said interim statements, to normal year-end adjustments). There has been no material adverse change in the financial condition of the Company and its Subsidiaries taken as a whole since August 31, 1997. There is no material Contingent Liability of the Company that is not reflected in such financial statements or in the notes thereto.

4.7 Use of Loans. Each Borrower will use the proceeds of the Loans for its general corporate purposes, including repayment of certain existing Indebtedness. No Borrower nor any of their respective Subsidiaries extends or maintains, in the ordinary course of business, credit for the purpose, whether immediate, incidental, or ultimate, of buying or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and no part of the proceeds of any Loan will be used for the purpose, whether immediate, incidental, or ultimate, of buying or carrying any such margin stock or maintaining or extending credit to others for such purpose. After applying the proceeds of each Loan, such margin stock will not constitute more than 25% of the value of the assets (either of any Borrower alone or of the Borrowers and their respective Subsidiaries on a consolidated basis) that are subject to any provisions of this Agreement that may cause the Loans to be deemed secured, directly or indirectly, by margin stock.

4.8 Consents, Etc. Except for such consents, approvals, authorizations, declarations, registrations or filings delivered by the Borrowers or the Guarantors pursuant to Section 2.5(g), if any, each of which is in full force and effect, no consent, approval or authorization of or declaration, registration or filing with any governmental authority or any nongovernmental person, including without limitation any creditor, lessor or stockholder of any Borrower or any Guarantor, is required on the part of any Borrower or any Guarantor in connection with the execution, delivery and performance of the Loan Documents or the transactions contemplated hereby or as a condition to the legality, validity or enforceability of the Loan Documents.

4.9 Taxes. Each Borrower and each of their respective Subsidiaries has filed all material tax returns (federal, state and local applicable in the United States or any foreign jurisdiction) required to be filed and have paid all taxes shown thereon to be due, including interest and penalties, or have established adequate financial reserves on their respective books and records for payment thereof except where the failure to file such returns, pay such taxes or establish such reserves would not have a Material Adverse Effect.

4.10 Title to Properties. Except as otherwise disclosed in the latest balance sheet delivered pursuant to this Agreement, a Borrower or one or more of its Subsidiaries have good and marketable fee simple title to all of the material real property to the best of such Borrower's knowledge absent manifest error, and a valid and indefeasible ownership interest in all of the other properties and assets reflected in said balance sheet or subsequently acquired

by a Borrower or any such Subsidiary material to the business or financial condition of the Borrowers and their respective Subsidiaries, taken as a whole, except for title defects that do not have a Material Adverse Effect. All of such properties and assets are free and clear of any Lien, except for Permitted Liens.

4.11 ERISA. The Borrowers, their respective Subsidiaries, their ERISA Affiliates and their respective Plans are in substantial compliance in all material respects with those provisions of ERISA and of the Code which are applicable with respect to any Plan. No Prohibited Transaction and no Reportable Event has occurred with respect to any such Plan which would cause an Event of Default. No Borrower, any of their respective Subsidiaries nor any of their ERISA Affiliates is an employer with respect to any Multiemployer Plan. The Borrowers, their respective Subsidiaries and their ERISA Affiliates have met the minimum funding requirements under ERISA and the Code with respect to each of their respective Plans, if any, and have not incurred any liability to the PBGC, other than premiums which are not yet due and payable. The execution, delivery and performance of the Loan Documents does not constitute a Prohibited Transaction. There is no material unfunded benefit liability, determined in accordance with Section 4001(a)(18) of ERISA, with respect to any Plan of any Borrower, their respective Subsidiaries or their ERISA Affiliates.

4.12 Disclosure. No report or other information furnished in writing or on behalf of any Borrower or any Guarantor to any Bank or the Agent in connection with the negotiation or administration of this Agreement contains any material misstatement of fact or omits to state any material fact or any fact necessary to make the statements contained therein not misleading in light of the circumstances in which they were made. Neither this Agreement, the Notes, the Security Documents nor any other document, certificate, or report or statement or other information furnished to any Bank or the Agent by or on behalf of any Borrower or any Guarantor in connection with the transactions contemplated hereby contains any untrue statement of a material fact or omits to state a material fact in order to make the statements contained herein and therein not misleading in light of the circumstances in which they were made. There is no fact known to any Borrower or any Guarantor which has or which in the future may have (so far as any Borrower or any Guarantor reasonably can now foresee based on information currently available to such Borrower or any Guarantor) a Material Adverse Effect, which has not been set forth in this Agreement or in the other documents, certificates, statements, reports and other information furnished in writing to the Banks by or on behalf of any Borrower in connection with the transactions contemplated hereby.

4.13 Environmental and Safety Matters. The Borrowers and each of their respective Subsidiaries is in substantial compliance with all Environmental Laws in jurisdictions in which such Borrower or any such Subsidiary owns or operates, or has owned or operated, a facility or site, or arranges or has arranged for disposal or treatment of hazardous substances, solid waste, or other wastes, accepts or has accepted for transport any hazardous substances, solid wastes or other wastes or holds or has held any interest in real property or otherwise, except where the failure to comply would not have a Material Adverse Effect. No demand, claim, notice, action, administrative proceeding, investigation or inquiry whether brought by any governmental authority, private person or entity or otherwise, arising under, relating to or in connection with any Environmental Laws is pending or, to the best of its knowledge, threatened against any Borrower or any of their respective Subsidiaries, any real property in which any Borrower or any such Subsidiary holds or has held an interest or any past or present operation

of any Borrower or any such Subsidiary. Neither any Borrower nor any of their respective Subsidiaries (a) is the subject of any federal or state investigation evaluating whether any remedial action is needed to respond to a release of any toxic substances, radioactive materials, hazardous wastes or related materials into the environment, (b) has received any notice of any toxic substances, radioactive materials, hazardous waste or related materials in, or upon any of its properties in violation of any Environmental Laws, (c) knows of any basis for any such investigation, notice or violation, or (d) owns or operates, or has owned or operated, property which appears on the United

States National Priority List or any other governmental listing which identifies sites for remedial clean-up or investigatory actions, except as disclosed on Schedule 4.13 hereto, and as to such matters disclosed on such Schedule, none will have a Material Adverse Effect. No release, threatened release or disposal of hazardous waste, solid waste or other wastes is occurring or has occurred on, under or to any real property in which any Borrower or any of their respective Subsidiaries holds any interest or performs any of its operations, in material violation of any Environmental Law.

4.14 No Material Adverse Change. Neither any Borrower nor any of its Subsidiaries has received any notice, citation or communication of the nature referred to in Section 5.1(d) (i), except in respect of such matters as have been or are being remediated in all material respects or are being contested or remediated in good faith, and, in the case of any such matter being so contested or remediated, and as of the date of this Agreement, adequate provision for all material costs of any remediation is reflected in the financial statements referred to in Section 4.6 of this Agreement, and in respect of any such notice, citation or communication received after the date of this Agreement, will be reflected in the subsequent financial statements furnished to the Agent and the Banks pursuant to Sections 5.1(d) (ii), 5.1(d) (iii) and 5.1(d) (iv).

4.15 No Default. Neither any Borrower nor any Subsidiary is in default or has received any written notice of default under or with respect to any of its Contractual Obligations in any respect which would have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

4.16 No Burdensome Restrictions. No Requirement of Law or Contractual Obligation applicable to any Borrower or any Subsidiary would have a Material Adverse Effect.

4.17 Year 2000. The Company has made a full and complete assessment of the Year 2000 Issues and has a realistic and achievable program for remediating the Year 2000 Issues on a timely basis (the "Year 2000 Program"). Based on such assessment and on the Year 2000 Program the Company does not reasonably anticipate that Year 2000 Issues will have a Material Adverse Effect.

ARTICLE V. COVENANTS

5.1 Affirmative Covenants. Each Borrower covenants and agrees that, until the Termination Date and thereafter until irrevocable payment in full of the principal of and accrued interest on the Notes and the performance of all other obligations of the Borrowers under this Agreement, unless the Majority Banks shall otherwise consent in writing, it shall, and shall cause each of its Subsidiaries to:

(a) Preservation of Corporate Existence, Etc. Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence, except to the extent permitted by Section 5.2(g), and its qualification as a foreign corporation in good standing in each

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jurisdiction in which such qualification is necessary under applicable law, except for such jurisdictions where the failure to so qualify would not have a Material Adverse Effect.

(b) Compliance with Laws, Etc. Comply in all material respects with all applicable laws, rules, regulations and orders of any governmental authority, whether federal, state, local or foreign (including without limitation ERISA, the Code and Environmental Laws), in effect from time to time, except where the failure to comply would not have a Material Adverse Effect; and pay and discharge promptly when due all taxes, assessments and governmental charges or levies imposed upon it or upon its income, revenues or property, before the same shall become delinquent or in default, as well as all lawful claims for labor, materials and supplies or otherwise, which, if unpaid, would give rise to Liens upon such properties or any portion thereof, except to

the extent that payment of any of the foregoing is then being contested in good faith by appropriate legal proceedings and with respect to which adequate financial reserves have been established on the books and records of any such Borrower.

(c) Maintenance of Properties; Insurance. Maintain, preserve and protect all property that is material to the conduct of the business of any Borrower or any of their respective Subsidiaries and keep such property in good repair, working order and condition and from time to time make, or cause to be made all needful and proper repairs, renewals, additions, improvements and replacements thereto necessary in order that the business carried on in connection therewith may be properly conducted at all times in accordance with customary and prudent business practices for similar businesses; and, maintain in full force and effect insurance with responsible and reputable insurance companies or associations in such amounts, on such terms and covering such risks, as is usually carried by companies engaged in similar businesses and owning similar properties similarly situated and maintain in full force and effect public liability insurance, insurance against claims for personal injury or death or property damage occurring in connection with any of its activities or any properties owned, occupied or controlled by it, in such amount as it shall reasonably deem necessary.

(d) Reporting Requirements. Furnish to the Banks and the Agent the following:

(i) Promptly and in any event within seven calendar days after becoming aware of the occurrence of (A) any Event of Default or Default, or (B) the commencement of any material litigation against, by or affecting any Borrower or any of their respective Subsidiaries or (C) entering into any material contract or undertaking that is not entered into in the ordinary course of business and which has resulted in or which is likely, in the reasonable judgment of the Company, to result in a Material Adverse Effect, or (D) any material development in the business or affairs of any Borrower or any of their respective Subsidiaries (including, without limitation, developments with respect to Year 2000 Issues), which has resulted in or which is likely, in the reasonable judgment of such Borrower, to result in a Material Adverse Effect, a statement of the chief financial officer of such Borrower setting forth details of each such Default or Event of Default or such litigation, material contract or undertaking or development and the action which such Borrower or such Subsidiary, as the case may be, has taken and proposes to take with respect thereto;

(ii) As soon as available and in any event within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Company, the consolidated balance sheet of the Company and its Subsidiaries as of the end of such quarter, and the related consolidated statements of income and cash flow for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding date or period of the preceding fiscal year, all in reasonable detail and duly certified (subject to normal year-end adjustments) by the treasurer of the Company as having been prepared in

accordance with Generally Accepted Accounting Principles, together with a certificate of the treasurer of the Company stating (A) that no Event of Default or Default has occurred and is continuing or, if an Event of Default or Default has occurred and is continuing, a statement setting forth the details thereof and the action which the Company has taken and proposes to take with respect thereto, and (B) that a computation (which computation shall accompany such certificate and shall be in reasonable detail) showing compliance with Section 5.2(a), (b), (c) and (d) hereof is in conformity with the terms of this Agreement;

(iii) As soon as available and in any event within 90 days after the end of each fiscal year of the Company, a copy of the consolidated balance sheet of the Company and its Subsidiaries as of the end of such fiscal year and the related consolidated statements of income, shareholders equity and cash

flows of the Company and its Subsidiaries for such fiscal year, with a customary audit report of KPMG Peat Marwick, or other independent certified public accountants selected by the Company and acceptable to the Majority Banks, without qualifications unacceptable to the Majority Banks, together with (A) either (I) a written statement of the accountants that in making the examination necessary for their report or opinion they obtained no knowledge of the occurrence of any Default or Event of Default under this Agreement or (II) if they know of any Default or Event of Default, their written disclosure of its nature and status, provided that, the accountants shall not be liable directly or indirectly to anyone for any failure to obtain knowledge of any Default or Event of Default under this Agreement, and (B) a certificate of the treasurer of the Company stating (I) that no Event of Default or Default has occurred and is continuing or, if an Event of Default or Default has occurred and is continuing, a statement setting forth the details thereof and the action which the Company has taken and proposes to take with respect thereto, and (II) that a computation (which computation shall accompany such certificate and shall be in reasonable detail) showing compliance with Section 5.2(a), (b), (c) and (d) hereof is in conformity with the terms of this Agreement;

(iv) Promptly after the sending or filing thereof, copies of all reports, proxy statements and financial statements which any Borrower sends to or files with any of their respective security holders or any securities exchange or the Securities and Exchange Commission or any successor agency thereof;

(v) Promptly and in any event within 10 calendar days after receiving or becoming aware thereof (A) a copy of any notice of intent to terminate any Plan of any Borrower, their respective Subsidiaries or any ERISA Affiliate filed with the PBGC, (B) a statement of the chief financial officer or any other officer of such Borrower setting forth the details of the occurrence of any Reportable Event with respect to any such Plan, (C) a copy of any notice that any Borrower, any of their respective Subsidiaries or any ERISA Affiliate may receive from the PBGC relating to the intention of the PBGC to terminate any such Plan or to appoint a trustee to administer any such Plan, or (D) a copy of any notice of failure to make a required installment or other payment within the meaning of Section 412(n) of the Code or Section 302(f) of ERISA with respect to any such Plan; and

(vi) Promptly, such other information respecting the business, properties, operations or condition, financial or otherwise, of any Borrower or any of their respective Subsidiaries as any Bank or the Agent may from time to time reasonably request.

(e) Accounting; Access to Records, Books, Etc. Maintain a system of accounting established and administered in accordance with sound business practices to permit preparation of financial statements in accordance with Generally Accepted Accounting Principles and to comply with the requirements of this Agreement and, at any reasonable time during normal business hours and from

time to time, (i) permit any Bank or the Agent or any agents or representatives thereof to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrowers and their respective Subsidiaries, and to discuss the affairs, finances and accounts of the Borrowers and their respective Subsidiaries with their respective officers, employees and independent auditors, provided that representatives of the Company selected by the Company are present during any such visit or discussion, and by this provision the Company does hereby authorize such persons to discuss such affairs, finances and accounts with any Bank or the Agent subject to the above terms and conditions and (ii) permit the Agent and any of its agents or representative to conduct a comprehensive field audit of its books, records, property and assets, which audits shall be performed once per year (unless an Event of Default has occurred in which case audits may be performed more frequently) and which audits shall be at the expense of the Borrowers. In connection with any activities of the Agent or any Bank pursuant to this Section 5.1(e), prior to any Default or Event of Default hereunder, the Agent and each of the Banks: (i) shall endeavor to give the Company three

Business Days notice of any audit or visit, which visit shall be during normal business hours, and (ii) shall follow the Company's standard security procedures.

(f) Stamp Taxes. The Borrowers will pay all stamp taxes and similar taxes, if any, including interest and penalties, if any, payable in respect of the Notes. The efficacy of this subsection shall survive the payment in full of the Notes.

(g) Additional Security and Collateral. Cause each person becoming a Domestic Subsidiary of any Borrower from time to time to execute and deliver to the Banks and the Agent, within 30 days after such person becomes a Domestic Subsidiary, a Guaranty, together with other related documents described in Section 2.5, and, the Company shall pledge 65% of the stock of each person becoming a Foreign Subsidiary of the Borrower if such Foreign Subsidiary is not financed outside of this Agreement, within 30 days after such person becomes a Foreign Subsidiary, in each case sufficient to pledge such stock to the Collateral Agent for the benefit of the Banks and the Note Purchasers pursuant to the Intercreditor Agreement. Each Borrower shall notify the Banks and the Agent, within 10 days after the occurrence thereof, any person's becoming a Subsidiary. Notwithstanding anything in this Agreement to the contrary, no SPC shall be required to become a Guarantor hereunder or execute a Guaranty.

(h) Further Assurances. Will execute and deliver within 30 days after request therefor by the Majority Banks or the Agent, all further instruments and documents and take all further action that may be necessary, in order to give effect to, and to aid in the exercise and enforcement of the rights and remedies of the Banks and the Agent under, this Agreement and the Notes. In addition, the Company agrees to promptly deliver to the Agent and the Banks supplements to Schedule 4.4 listing any Subsidiary not listed in Schedule 4.4 hereto.

(i) Year 2000. The Company will take and will cause each of its Subsidiaries to take all such actions as are reasonably necessary to successfully implement the Year 2000 Program and to assure that Year 2000 Issues will not have a Material Adverse Effect. At the request of the Agent, the Company will provide a description of the Year 2000 Program, together with any updates or progress reports with respect thereto. Within thirty (30) days after the Effective Date, the Company shall deliver to the Banks information satisfactory to the Agent and the Required Banks regarding the Company's Year 2000 Program.

5.2 Negative Covenants. Until the Termination Date and thereafter until irrevocable payment in full of the principal of and accrued interest on the Notes and the performance of all other

obligations of each Borrower under this Agreement, each Borrower agrees that, unless the Majority Banks shall otherwise consent in writing it shall not:

(a) Current Ratio. Permit or suffer the Consolidated Current Ratio to be less than 1.40 to 1.00 at any time.

(b) Fixed Charge Coverage Ratio. Permit or suffer the Consolidated Fixed Charge Coverage Ratio to be less than, at any time, 3.0 to 1.0; calculated as of the end of each fiscal quarter for the four immediately preceding fiscal quarters.

(c) Tangible Net Worth. Permit or suffer Consolidated Tangible Net Worth at any time to be less than the sum of (i) \$170,000,000 plus (ii) 75% of the Net Cash Proceeds of Capital Stock of the Company offered or otherwise sold after the Effective Date, plus (iii) an aggregate amount equal to 60% of Consolidated Net Income (but, in each case, only if a positive number) for each completed fiscal quarter of the Company commencing with the fiscal quarter ending May 31, 1998.

(d) Funded Indebtedness to Total Capitalization. Permit or suffer the ratio of Consolidated Funded Indebtedness to Consolidated Total

Capitalization at any time to exceed 0.60 to 1.0.

(e) Indebtedness. Create, incur, assume or in any manner become liable in respect of, or suffer to exist, any Indebtedness other than:

(i) The Advances;

(ii) The Indebtedness described in Schedule 5.2(e) hereto and extensions and renewals thereof, having the same terms as those existing on the date of this Agreement, but no increase in the principal amount thereof shall be permitted;

(iii) Indebtedness of any Subsidiary of a Borrower owing to a Borrower or to any other Subsidiary of a Borrower;

(iv) Interest rate or currency swaps, rate caps or other similar transactions with any Bank (valued in an amount equal to the highest termination payment, if any, that would be payable by such person upon termination for any reason on the date of determination) not exceeding the aggregate amount of the Commitments;

(v) The Private Placement Debt in an aggregate principal amount not exceeding \$50,000,000, together with guaranties of such Indebtedness by Domestic Subsidiaries;

(vi) Unsecured Indebtedness of Jabil Malaysia in an aggregate amount not exceeding \$30,000,000 and a guaranty by the Company of such Indebtedness; provided, however, the aggregate amount of Indebtedness of Jabil Malaysia shall not exceed the book value of its accounts receivable, inventory and fixed assets as reported in the books of Jabil Malaysia and the terms and conditions of such Indebtedness, including the form of guaranty to be executed by the Company, shall be satisfactory to the Banks; and

(vii) Indebtedness incurred as part of a Permitted Receivables Transaction.

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(f) Liens. Create, incur or suffer to exist any Lien on any of the assets, rights, revenues or property, real, personal or mixed, tangible or intangible, whether now owned or hereafter acquired, of any Borrower or any of its Subsidiaries, other than:

(i) Liens for taxes not delinquent or for taxes being contested in good faith by appropriate proceedings and as to which adequate financial reserves have been established on its books and records;

(ii) Liens (other than any Lien imposed by ERISA) created and maintained in the ordinary course of business which are not material in the aggregate and which constitute (A) pledges or deposits under worker's compensation laws, unemployment insurance laws or similar legislation, (B) good faith deposits in connection with bids, tenders, contracts or leases to which a Borrower or any of its Subsidiaries is a party for a purpose other than borrowing money or obtaining credit, including rent security deposits, and (C) liens imposed by law, such as those of carriers, warehousemen and mechanics, if payment of the obligation secured thereby is not yet due;

(iii) Liens affecting real property which constitute minor survey exceptions or defects or irregularities in title, 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 such real property, provided that all of the foregoing, in the aggregate, do not at any time materially detract from the value of said properties or materially impair their use in the operation of the businesses of a Borrower or any of its Subsidiaries;

(iv) Liens existing on the date hereof upon the same terms as the date hereof and extensions and renewals thereof, but no increase in the principal amount secured thereby shall be permitted, with each existing Lien

described in Schedule 5.2(f) hereto;

(v) Liens granted by any Subsidiary in favor of a Borrower or any other Subsidiary which are subordinated to the Liens of the Agent and the Banks under the Security Documents on terms and pursuant to agreements satisfactory to the Banks;

(vi) The interest or title of a lessor under any lease otherwise permitted under this Agreement with respect to the property subject to such lease to the extent performance of the obligations of a Borrower or its Subsidiary thereunder is not delinquent;

(vii) Liens in favor of the Collateral Agent for the benefit of the Banks and the Note Purchasers contemplated by the Intercreditor Agreement;

(viii) Liens on accounts receivable (together with related collections and proceeds thereof, collateral insurance therefor, guaranties thereof, lockbox or other collection accounts related thereto and all records related thereto) of the Company or any Subsidiary which are transferred to a Receivables Seller and/or to a Purchaser as part of a Permitted Receivables Transaction (subject to the limitation on the amount of financing which may be provided in all such transactions as set forth in the definition of the term "Permitted Receivables Transaction" herein);

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(ix) Liens (other than any Lien imposed by ERISA) created and maintained in the ordinary course of business which are not material in the aggregate and which constitute pledges or deposits to secure public or statutory obligations of a Borrower or any of its Subsidiaries, or surety, customs or appeal bonds to which a Borrower or any of its Subsidiaries is a party; and

(x) Additional Liens securing Indebtedness not in excess of \$1,000,000 at any time outstanding.

(g) Merger; Acquisitions; Etc. Subject to Section 5.2(j), purchase or otherwise acquire, whether in one or a series of transactions, all or a substantial portion of the business assets, rights, revenues or property, real, personal or mixed, tangible or intangible, of any person, or all or a substantial portion of the capital stock of or other ownership interest in any other person; nor merge or consolidate or amalgamate with any other person or take any other action having a similar effect, nor enter into any joint venture or similar arrangement with any other person, provided, however, that this Section 5.2(g) shall not prohibit (i) any merger, acquisition or joint venture if (A) a Borrower shall be the surviving or continuing corporation thereof, (B) immediately before and after such merger or acquisition, no Default or Event of Default shall exist or shall have occurred and be continuing and the representations and warranties contained in Article IV shall be true and correct on and as of the date thereof (both before and after such merger or acquisition is consummated) as if made on the date such merger or acquisition is consummated, (C) the aggregate amount paid or payable in cash for (A) any single merger, acquisition or joint venture by any Borrower does not exceed \$25,000,000 and (B) all such mergers, acquisitions or joint ventures by the Borrowers after the Effective Date does not exceed \$50,000,000, and (D) prior to the consummation of such merger or acquisition, the Company shall have provided to the Banks an opinion of counsel and a certificate of the chief financial officer of the Company (attaching computations and pro forma financial statements to demonstrate compliance with all financial covenants hereunder both before and after such merger, acquisition or joint venture has been completed), each stating that such merger or acquisition complies with this Section 5.2(g) and that any other conditions under this Agreement relating to such transaction have been satisfied, or (ii) the acquisition of Hewlett Packard's Laser Jet Solutions Group formatter manufacturing organization located in Boise, Idaho and Bergamo, Italy.

(h) Disposition of Assets; Etc. Sell, lease, license, transfer, assign or otherwise dispose of all or a substantial portion of its business,

assets, rights, revenues or property, real, personal or mixed, tangible or intangible, whether in one or a series of transactions, other than inventory sold in the ordinary course of business upon customary credit terms and sales of scrap or obsolete material or equipment, provided, however, that this Section 5.2(h) shall not prohibit (i) any such sale, lease, license, transfer, assignment or other disposition if the aggregate book value (disregarding any write-downs of such book value other than ordinary depreciation and amortization) of all of the business, assets, rights, revenues and property disposed of after the date of this Agreement shall be less than \$5,000,000 in the aggregate and if, immediately before and after such transaction, no Default or Event of Default shall exist or shall have occurred and be continuing or (ii) sales by the Borrower or any Subsidiary of accounts receivable pursuant to Permitted Receivables Transactions (subject to the limitation on the amount of financing which may be provided in all such transactions set forth in the definition of the term "Permitted Receivables Transaction" herein).

(i) Nature of Business. Make any substantial change in the nature of its business from that engaged in on the date of this Agreement or engage in any other businesses other than the design, development and manufacturing of computer-grade electronic products.

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(j) Investments, Loans and Advances. Subject to Section 5.2(g), purchase or otherwise acquire any capital stock of or other ownership interest in, or debt securities of or other evidences of Indebtedness of, any other person; nor make any loan or advance of any of its funds or property or make any other extension of credit to, or make any investment or acquire any interest whatsoever in, any other person; nor incur any Contingent Liability; other than (i) extensions of trade credit made in the ordinary course of business on customary credit terms and commission, travel and similar advances made to officers and employees in the ordinary course of business, and (ii) commercial paper of any United States issuer having the highest rating then given by Moody's Investors Service, Inc., or Standard & Poor's Corporation, direct obligations of and obligations fully guaranteed by the United States of America or any agency or instrumentality thereof, or certificates of deposit of any commercial bank which is a member of the Federal Reserve System and which has capital, surplus and undivided profit (as shown on its most recently published statement of condition) aggregating not less than \$100,000,000, provided, however, that each of the foregoing investments has a maturity date not later than 365 days after the acquisition thereof by the Company or any of its Subsidiaries, (iii) those investments, loans, advances and other transactions described in Schedule 5.2(j) hereto, having the same terms as existing on the date of this Agreement, together with extensions and renewals thereof, but no increase in the amount of such investment, loan or advance shall be permitted, unless otherwise permitted pursuant to clause (v) hereof, (iv) investments, loans and advances to any Subsidiary; provided, that, the aggregate amount of such investments, loans and advances outstanding at any time to Subsidiaries who are not a Guarantor shall not exceed \$60,000,000, and (v) other investments, loans and advances not exceeding an aggregate amount of \$25,000,000 at any time.

(k) Transactions with Affiliates. Enter into, become a party to, or become liable in respect of, any contract or undertaking with any Affiliate except (i) in the ordinary course of business and on terms not less favorable to a Borrower or any Subsidiary than those which could be obtained if such contract or undertaking were an arms length transaction with a person other than an Affiliate, and (ii) pursuant to or in connection with a Permitted Receivables Transaction.

(l) Sale and Leaseback Transactions. Become or remain liable in any way, whether directly or by assignment or as a guarantor or other contingent obligor, for the obligations of the lessee or user under any lease or contract for the use of any real or personal property if such property is owned on the date of this Agreement or thereafter acquired by a Borrower or any of its Subsidiaries and has been or is to be sold or transferred to any other person and was, is or will be used by a Borrower or any such Subsidiary for substantially the same purpose as such property was used by a Borrower or such Subsidiary prior to such sale or transfer.

(m) Negative Pledge Limitation. Enter into any Agreement, with any person, other than the Banks pursuant hereto or the Note Purchasers pursuant to the Note Purchase Agreement, which prohibits or limits the ability of any Borrower or any Subsidiary (other than Jabil Malaysia) to create, incur, assume or suffer to exist any Lien upon any of its assets, rights, revenues or property, real, personal or mixed, tangible or intangible, whether now owned or hereafter acquired.

(n) Inconsistent Agreements. Enter into any agreement containing any provision which would be violated or breached in any material respect by this Agreement or any of the transactions contemplated hereby or by performance by any Borrower or any of its Subsidiaries of its obligations in connection therewith.

(o) Accounting Changes. A Borrower shall not change its fiscal year or make any significant changes (i) in accounting treatment and reporting practices except as permitted by Generally

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Accepted Accounting Principles and disclosed to the Banks, or (ii) in tax reporting treatment except as permitted by law and disclosed to the Banks.

(p) Additional Covenants.

(q) Additional Covenants. If at any time any Borrower shall enter into or be a party to any instrument or agreement, including all such instruments or agreements in existence as of the date hereof and all such instruments or agreements entered into after the date hereof, relating to or amending any terms or conditions applicable to any of its Indebtedness which includes covenants, terms, conditions or defaults not substantially provided for in this Agreement or more favorable to the lender or lenders thereunder than those provided for in this Agreement, then the Borrowers shall promptly so advise the Agent and the Banks. Thereupon, if the Agent shall request, upon notice to the Borrowers, the Agent and the Banks shall enter into an amendment to this Agreement or an additional agreement (as the Agent may request), providing for substantially the same covenants, terms, conditions and defaults as those provided for in such instrument or agreement to the extent required and as may be selected by the Agent. In addition to the foregoing, any covenants, terms, conditions or defaults in the Private Placement Documents not substantially provided for in this Agreement or more favorable to the holders of the Private Placement Debt issued in connection therewith, are hereby incorporated by reference into this Agreement to the same extent as if set forth fully herein, and no subsequent amendment, waiver or modification thereof shall effect any such covenants, terms, conditions or defaults as incorporated herein.

ARTICLE VI. DEFAULT

6.1 Events of Default. The occurrence of any one of the following events or conditions shall be deemed an "Event of Default" hereunder unless waived by the Required Banks pursuant to Section 9.1:

(a) Nonpayment of Principal. Any Borrower shall fail to pay when due any principal of the Notes; or

(b) Nonpayment of Interest. Any Borrower shall fail to pay when due any interest or any fees or any other amount payable hereunder and such failure shall remain unremedied for five days; or

(c) Misrepresentation. Any representation or warranty made by any Borrower or any Guarantor in Article IV hereof, any other Loan Document or any other certificate, report, financial statement or other document furnished by or on behalf of any Borrower or any Guarantor in connection with this Agreement shall prove to have been incorrect in any material respect when made or deemed made; or

(d) Certain Covenants. Any Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.2 hereof; or

(e) Other Defaults. Any Borrower or any Guarantor shall fail to perform or observe any other term, covenant or agreement contained in this Agreement or any other Loan Document, and any such failure shall remain unremedied for 30 calendar days after written notice thereof shall have been given to the Company by the Agent (or such longer or shorter period of time as may be specified in any Security Document); or

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(f) Cross Default. Any Borrower, any Guarantor or any of their respective Subsidiaries shall fail to pay any part of the principal of, the premium, if any, or the interest on, or any other payment of money due under any of its Indebtedness (other than Indebtedness hereunder), beyond any period of grace provided with respect thereto, which individually or together with other such Indebtedness as to which any such failure exists has an aggregate outstanding principal amount in excess of \$5,000,000; or any Borrower, any Guarantor or any of their respective Subsidiaries shall fail to perform or observe any other term, covenant or agreement contained in any agreement, document or instrument evidencing or securing any such Indebtedness having such aggregate outstanding principal amount, or under which any such Indebtedness was issued or created, beyond any period of grace, if any, provided with respect thereto and such Borrower, such Guarantor or such Subsidiary has been notified by the creditor of such default; and the effect of any such failure is either (i) to cause, or permit the holders of such Indebtedness (or a trustee on behalf of such holders) to cause, any payment of such Indebtedness to become due prior to its due date or (ii) to permit the holders of such Indebtedness (or a trustee on behalf of such holders) to elect a majority of the board of directors of such Borrower, such Guarantor or such Subsidiary; or

(g) Judgments. One or more final unappealable judgments or orders for the payment of money in an aggregate amount of \$10,000,000 shall be rendered against or shall affect any Borrower or any of their respective Subsidiaries, or any other judgment or order (whether or not for the payment of money) shall be rendered against or shall affect any Borrower or any of their respective Subsidiaries which causes or would cause a Material Adverse Effect; or

(h) ERISA. The occurrence of a Reportable Event that results in or would result in material liability of any Borrower, any Subsidiary of any Borrower or their ERISA Affiliates to the PBGC or to any Plan and such Reportable Event is not corrected within thirty (30) days after the occurrence thereof; or the occurrence of any Reportable Event which would constitute grounds for termination of any Plan of any Borrower, their respective Subsidiaries or their ERISA Affiliates by the PBGC or for the appointment by the appropriate United States District Court of a trustee to administer any such Plan and such Reportable Event is not corrected within thirty (30) days after the occurrence thereof; or the filing by any Borrower, any Subsidiary of any Borrower or any of their ERISA Affiliates of a notice of intent to terminate a Plan or the institution of other proceedings to terminate a Plan; or any Borrower, any Subsidiary of any Borrower or any of their ERISA Affiliates shall fail to pay when due any material liability to the PBGC or to a Plan; or the PBGC shall have instituted proceedings to terminate, or to cause a trustee to be appointed to administer, any Plan of any Borrower, their respective Subsidiaries or their ERISA Affiliates; or any person engages in a Prohibited Transaction with respect to any Plan which results in or could result in material liability of the any Borrower, any Subsidiary of any Borrower, any of their ERISA Affiliates, any Plan of any Borrower, their respective Subsidiaries or their ERISA Affiliates or fiduciary of any such Plan; or failure by any Borrower, any Subsidiary of any Borrower or any of their ERISA Affiliates to make a required installment or other payment to any Plan within the meaning of Section 302(f) of ERISA or Section 412(n) of the Code that results in or could result in liability of any Borrower, any Subsidiary of any Borrower or any of their ERISA Affiliates to the PBGC or any Plan; or the withdrawal of any Borrower, any of their respective Subsidiaries or any of their ERISA Affiliates from a Plan during a plan year in which it was

a "substantial employer" as defined in Section 4001(9a)(2) of ERISA; or any Borrower, any of their respective Subsidiaries or any of their ERISA Affiliates becomes an employer with respect to any Multiemployer Plan without the prior written consent of the Majority Banks; or

(i) Insolvency, Etc. Any Borrower or any Guarantor shall be dissolved or liquidated (or any judgment, order or decree therefor shall be entered), or shall generally not pay its debts as they become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or shall institute, or there shall be instituted against any Borrower or any Guarantor, any proceeding or case seeking to adjudicate it a bankrupt or insolvent or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors or seeking the entry of an order for relief, or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its assets, rights, revenues or property, and, if such proceeding is instituted against any Borrower or any Guarantor and is being contested by such Borrower in good faith by appropriate proceedings, such proceeding shall remain undismissed or unstayed for a period of 60 days; or any Borrower or such Guarantor shall take any action (corporate or other) to authorize or further any of the actions described above in this subsection; or

(j) Loan Documents. Any event of default described in any Loan Document shall have occurred and be continuing, or any provision of Article VIII hereof or of any Loan Document shall at any time for any reason cease to be valid and binding and enforceable against any obligor thereunder, or the validity, binding effect or enforceability thereof shall be contested by any person, or any obligor, shall deny that it has any or further liability or obligation thereunder, or any Loan Document shall be terminated, invalidated or set aside, or be declared ineffective or inoperative or in any way cease to give or provide to the Banks and the Agent the benefits purported to be created thereby.

(k) Change of Control. The Company shall experience a Change of Control. For purposes of this Section 6.1(k), a "Change of Control" shall occur if during any twelve-month period (i) any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13D-3 promulgated by the Securities and Exchange Commission under said Act) of 50% or more in voting power of the voting shares of the Company that were outstanding as of the date of this Agreement and (ii) a majority of the board of directors of the Company shall cease for any reason to consist of individuals who as of a date twelve months prior to any date compliance herewith is determined were directors of the Company.

6.2 Remedies.

(a) Upon the occurrence and during the continuance of any Event of Default, the Agent may, with the consent of the Required Banks, and, upon being directed to do so by the Required Banks, shall by notice to the Borrowers (i) terminate the Commitments or (ii) declare the outstanding principal of, and accrued interest on, the Notes and all other amounts owing under this Agreement to be immediately due and payable, or (iii) demand immediate delivery of cash collateral, and the Borrowers agree to deliver such cash collateral upon demand, in an amount equal to the maximum amount that may be available to be drawn at any time prior to the stated expiry of all outstanding Letters of Credit, or any one or more of the foregoing, whereupon the Commitments shall terminate forthwith and all such amounts, including cash collateral, shall become immediately due and payable, provided that in the case of any event or condition described in Section 6.1(i) with respect to any Borrower, the Commitments shall automatically terminate forthwith and all such amounts, including cash collateral, shall automatically become immediately due and payable without notice; in all cases without demand, presentment, protest, diligence, notice of dishonor or other formality, all of which are hereby expressly waived. Such cash collateral delivered in respect of outstanding

Letters of Credit shall be deposited in a

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special cash collateral account to be held by the Agent as collateral security for the payment and performance of the Borrowers' obligations under this Agreement to the Banks and the Agent.

(b) The Agent may, with the consent of the Required Banks, and, upon being directed to do so by the Required Banks, shall, in addition to the remedies provided in Section 6.2(a), exercise and enforce any and all other rights and remedies available to it or the Banks, whether arising under this Agreement, the Notes, any other Loan Document or under applicable law, in any manner deemed appropriate by the Agent, including suit in equity, action at law, or other appropriate proceedings, whether for the specific performance (to the extent permitted by law) of any covenant or agreement contained in this Agreement or any other Loan Document or in aid of the exercise of any power granted in this Agreement or any other Loan Document.

(c) Upon the occurrence and during the continuance of any Event of Default, each Bank may at any time and from time to time, without notice to any Borrower (any requirement for such notice being expressly waived by each Borrower) set off and apply against any and all of the obligations of each Borrower now or hereafter existing under this Agreement, whether owing to such Bank or any other Bank or the Agent, any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank to or for the credit or the account of any Borrower and any property of any Borrower from time to time in possession of such Bank, irrespective of whether or not such Bank shall have made any demand hereunder and although such obligations may be contingent and unmatured. Each of the Borrowers hereby grants to the Banks and the Agent a lien on and security interest in all such deposits, indebtedness and property as collateral security for the payment and performance of the obligations of each Borrower under this Agreement. The rights of such Bank under this Section 6.2(c) are in addition to other rights and remedies (including, without limitation, other rights of setoff) which such Bank may have.

6.3 Distribution of Proceeds of Collateral. All proceeds received by the Agent pursuant to the Security Documents for application to the Bank Obligations or any payments on any of the liabilities secured by the Security Documents received by the Agent or any Bank upon and during the continuance of any Event of Default shall be allocated and distributed as follows:

(a) First, to the payment of all costs and expenses, including without limitation all attorneys' fees, of the Agent in connection with the enforcement of the Security Documents and otherwise administering this Agreement;

(b) Second, to the payment of all costs, expenses and fees, including without limitation, commitment fees and attorneys fees, owing to the Banks pursuant to the Bank Obligations on a pro rata basis in accordance with the Bank Obligations consisting of fees, costs and expenses owing to the Banks under the Bank Obligations, for application to payment of such liabilities;

(c) Third, to the Banks on a pro rata basis in accordance with the Bank Obligations consisting of interest owing to the Banks under the Bank Obligations, for application to payment of such liabilities;

(d) Fourth, to the Banks on a pro rata basis in accordance with the Bank Obligations consisting of principal (including without limitation any cash collateral for any outstanding Letters of Credit) owing to the Banks under the Bank Obligations, for application to payment of such liabilities;

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(e) Fifth, to the payment of any and all other amounts owing to the Banks on a pro rata basis in accordance with the total amount of such Indebtedness owing to each of the Banks, for application to payment of such liabilities; and

(f) Sixth, to the Borrowers or such other person as may be legally entitled thereto.

Notwithstanding the foregoing, no payments of principal, interest or fees delivered to the Agent for the account of any Defaulting Bank shall be delivered by the Agent to such Defaulting Bank. Instead, such payments shall, for so long as such Defaulting Bank shall be a Defaulting Bank, be held by the Agent, and the Agent is hereby authorized and directed by all parties hereto to hold such funds in escrow and apply such funds as follows:

(i) First, if applicable to any payments due from such Defaulting Bank to the Agent; and

(ii) Second, to Loans required to be made by such Defaulting Bank on any borrowing date to the extent such Defaulting Bank fails to make such Loans.

Notwithstanding the foregoing, upon the termination of the Commitments and the payment and performance of all of the Advances (other than those owing to a Defaulting Bank), any funds then held in escrow by the Agent pursuant to the preceding sentence shall be distributed to each Defaulting Bank, pro rata in proportion to amounts that would be due to each Defaulting Bank but for the fact that it is a Defaulting Bank.

6.4 Letter of Credit Liabilities. For the purposes of payments and distributions under Section 6.3, the full amount of Bank Obligations on account of any Letter of Credit then outstanding but not drawn upon shall be deemed to be then due and owing. Amounts distributable to the Banks on account of such Bank Obligations under such Letter of Credit shall be deposited in a separate interest bearing collateral account in the name of and under the control of the Agent and held by the Agent first as security for such Letter of Credit Bank Obligations and then as security for all other Bank Obligations and the amount so deposited shall be applied to the Letter of Credit Bank Obligations at such times and to the extent that such Letter of Credit Bank Obligations become absolute liabilities and if and to the extent that the Letter of Credit Bank Obligations fail to become absolute Bank Obligations because of the expiration or termination of the underlying letters of credit without being drawn upon then such amounts shall be applied to the remaining Bank Obligations in the order provided in Section 6.3. Each Borrower hereby grants to the Agent, for the benefit of the Banks, a lien and security interest in all such funds deposited in such separate interest bearing collateral account, as security for all the Bank Obligations as set forth above.

ARTICLE VII. THE AGENT AND THE BANKS

7.1 Appointment and Authorization. Each Bank hereby irrevocably appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Loan Documents as are delegated to the Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto. The provisions of this Article VII are solely for the benefit of the Agent and the Banks, and the Borrowers shall not have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement,

the Agent shall act solely as agent of the Banks and does not assume and shall not be deemed to have assumed any obligation towards or relationship of agency or trust with or for the Borrowers.

7.2 Agent and Affiliates. The Agent in its capacity as a Bank hereunder shall have the same rights and powers hereunder as any other Bank and may exercise or refrain from exercising the same as though it were not the Agent. First Chicago and its affiliates may (without having to account therefor to any Bank) accept deposits from, lend money to, and generally engage in any kind of banking, trust, financial advisory or other business with any Borrower or any Subsidiary of any Borrower as if it were not acting as Agent hereunder, and may accept fees and other consideration therefor without having to account for the same to the Banks.

7.3 Scope of Agent's Duties. The Agent shall have no duties or responsibilities except those expressly set forth herein, and shall not, by reason of this Agreement, have a fiduciary relationship with any Bank, and no implied covenants, responsibilities, duties, obligations or liabilities shall be read into this Agreement or shall otherwise exist against the Agent. As to any matters not expressly provided for by this Agreement (including, without limitation, collection and enforcement actions under the Notes), the Agent shall not be required to exercise any discretion or take any action, but the Agent shall take such action or omit to take any action pursuant to the written instructions of the Required Banks and may request instructions from the Required Banks. The Agent shall in all cases be fully protected in acting, or in refraining from acting, pursuant to the written instructions of the Required Banks, which instructions and any action or omission pursuant thereto shall be binding upon all of the Banks; provided, however, that the Agent shall not be required to act or omit to act if, in the judgment of the Agent, such action or omission may expose the Agent to personal liability or is contrary to this Agreement, the Notes or applicable law.

7.4 Reliance by Agent. The Agent shall be entitled to rely upon any certificate, notice, document or other communication (including any cable, telegram, telex, facsimile transmission or oral communication) believed by it to be genuine and correct and to have been sent or given by or on behalf of a proper person. The Agent may treat the payee of any Note as the holder thereof unless and until the Agent receives written notice of the assignment thereof pursuant to the terms of this Agreement signed by such payee and the Agent receives the written agreement of the assignee that such assignee is bound hereby to the same extent as if it had been an original party hereto. The Agent may employ agents (including without limitation collateral agents) and may consult with legal counsel (who may be counsel for the Borrowers), independent public accountants and other experts selected by it and shall not be liable to the Banks, except as to money or property received by it or its authorized agents, for the negligence or misconduct of any such agent selected by it with reasonable care or for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

7.5 Default. The Agent shall not be deemed to have knowledge of the occurrence of any Default or Event of Default, unless the Agent has received written notice from a Bank or a Borrower specifying such Default or Event of 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 written notice thereof to the Banks.

7.6 Liability of Agent. Neither the Agent nor any of its directors, officers, agents, or employees shall be liable to the Banks for any action taken or not taken by it or them in connection herewith with the consent or at the request of the Majority Banks or in the absence of its or their own gross negligence or willful misconduct. 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 (i) any recital, statement, warranty or representation contained in this Agreement or any Note or any Guaranty, or in any certificate, report, financial statement or other document furnished in connection with this Agreement, (ii) the performance or observance of any of the covenants or agreements of any Borrower or any Guarantor, (iii) the satisfaction of any condition specified in Article II hereof, or (iv) the validity, effectiveness, legal enforceability, value or genuineness of this Agreement or the Notes or

any collateral subject thereto or any other instrument or document furnished in connection herewith.

7.7 Nonreliance on Agent and Other Banks. Each Bank acknowledges and agrees that it has, independently and without reliance on the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Borrowers and decision to enter into this Agreement and that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decision in taking or not taking action under this Agreement. The Agent shall not be required to keep itself informed as to the performance or observance by any Borrower or any Guarantor of this Agreement, the Notes or any other documents referred to or provided for herein or to inspect the properties or books of any Borrower or any Guarantor and, except for notices, reports and other documents and information expressly required to be furnished to the Banks by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Bank with any information concerning the affairs, financial condition or business of the Borrowers or any of their respective Subsidiaries which may come into the possession of the Agent or any of its affiliates.

7.8 Indemnification. The Banks agree to indemnify the Agent (to the extent not reimbursed by the Borrowers, but without limiting any obligation of the Borrowers to make such reimbursement), ratably according to the respective principal amounts of the Advances then outstanding made by each of them (or if no Advances are at the time outstanding, ratably according to the respective amounts of their Commitments), from and against any and all claims, damages, losses, liabilities, costs or expenses of any kind or nature whatsoever (including, without limitation, fees and disbursements of counsel) which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or the transactions contemplated hereby or any action taken or omitted by the Agent under this Agreement, provided, however, that no Bank shall be liable for any portion of such claims, damages, losses, liabilities, costs or expenses resulting from the Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Bank agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including without limitation reasonable fees and expenses of counsel) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Agent is not reimbursed for such expenses by the Borrowers, but without limiting the obligation of the Borrowers to make such reimbursement. Each Bank agrees to reimburse the Agent promptly upon demand for its ratable share of any amounts owing to the Agent by the Banks pursuant to this Section. If the indemnity furnished to the Agent under this Section shall, in the judgment of the Agent, be insufficient or become impaired, the Agent may call for additional indemnity from the Banks and cease, or not commence, to take any action until such additional indemnity is furnished.

7.9 Resignation of Agent. The Agent may resign as such at any time upon thirty days' prior written notice to the Borrowers and the Banks. In the event of any such resignation, the Company and the Majority Banks shall, by an instrument in writing delivered to the Banks and the Agent, appoint a successor, which shall be a Bank or any other commercial bank organized under the laws of the United

States or any State thereof and having a combined capital and surplus of at least \$500,000,000. If a successor is not so appointed or does not accept such appointment before the Agent's resignation becomes effective, the resigning Agent may appoint a temporary successor to act until such appointment by the Company and the Majority Banks is made and accepted, which temporary successor must also meet the standards set forth in the preceding sentence. Any successor to the Agent shall execute and deliver to the Borrowers and the Banks an instrument accepting such appointment and thereupon such successor Agent, without further act, deed, conveyance or transfer shall become vested with all of the properties, rights, interests, powers, authorities and obligations of

its predecessor hereunder with like effect as if originally named as Agent hereunder. Upon request of such successor Agent, the Borrowers and the resigning Agent shall execute and deliver such instruments of conveyance, assignment and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Agent all such properties, rights, interests, powers, authorities and obligations. The provisions of this Article VII shall thereafter remain effective for such resigning Agent with respect to any actions taken or omitted to be taken by such Agent while acting as the Agent hereunder.

7.10 Sharing of Payments. The Banks agree among themselves that, in the event that any Bank shall obtain payment in respect of any Advance or any other obligation owing to the Banks under this Agreement through the exercise of a right of set-off, banker's lien, counterclaim or otherwise in excess of its ratable share of payments received by all of the Banks on account of the Advances and other obligations (or if no Advances are outstanding, ratably according to the respective amounts of the Commitments), such Bank shall promptly notify the Agent and purchase from the other Banks participations in such Advances and other obligations in such amounts, and make such other adjustments from time to time, as shall be equitable to the end that all of the Banks share such payment in accordance with such ratable shares. The Banks further agree among themselves that if payment to a Bank obtained by such Bank through the exercise of a right of set-off, banker's lien, counterclaim or otherwise as aforesaid shall be rescinded or must otherwise be restored, each Bank which shall have shared the benefit of such payment shall, by repurchase of participations theretofore sold, return its share of that benefit to each Bank whose payment shall have been rescinded or otherwise restored. The Borrowers agree that any Bank so purchasing such a participation may, to the fullest extent permitted by law, exercise all rights of payment, including set-off, banker's lien or counterclaim, with respect to such participation as fully as if such Bank were a holder of such Advance or other obligation in the amount of such participation. The Banks further agree among themselves that, in the event that amounts received by the Banks and the Agent hereunder are insufficient to pay all such obligations or insufficient to pay all such obligations when due, the fees and other amounts owing to the Agent in such capacity shall be paid therefrom before payment of obligations owing to the Banks under this Agreement, other than agency fees and arrangement fees payable pursuant to Section 2.3(d) of this Agreement which shall be paid on a pro rata basis with amounts owing to the Banks. Except as otherwise expressly provided in this Agreement, if any Bank or the Agent shall fail to remit to the Agent or any other Bank an amount payable by such Bank or the Agent to the Agent or such other Bank pursuant to this Agreement on the date when such amount is due, such payments shall be made together with interest thereon for each date from the date such amount is due until the date such amount is paid to the Agent or such other Bank at a rate per annum equal to the rate at which borrowings are available to the payee in its overnight federal funds market. It is further understood and agreed among the Banks and the Agent that if the Agent or any Bank shall engage in any other transactions with any Borrower and shall have the benefit of any collateral or security therefor which does not expressly secure the obligations arising under this Agreement except by virtue of a so-called dragnet clause or comparable provision, the Agent or such Bank shall be entitled to apply any proceeds of such collateral or security first in respect of the

obligations arising in connection with such other transaction before application to the obligations arising under this Agreement.

7.11 Local Custom. Notwithstanding anything herein to the contrary, if requested by the Majority Banks, all Loans made hereunder shall be made in compliance with applicable local market custom and legal practice as determined solely by the Majority Banks, whether or not such custom and legal practices have the force of law; provided, that, the Agent shall consult with the Company regarding compliance with local custom and legal practice if such custom or legal practice does not have the force of law.

GUARANTY

As an inducement to the Banks and the Agent to enter into the transactions contemplated by this Agreement, each Guarantor agrees with the Banks and the Agent as follows:

8.1 Guarantee of Obligations.

(a) Each Guarantor hereby (i) guarantees, as principal obligor and not as surety only, to the Banks the prompt payment of the principal of and any and all accrued and unpaid interest (including interest which otherwise may cease to accrue by operation of any insolvency law, rule, regulation or interpretation thereof) on the Advances and all other obligations of each Borrower to the Banks and the Agent under this Agreement when due, whether by scheduled maturity, acceleration or otherwise, all in accordance with the terms of this Agreement and the Notes, including, without limitation, default interest, indemnification payments and all reasonable costs and expenses incurred by the Banks and the Agent in connection with enforcing any obligations of the Borrowers hereunder, including without limitation the reasonable fees and disbursements of counsel, (ii) guarantees the prompt and punctual performance and observance of each and every term, covenant or agreement contained in this Agreement and the Notes to be performed or observed on the part of each Borrower, (iii) guarantees the prompt and complete payment of all obligations and performance of all covenants of any Borrower under any interest rate or currency swap agreements or similar transactions with any Bank, and (iv) agrees to make prompt payment, on demand, of any and all reasonable costs and expenses incurred by the Banks or the Agent in connection with enforcing the obligations of the Guarantor hereunder, including, without limitation, the reasonable fees and disbursements of counsel (all of the foregoing being collectively referred to as the "Guaranteed Obligations").

(b) If for any reason any duty, agreement or obligation of any Borrower contained in this Agreement shall not be performed or observed by any Borrower as provided therein, or if any amount payable under or in connection with this Agreement shall not be paid in full when the same becomes due and payable, each Guarantor undertakes to perform or cause to be performed promptly each of such duties, agreements and obligations and to pay forthwith each such amount to the Agent for the account of the Banks regardless of any defense or setoff or counterclaim which any Borrower may have or assert, and regardless of any other condition or contingency.

8.2 Waivers and Other Agreements. Each Guarantor hereby unconditionally

(a) waives any requirement that the Banks or the Agent, upon the occurrence of an Event of Default first make demand upon, or seek to enforce remedies against any Borrower before demanding payment under or seeking to enforce the obligations of any Guarantor hereunder, (b) covenants that the obligations of each Guarantor

hereunder will not be discharged except by complete performance of all obligations of the Borrowers contained in this Agreement, the Notes and the other Loan Documents, (c) agrees that the obligations of each Guarantor hereunder shall remain in full force and effect without regard to, and shall not be affected or impaired, without limitation, by any invalidity, irregularity or unenforceability in whole or in part of this Agreement, the Notes or any other Loan Document, or any limitation on the liability of any Guarantor thereunder, or any limitation on the method or terms of payment thereunder which may or hereafter be caused or imposed in any manner whatsoever (including, without limitation, usury laws), (d) waives diligence, presentment and protest with respect to, and any notice of default or dishonor in the payment of any amount at any time payable by any Borrower under or in connection with this Agreement, the Notes or any other Loan Document, and further waives any requirement of notice of acceptance of, or other formality relating to, the obligations of any Guarantor hereunder and (e) agrees that the Guaranteed Obligations shall include any amounts paid by any Borrower to the Banks or the Agent which may be required to be returned to any Borrower or to its representative or to a trustee, custodian or receiver for any Borrower.

8.3 Nature of Guaranty. The obligations of each Guarantor hereunder constitute an absolute and unconditional and irrevocable guaranty of payment and not a guaranty of collection and are wholly independent of and in addition to other rights and remedies of the Banks and the Agent and are not contingent upon the pursuit by the Banks and the Agent of any such rights and remedies, such pursuit being hereby waived by each Guarantor.

8.4 Obligations Absolute. The obligations, covenants, agreements and duties of each Guarantor under this Agreement shall not be released, affected or impaired by any of the following whether or not undertaken with notice to or consent of such Guarantor: (a) an assignment or transfer, in whole or in part, of the Advances made to any Borrower or of this Agreement or any Note although made without notice to or consent of such Guarantor, or (b) any waiver by any Bank or the Agent or by any other person, of the performance or observance by any Borrower of any of the agreements, covenants, terms or conditions contained in this Agreement or in the other Loan Documents, or (c) any indulgence in or the extension of the time for payment by any Borrower of any amounts payable under or in connection with this Agreement or any other Loan Document, or of the time for performance by any Borrower of any other obligations under or arising out of this Agreement or any other Loan Document, or the extension or renewal thereof, or (d) the modification, amendment or waiver (whether material or otherwise) of any duty, agreement or obligation of any Borrower set forth in this Agreement or any other Loan Document (the modification, amendment or waiver from time to time of this Agreement and the other Loan Documents being expressly authorized without further notice to or consent of any Guarantor), or (e) the voluntary or involuntary liquidation, sale or other disposition of all or substantially all of the assets of any Borrower or any receivership, insolvency, bankruptcy, reorganization, or other similar proceedings, affecting any Borrower or any of its assets, or (f) the merger or consolidation of any Borrower or the Guarantors with any other person, or (g) the release of discharge of any Borrower or any Guarantor from the performance or observance of any agreement, covenant, term or condition contained in this Agreement or any other Loan Document, by operation of law, or (h) any other cause whether similar or dissimilar to the foregoing which would release, affect or impair the obligations, covenants, agreements or duties of any Guarantor hereunder.

8.5 No Investigation by Banks or Agent. Each Guarantor hereby waives unconditionally any obligation which, in the absence of such provision, the Banks or the Agent might otherwise have to investigate or to assure that there has been compliance with the law of any jurisdiction with respect to the Guaranteed Obligations recognizing that, to save both time and expense, each Guarantor has requested that the Banks and the Agent not undertake such investigation. Each Guarantor hereby expressly

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confirms that the obligations of such Guarantor hereunder shall remain in full force and effect without regard to compliance or noncompliance with any such law and irrespective of any investigation or knowledge of any Bank or the Agent of any such law.

8.6 Indemnity. As a separate, additional and continuing obligation, each Guarantor unconditionally and irrevocably undertakes and agrees with the Banks and the Agent that, should the Guaranteed Obligations not be recoverable from such Guarantor under Section 8.1 for any reason whatsoever (including, without limitation, by reason of any provision of this Agreement or the Notes or any other agreement or instrument executed in connection herewith being or becoming void, unenforceable, or otherwise invalid under any applicable law) then, notwithstanding any knowledge thereof by any Bank or the Agent at any time, each Guarantor as sole, original and independent obligor, upon demand by the Agent, will make payment to the Agent for the account of the Banks and the Agent of the Guaranteed Obligations by way of a full indemnity in such currency and otherwise in such manner as is provided in this Agreement and the Notes.

8.7 Subordination, Subrogation, Etc. Each Guarantor agrees that any present or future indebtedness, obligations or liabilities of any Borrower to such Guarantor shall be fully subordinate and junior in right and priority of payment to any present or future indebtedness, obligations or liabilities of the Borrower to the Banks and the Agent. Each Guarantor waives any right of

subrogation to the rights of any Bank or the Agent against any Borrower or any other person obligated for payment of the Guaranteed Obligations and any right of reimbursement or indemnity whatsoever arising or accruing out of any payment which the Guarantor may make pursuant to this Agreement and the Notes, and any right of recourse to security for the debts and obligations of any Borrower, unless and until the entire principal balance of and interest on the Guaranteed Obligations shall have been paid in full.

8.8 Waiver. To the extent that it lawfully may, each Guarantor agrees that it will not at any time insist upon or plead, or in any manner whatsoever claim or take any benefit or advantage of any applicable present or future stay, extension or moratorium law, which may affect observance or performance of the provisions of this Agreement or the Notes; nor will it claim, take or insist upon any benefit or advantage of any present or future law providing for the evaluation or appraisal of any security for its obligations hereunder or any Borrower under this Agreement and under the Notes prior to any sale or sales thereof which may be made under or by virtue of any instrument governing the same; nor will it, after any such sale or sales claim or exercise any right, under any applicable law, to redeem any portion of such security so sold.

8.9 Joint and Several Obligations; Contribution Rights.

(a) Notwithstanding anything to the contrary set forth herein or in any Note or in any other Loan Document, the obligations of the Guarantors hereunder are joint and several.

(b) If any Guarantor makes a payment in respect of the Guaranteed Obligations it shall have the rights of contribution set forth below against the other Guarantors; provided that such Guarantor shall not exercise its right of contribution until all the Guaranteed Obligations shall have been finally paid in full in cash. If any Guarantor makes a payment in respect of the Guaranteed Obligations that is smaller in proportion to its Payment Share (as hereinafter defined) than such payments made by the other Guarantors are in proportion to the amounts of their respective Payment Shares, the Guarantor making such proportionately smaller payment shall, when permitted by the preceding sentence, pay to the other Guarantors an amount such that the net payments made by the Guarantor in respect of the Bank Obligations shall be shared among the Guarantors pro rata in proportion to their respective Payment

Shares. If any Guarantor receives any payment that is greater in proportion to the amount of its Payment Shares than the payments received by the other Guarantors are in proportion to the amounts of their respective Payment Shares, the Guarantor receiving such proportionately greater payment shall, when permitted by the second preceding sentence, pay to the other Guarantors an amount such that the payments received by the Guarantors shall be shared among the Guarantors pro rata in proportion to their respective Payment Shares. Notwithstanding anything to the contrary contained in this paragraph or in this Agreement, no liability or obligation of any Guarantor that shall accrue pursuant to this paragraph shall be paid nor shall it be deemed owed pursuant to this paragraph until all of the Bank Obligations shall be finally paid in full in cash.

For purposes hereof, the "Payment Share" of each Guarantor shall be the sum of (a) the aggregate proceeds of the Guaranteed Obligations received by such Guarantor plus (b) the product of (i) the aggregate Guaranteed Obligations remaining unpaid on the date such Guaranteed Obligations become due and payable in full, whether by stated maturity, acceleration, or otherwise (the "Determination Date") reduced by the amount of such Guaranteed Obligations attributed to such Guarantors pursuant to clause (a) above, times (ii) a fraction, the numerator of which is such Guarantor's net worth on the effective date of this Agreement (determined as of the end of the immediately preceding fiscal reporting period of such Guarantor), and the denominator of which is the aggregate net worth of all Guarantors on such effective date.

(c) It is the intent of each Guarantor, the Agent and the Banks that each Guarantor's maximum Guaranteed Obligations shall be in, but not in excess

of:

(i) in a case or proceeding commenced by or against such Guarantor under the Bankruptcy Code on or within one year from the date on which any of the Guaranteed Obligations are incurred, the maximum amount that would not otherwise cause the Guaranteed Obligations (or any other obligations of such Guarantor to the Agent and the Banks) to be avoidable or unenforceable against such Guarantor under (A) Section 548 of the Bankruptcy Code or (B) any state fraudulent transfer or fraudulent conveyance act or statute applied in such case or proceeding by virtue of Section 544 of the Bankruptcy Code; or

(ii) in a case or proceeding commenced by or against such Guarantor under the Bankruptcy Code subsequent to one year from the date on which any of the Guaranteed Obligations are incurred, the maximum amount that would not otherwise cause the Guaranteed Obligations (or any other obligations of such Guarantor to the Agent and the Banks) to be avoidable or unenforceable against such Guarantor under any state fraudulent transfer or fraudulent conveyance act or statute applied in any such case or proceeding by virtue of Section 544 of the Bankruptcy Code;

(iii) in a case or proceeding commenced by or against such Guarantor under any law, statute or regulation other than the Bankruptcy Code (including, without limitation, any other bankruptcy, reorganization, arrangement, moratorium, readjustment of debt, dissolution, liquidation or similar debtor relief laws), the maximum amount that would not otherwise cause the Guaranteed Obligations (or any other obligations of such Guarantor to the Agent and the Banks) to be avoidable or unenforceable against such Guarantor under such law, statute or regulation including, without limitation, any state fraudulent transfer or fraudulent conveyance act or statute applied in any such case or proceeding.

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(d) The Guarantors acknowledge and agree that they have requested that the Banks make credit available to the Borrowers with each Guarantor expecting to derive benefit, directly and indirectly, from the loans and other credit extended by the Banks to the Borrowers.

ARTICLE IX.
MISCELLANEOUS

9.1 Amendments, Etc.

(a) No amendment, modification, termination or waiver of any provision of this Agreement nor any consent to any departure therefrom shall be effective unless the same shall be in writing and signed by the Borrowers and the Majority Banks and, to the extent any rights or duties of the Agent may be affected thereby, the Agent, provided, however, that no such amendment, modification, termination, waiver or consent shall, without the consent of the Agent and all of the Banks, (i) authorize or permit the extension of time for, or any reduction of the amount of, any payment of the principal of, or interest on or the rate at which interest accrues on, the Notes or any installment thereof or any Letter of Credit reimbursement obligation, or any fees or other amount payable hereunder, (ii) amend or terminate the respective Commitment of any Bank set forth on the signature pages hereof (except as provided in Section 9.6(i)) or modify the provisions of this Section regarding the taking of any action under this Section or the provisions of Section 7.10 or the definition of Majority Banks or Required Banks, (iii) amend or modify the Guaranty (other than any amendment solely for the purpose of adding or deleting a Borrowing Subsidiary) or provide for the release or discharge of any Guarantor's obligations under the Guaranty, (iv) provide for the release of any material portion of the collateral subject to any Security Document, (v) amend, modify or waive any other provision hereof requiring consent of all of the Banks or (vi) increase the principal amount of the Swing Line Facility.

(b) Any such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(c) Notwithstanding anything herein to the contrary, no Bank that is in default of any of its obligations, covenants or agreements under this Agreement shall be entitled to vote (whether to consent or to withhold its consent) with respect to any amendment, modification, termination or waiver of any provision of this Agreement or any departure therefrom or any direction from the Banks to the Agent, and, for purposes of determining the Required Banks or the Majority Banks at any time when any Bank is in default under this Agreement, the Commitments and Advances of such defaulting Banks shall be disregarded.

9.2 Notices.

(a) Except as otherwise provided in Section 9.2(c) hereof, all notices and other communications hereunder shall be in writing and shall be delivered or sent to the Borrowers in care of the Company at 10800 Roosevelt Blvd., St. Petersburg, Florida 33716, Attention: Chief Financial Officer, Facsimile No. (813) 579-8529, and to the Agent and the Banks at the respective addresses and numbers for notices set forth on the signatures pages hereof, or to such other address as may be designated by any Borrower, the Agent or any Bank by notice to the other parties hereto. All notices and other communications shall be deemed to have been given at the time of actual delivery thereof to such address, or if sent by certified or registered mail, postage prepaid, to such address, on the third day after the date of mailing, or if deposited prepaid with Federal Express or other nationally recognized overnight

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delivery service prior to the deadline for next day delivery, on the Business Day next following such deposit, provided, however, that notices to the Agent shall not be effective until received.

(b) Notices by a Borrower to the Agent with respect to terminations or reductions of the Commitments pursuant to Section 2.2, requests for Advances pursuant to Section 2.4, requests for continuations or conversions of Loans pursuant to Section 2.7 and notices of prepayment pursuant to Section 3.1 shall be irrevocable and binding on the Borrowers.

(c) Any notice to be given by a Borrower to the Agent pursuant to Sections 2.4 or 2.7 and any notice to be given by the Agent or any Bank hereunder, may be given by telephone, and all such notices given by a Borrower must be immediately confirmed in writing in the manner provided in Section 9.2(a). Any such notice given by telephone shall be deemed effective upon receipt thereof by the party to whom such notice is to be given.

9.3 No Waiver By Conduct; Remedies Cumulative. No course of dealing on the part of the Agent or any Bank, nor any delay or failure on the part of the Agent or any Bank in exercising any right, power or privilege hereunder shall operate as a waiver of such right, power or privilege or otherwise prejudice the Agent's or such Bank's rights and remedies hereunder; nor shall any single or partial exercise thereof preclude any further exercise thereof or the exercise of any other right, power or privilege. No right or remedy conferred upon or reserved to the Agent or any Bank under this Agreement or any other Loan Document is intended to be exclusive of any other right or remedy, and every right and remedy shall be cumulative, except as limited by this Agreement, and in addition to every other right or remedy granted thereunder or now or hereafter existing under any applicable law. Every right and remedy granted by this Agreement or the Notes or any Guaranty or by applicable law to the Agent or any Bank may be exercised from time to time and as often as may be deemed expedient by the Agent or any Bank and, unless contrary to the express provisions of this Agreement or the Notes or such Guaranty, irrespective of the occurrence or continuance of any Default or Event of Default.

9.4 Reliance on and Survival of Various Provisions. All terms, covenants, agreements, representations and warranties of any Borrower or any Guarantor made herein, in any Guaranty or in any certificate, report, financial statement or other document furnished by or on behalf of any Borrower or any Guarantor in connection with this Agreement shall be deemed to be material and to have been relied upon by the Banks, notwithstanding any investigation heretofore or

hereafter made by any Bank or on such Bank's behalf, and those covenants and agreements of the Borrowers set forth in Sections 3.7, 3.9 and 9.5 hereof shall survive the repayment in full of the Advances and the termination of the Commitments for a period of one year from such repayment or termination.

9.5 Expenses.

(a) Each of the Borrowers agrees to pay, or reimburse the Agent for the payment of, on demand, (i) the reasonable fees, without premium, and expenses of counsel to the Agent, including without limitation the reasonable fees and expenses of Dickinson Wright PLLC in connection with the preparation, execution, delivery and administration of the Loan Documents and the consummation of the transactions contemplated hereby, and in connection with advising the Agent as to its rights and responsibilities with respect thereto, and in connection with any amendments, waivers or consents in connection therewith, and (ii) all stamp and other taxes and fees payable or determined to be payable by the Agent or any Bank in connection with the execution, delivery, filing or recording of this Agreement, the Notes and the consummation of the transactions contemplated hereby, and any and all liabilities of the Agent and the Banks with respect to or resulting from any delay in paying or omitting to pay such

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taxes or fees, and (iii) all reasonable costs and expenses of the Agent and the Banks (including without limitation reasonable fees and expenses of counsel, which counsel shall be acceptable to the Majority Banks, including without limitation counsel who are employees of the Agent or the Banks, and whether incurred through negotiations, legal proceedings or otherwise) in connection with any Default or Event of Default or the enforcement of, or the exercise or preservation of any rights under the Loan Documents or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement and (iv) all reasonable costs and expenses of the Agent and the Banks (including reasonable fees and expenses of counsel) in connection with any action or proceeding relating to a court order, injunction or other process or decree restraining or seeking to restrain the Agent from paying any amount under, or otherwise relating in any way to, any Letter of Credit and any and all costs and expenses which any of them may incur relative to any payment under any Letter of Credit.

(b) Each of the Borrowers hereby indemnifies and agrees to hold harmless the Banks, the Issuing Bank and the Agent, their affiliates and their respective officers, directors, employees and agents, harmless from and against any and all claims, damages, losses, liabilities, costs or expenses of any kind or nature whatsoever which the Banks, the Issuing Bank or the Agent or any such person may incur or which may be claimed against any of them by reason of or in connection with any Letter of Credit, and neither any Bank, the Issuing Bank nor the Agent, their affiliates or any of their respective officers, directors, employees or agents shall be liable or responsible for: (i) the use which may be made of any Letter of Credit or for any acts or omissions of any beneficiary in connection therewith; (ii) the validity, sufficiency or genuineness of documents or of any endorsement thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (iii) payment by the Issuing Bank to the beneficiary under any Letter of Credit against presentation of documents which do not comply with the terms of any Letter of Credit, including failure of any documents to bear any reference or adequate reference to such Letter of Credit; (iv) any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit; or (v) any other event or circumstance whatsoever arising in connection with any Letter of Credit; provided, however, that the Borrowers shall not be required to indemnify the Banks, the Issuing Bank and the Agent and such other persons, and the Issuing Bank shall be liable to the Borrowers to the extent, but only to the extent, of any direct, as opposed to consequential or incidental, damages suffered by any Borrower which were caused by (A) the Issuing Bank's wrongful dishonor of any Letter of Credit after the presentation to it by the beneficiary thereunder of a draft or other demand for payment and other documentation strictly complying with the terms and conditions of such Letter of Credit, or (B) payment by the Issuing Bank to the beneficiary under any

Letter of Credit against presentation of documents which do not comply with the terms of the Letter of Credit to the extent, but only to the extent, that such payment constitutes gross negligence or willful misconduct of the Issuing Bank. It is understood that in making any payment under a Letter of Credit, the Issuing Bank will rely on documents presented to it under such Letter of Credit as to any and all matters set forth therein without further investigation and regardless of any notice or information to the contrary, and such reliance and payment against documents presented under a Letter of Credit substantially complying with the terms thereof shall not be deemed gross negligence or willful misconduct of the Issuing Bank in connection with such payment. It is further acknowledged and agreed that a Borrower may have rights against the beneficiary or others in connection with any Letter of Credit with respect to which the Issuing Bank is alleged to be liable and it shall be a precondition of the assertion of any liability of the Issuing Bank under this Section that such Borrower shall first have exhausted all remedies in respect of the alleged loss against such beneficiary and any other parties obligated or liable in connection with such Letter of Credit and any related transactions.

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(c) Each of the Borrowers hereby indemnifies and agrees to hold harmless the Banks and the Agent, their affiliates and their respective officers, directors, employees and agents, from and against any and all claims, damages, losses, liabilities, costs or expenses of any kind or nature whatsoever (including reasonable attorneys fees and disbursements incurred in connection with any investigative, administrative or judicial proceeding whether or not such person shall be designated as a party thereto) which the Banks or the Agent or any such person may incur or which may be claimed against any of them by reason of or in connection with entering into this Agreement or the transactions contemplated hereby, including without limitation those arising under Environmental Laws; provided, however, that the Borrowers shall not be required to indemnify any such Bank and the Agent or such other person, to the extent, but only to the extent, that such claim, damage, loss, liability, cost or expense is attributable to the gross negligence or willful misconduct of such Bank or the Agent, as the case may be.

(d) In consideration of the execution and delivery of this Agreement by each Bank and the extension of the Commitments, each of the Borrowers hereby indemnifies, exonerates and holds the Agent, each Bank, their affiliates and each of their respective officers, directors, employees and agents (collectively, the "Indemnified Parties") free and harmless from and against any and all actions, causes of action, suits, losses, costs, liabilities and damages, and expenses incurred in connection therewith (irrespective of whether any such Indemnified Party is a party to the action for which indemnification hereunder is sought), including reasonable attorneys' fees and disbursements (collectively, the "Indemnified Liabilities"), incurred by the Indemnified Parties or any of them as a result of, or arising out of, or relating to:

(i) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of any Advance;

(ii) the entering into and performance of this Agreement and any other agreement or instrument executed in connection herewith by any of the Indemnified Parties (including without limitation any action brought by or on behalf of any Borrower as the result of any determination by the Majority Banks not to fund any Advance);

(iii) any investigation, litigation or proceeding related to any acquisition or proposed acquisition by any Borrower or any of its Subsidiaries of any portion of the stock or assets of any person, whether or not the Agent or such Bank is party thereto;

(iv) any investigation, litigation or proceeding related to any environmental cleanup, audit, compliance or other matter relating to the protection of the environment or the release by any Borrower or any of its Subsidiaries of any Hazardous Material; or

(v) the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission, discharging or releasing from, any real property

owned or operated by any Borrower or any of its Subsidiaries of any Hazardous Material (including any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under any Environmental Law), regardless of whether caused by, or within the control of, such Borrower or such Subsidiary, except for any such Indemnified Liabilities arising for the account of a particular Indemnified Party by reason of the activities of the Indemnified Party on the property of any Borrower conducted subsequent to a foreclosure on such property solely by reason of the relevant Indemnified Party's gross negligence or willful misconduct, and if and to the extent that the foregoing undertaking may be unenforceable for any reason, each of the Borrowers hereby agrees to make the maximum contribution to the payment and satisfaction of each of

the Indemnified Liabilities which is permissible under applicable law. Each of the Borrowers shall be obligated to indemnify the Indemnified Parties for all Indemnified Liabilities subject to and pursuant to the foregoing provisions, regardless of whether the Company or any of its Subsidiaries had knowledge of the facts and circumstances giving rise to such Indemnified Liability.

9.6 Successors and Assigns; Additional Banks.

(a) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, provided that no Borrower may, without the prior consent of the Banks, assign its rights or obligations hereunder or under the Notes and the Banks shall not be obligated to make any Loan hereunder to any entity other than the Borrowers.

(b) Any Bank may, without the prior consent of the Company or the Agent sell to any financial institution or institutions, and such financial institution or institutions may further sell, a participation interest (undivided or divided) in, the Advances and such Bank's Commitment and rights and benefits under this Agreement and the other Loan Documents, and to the extent of that participation interest such participant or participants shall have the same rights and benefits against the Borrowers under Section 3.7, 3.9 and 6.2(c) as it or they would have had if such participant or participants were the Bank making the Loans to the Borrowers hereunder, provided, however, that (i) such Bank's obligations under this Agreement shall remain unmodified and fully effective and enforceable against such Bank, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Bank shall remain the holder of its Notes for all purposes of this Agreement, (iv) the Borrowers, the Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement, and (v) such Bank shall not grant to its participant any rights to consent or withhold consent to any action taken by such Bank or the Agent under this Agreement other than action requiring the consent of all of the Banks hereunder.

(c) The Agent from time to time in its sole discretion may appoint agents for the purpose of servicing and administering this Agreement and the transactions contemplated hereby and enforcing or exercising any rights or remedies of the Agent provided under this Agreement, the Notes or otherwise. In furtherance of such agency, the Agent may from time to time direct that the Borrowers provide notices, reports and other documents contemplated by this Agreement (or duplicates thereof) to such agent. Each Borrower hereby consents to the appointment of such agent and agrees to provide all such notices, reports and other documents and to otherwise deal with such agent acting on behalf of the Agent in the same manner as would be required if dealing with the Agent itself.

(d) Each Bank may, with the prior consent of the Company and the Agent, (in both cases, which consents shall not be unreasonably withheld and, in the case of the Company, may not be withheld upon the occurrence and during the continuance of an Event of Default) assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and the Note or Notes held by it); provided, however, that

(i) each such assignment shall be of a uniform, and not a varying, percentage of all rights and obligations, (ii) except in the case of an assignment of all of a Bank's rights and obligations under this Agreement, the amount of the Commitment of the assigning Bank being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$10,000,000, and in integral multiples of \$1,000,000 thereafter, or such lesser amount as the Company and the Agent may consent to, (iii) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance in the form of Exhibit H hereto (an "Assignment and

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Acceptance"), together with any Note or Notes subject to such assignment and a processing and recordation fee of \$3,500, and (iv) any Bank may without the consent of the Company or the Agent, and without paying any fee, assign to any Affiliate of such Bank that is a bank or financial institution or to another Bank all or a portion of its rights and obligations under this Agreement. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in such Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Bank hereunder and (y) the Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the remaining portion of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto).

(e) By executing and delivering an Assignment and Acceptance, the Bank assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or the performance or observance by any Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.6 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (vi) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Bank.

(f) The Agent shall maintain at its address designated on the signature pages hereof a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Banks and the Commitment of, and principal amount of the Advances owing to, each Bank from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Company, the Borrowing Subsidiaries, the Agent and the Banks may treat each person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Company or any Bank at any reasonable time and from time to

time upon reasonable prior notice.

(g) Upon its receipt of an Assignment and Acceptance executed by an assigning Bank and an assignee, together with any Note or Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Company. Within five Business Days after its receipt of such notice, the Borrowers, at their own expense, shall execute and deliver to the Agent in exchange for the surrendered Note or Notes a new

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Note to the order of such assignee in an amount equal to the Commitment assumed by it pursuant to such Assignment and Acceptance and, if the assigning Bank has retained a Commitment hereunder, a new Note to the order of the assigning Bank in an amount equal to the Commitment retained by it hereunder. Such new Note or Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Note or Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit H hereto.

(h) No Borrower shall be liable for any costs or expenses of any Bank in effectuating any participation or assignment under this Section 9.6.

(i) Notwithstanding anything in this Agreement to the contrary, the total amount of the Commitments may be increased from time to time to an amount not to exceed \$300,000,000 with the consent of the Company and the Majority Banks, through one or more Additional Banks (as hereinafter defined) or increases in the Commitments of one or more existing Banks, or any combination thereof, provided that no Bank's commitment shall be increased without its consent. In connection with any such increase in the Commitments, the Company and the Agent may from time to time designate additional financial institutions (the "Additional Banks") to be parties to this Agreement and to become a Bank hereunder upon the execution and delivery to the Agent by each such Additional Bank and the Company of an Assumption Agreement in the form of Exhibit I hereto (an "Assumption Agreement"). Any Additional Bank shall become a party to this Agreement and be considered a Bank hereunder for all purposes if (a) it shall execute and deliver to the Agent an Assumption Agreement, (b) it shall make Revolving Credit Advances to the Borrowers in the principal amount which bears the same ratio to the amounts of the Revolving Credit Advances of the other Banks then outstanding as the Commitment of such Additional Bank bears to the then Commitments of such other Banks, and (c) a copy of such Assumption Agreement and evidence satisfactory to the Agent of the making of such Revolving Credit Advances shall be furnished to the Banks, together with a schedule showing the Commitment amount of each Bank and the new percentage of Commitments of each Bank. In connection with any such increase in the total Commitments whether through Additional Banks and/or increases in the Commitments of existing Banks, the Borrowers, (x) the Banks and the Agent shall execute and deliver such other agreements, instruments and documents, including without limitation, new Revolving Credit Notes reflecting the Commitment amount of each Bank going forward, and amendments to this Agreement, as may be reasonably be requested to give effect to and evidence such increase and (y) the Agent shall reallocate any outstanding Revolving Credit Advances and the Borrowers agree to make any payments owing to any Bank under Section 3.9 as a result of such reallocation.

(j) The Banks may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.6, disclose to the assignee or participant or proposed assignee or participant any information relating to the Borrowers.

(k) Notwithstanding any other provision set forth in this Agreement, any Bank may at any time create a security interest in, or assign, all or any portion of its rights under this Agreement (including, without limitation, the Loans owing to it and the Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System; provided that such creation of a security interest or assignment shall not release such Bank from its obligations under this

Agreement.

9.7 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

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9.8 Governing Law; Consent to Jurisdiction. This Agreement is a contract made under, and shall be governed by and construed in accordance with, the law of the State of Illinois applicable to contracts made and to be performed entirely within such State and without giving effect to choice of law principles of such State. Each Borrower further agrees that any legal action or proceeding with respect to this Agreement or the Notes or the transactions contemplated hereby shall be brought in any court of the State of Illinois, or in any court of the United States of America sitting in Illinois, and each Borrower hereby irrevocably submits to and accepts generally and unconditionally the jurisdiction of those courts with respect to its person and property, and irrevocably appoints Chris Lewis, whose address is set forth in Section 9.2, as its agent for service of process and irrevocably consents to the service of process in connection with any such action or proceeding by personal delivery to such agent or to the Borrowers or by the mailing thereof by registered or certified mail, postage prepaid to the Borrowers at the address set forth in Section 9.2. Nothing in this paragraph shall affect the right of the Banks and the Agent to serve process in any other manner permitted by law or limit the right of the Banks or the Agent to bring any such action or proceeding against the Borrowers or property in the courts of any other jurisdiction. Each Borrower hereby irrevocably waives any objection to the laying of venue of any such suit or proceeding in the above described courts.

9.9 Table of Contents and Headings. The table of contents and the headings of the various subdivisions hereof are for the convenience of reference only and shall in no way modify any of the terms or provisions hereof.

9.10 Construction of Certain Provisions. If any provision of this Agreement refers to any 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, whether or not expressly specified in such provision.

9.11 Integration and Severability. This Agreement and the Notes embody the entire agreement and understanding between the Borrowers and the Agent and the Banks, and supersede all prior agreements and understandings, relating to the subject matter hereof. In case any one or more of the obligations of any Borrower under this Agreement or the Notes shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining obligations of such Borrower and the other Borrowers shall not in any way be affected or impaired thereby, and such invalidity, illegality or unenforceability in one jurisdiction shall not affect the validity, legality or enforceability of the obligations of the Borrowers under this Agreement or the Notes in any other jurisdiction.

9.12 Independence of Covenants. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any such covenant, the fact that it would be permitted by an exception to, or would be otherwise within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or such condition exists.

9.13 Interest Rate Limitation. Notwithstanding any provisions of this Agreement or the Notes, in no event shall the amount of interest paid or agreed to be paid by any Borrower exceed an amount computed at the highest rate of interest permissible under applicable law. If, from any circumstances whatsoever, fulfillment of any provision of this Agreement or the Notes at the time performance of such provision shall be due, shall involve exceeding the interest rate limitation validly prescribed by law which a court of competent jurisdiction may deem applicable hereto, then, ipso facto, the obligations to

be fulfilled shall be reduced to an amount computed at the highest rate of interest

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permissible under applicable law, and if for any reason whatsoever any Bank shall ever receive as interest an amount which would be deemed unlawful under such applicable law such interest shall be automatically applied to the payment of principal of such Bank's Advances outstanding hereunder (whether or not then due and payable) and not to the payment of interest, or shall be refunded to the Borrowers if such principal and all other obligations of the Borrowers to such Bank have been paid in full.

9.14 Joint and Several Obligations; Contribution Rights; Savings Clause.

(a) Notwithstanding anything to the contrary set forth herein or in any Note or in any other Loan Document, the obligations of the Domestic Borrowers hereunder and under the Notes and the other Loan Documents are joint and several.

(b) If any Borrower makes a payment in respect of the Bank Obligations it shall have the rights of contribution set forth below against the other Borrowers; provided that no Borrower shall exercise its right of contribution until all the Bank Obligations shall have been finally paid in full in cash. If any Borrower makes a payment in respect of the Bank Obligations that is smaller in proportion to its Payment Share (as hereinafter defined) than such payments made by the other Borrowers are in proportion to the amounts of their respective Payment Shares, the Borrower making such proportionately smaller payment shall, when permitted by the preceding sentence, pay to the other Borrowers an amount such that the net payments made by the Borrower in respect of the Bank Obligations shall be shared among the Borrowers pro rata in proportion to their respective Payment Shares. If any Borrower receives any payment that is greater in proportion to the amount of its Payment Shares than the payments received by the other Borrowers are in proportion to the amounts of their respective Payment Shares, the Borrower receiving such proportionately greater payment shall, when permitted by the second preceding sentence, pay to the other Borrowers an amount such that the payments received by the Borrowers shall be shared among the Borrowers pro rata in proportion to their respective Payment Shares. Notwithstanding anything to the contrary contained in this paragraph or in this Agreement, no liability or obligation of any Borrower that shall accrue pursuant to this paragraph shall be paid nor shall it be deemed owed pursuant to this paragraph until all of the Bank Obligations shall be finally paid in full in cash.

For purposes hereof, the "Payment Share" of each Borrower shall be the sum of (a) the aggregate proceeds of the Bank Obligations received by such Borrower plus (b) the product of (i) the aggregate Bank Obligations remaining unpaid on the date such Bank Obligations become due and payable in full, whether by stated maturity, acceleration, or otherwise (the "Determination Date") reduced by the amount of such Bank Obligations attributed to such Borrower pursuant to clause (a) above, times (ii) a fraction, the numerator of which is such Borrower's net worth on the effective date of this Agreement (determined as of the end of the immediately preceding fiscal reporting period of such Borrower), and the denominator of which is the aggregate net worth of all Borrowers on such effective date.

(c) It is the intent of each Borrower, the Agent and the Banks that each Borrower's maximum Bank Obligations shall be, but not in excess of:

(i) in a case or proceeding commenced by or against such Borrower under the Bankruptcy Code on or within one year from the date on which any of the Bank Obligations are incurred, the maximum amount that would not otherwise cause the Bank Obligations (or any other obligations of such Borrower to the Agent and the Banks) to be avoidable or unenforceable against such

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Borrower under (A) Section 548 of the Bankruptcy Code or (B) any state fraudulent transfer or fraudulent conveyance act or statute applied in such case or proceeding by virtue of Section 544 of the Bankruptcy Code; or

(ii) in a case or proceeding commenced by or against such Borrower under the Bankruptcy Code subsequent to one year from the date on which any of the Bank Obligations are incurred, the maximum amount that would not otherwise cause the Bank Obligations (or any other obligations of such Borrower to the Agent and the Banks) to be avoidable or unenforceable against such Borrower under any state fraudulent transfer or fraudulent conveyance act or statute applied in any such case or proceeding by virtue of Section 544 of the Bankruptcy Code;

(iii) in a case or proceeding commenced by or against such Borrower under any law, statute or regulation other than the Bankruptcy Code (including, without limitation, any other bankruptcy, reorganization, arrangement, moratorium, readjustment of debt, dissolution, liquidation or similar debtor relief laws), the maximum amount that would not otherwise cause the Bank Obligations (or any other obligations of such Borrower to the Agent and the Banks) to be avoidable or unenforceable against such Borrower under such law, statute or regulation including, without limitation, any state fraudulent transfer or fraudulent conveyance act or statute applied in any such case or proceeding.

(d) The Domestic Borrowers acknowledge and agree that they have requested that the Banks make credit available to the Borrowers with each Domestic Borrower expecting to derive benefit, directly and indirectly, from the loans and other credit extended by the Banks to the Borrowers.

(e) The joint and several obligations of the Domestic Borrowers described in this Section 9.14 shall remain in full force and effect without regard to and shall not be released, affected or impaired by: (i) any amendment, assignment, transfer, modification of or addition or supplement to the Bank Obligations, this Agreement, any Note or any other Loan Document, except to the extent any such amendment, assignment, transfer or modification specifically relates to the matters set forth in Section 9.14; (ii) any extension, indulgence, increase in the Bank Obligations or other action or inaction in respect of any of the Loan Documents or otherwise with respect to the Bank Obligations, or any acceptance of security for, or guaranties of, any of the Bank Obligations or Loan Documents, or any surrender, release, exchange, impairment or alteration of any such security or guaranties including without limitation the failing to perfect a security interest in any such security or abstaining from taking advantage or of realizing upon any guaranties or upon any security interest in any such security; (iii) any default by any Borrower under, or any lack of due execution, invalidity or unenforceability of, or any irregularity or other defect in, any of the Loan Documents; (iv) any waiver by the Banks or any other person of any required performance or otherwise of any condition precedent or waiver of any requirement imposed by any of the Loan Documents, any guaranties or otherwise with respect to the Bank Obligations; (v) any exercise or non-exercise of any right, remedy, power or privilege in respect of this Agreement or any of the other Loan Documents; (vi) any sale, lease, transfer or other disposition of the assets of any Borrower or any consolidation or merger of any Borrower with or into any other person, corporation, or entity, or any transfer or other disposition by any Borrower or any other holder of any shares of capital stock of any Borrower; (vii) any bankruptcy, insolvency, reorganization or similar proceedings involving or affecting any Borrower; (viii) the release or discharge of any Borrower from the performance or observance of any agreement, covenant, term or condition under any of the Bank Obligations or contained in any of the Loan Documents by operation of law; or (ix) any other cause whether similar or dissimilar to the foregoing which, in the absence of this provision, would release, affect or impair the obligations, covenants, agreements and duties of any Borrower hereunder, including without limitation any act or omission by the Agent, or the Bank or any other any person which increases

the scope of such Borrower's risk; and in each case described in this paragraph whether or not any Borrower shall have notice or knowledge of any of the foregoing, each of which is specifically waived by each Borrower. Each Borrower warrants to the Banks that it has adequate means to obtain from each other Borrower on a continuing basis information concerning the financial condition and other matters with respect to the Borrowers and that it is not relying on the Agent or the Banks to provide such information either now or in the future.

9.15 Waivers, Etc. Each Borrower unconditionally waives: (a) notice of any of the matters referred to in Section 9.14(e) above; (b) all notices which may be required by statute, rule or law or otherwise to preserve any rights of the Agent, or the Bank, including, without limitation, presentment to and demand of payment or performance from the other Borrowers and protect for non-payment or dishonor; (c) any right to the exercise by the Agent, or the Bank of any right, remedy, power or privilege in connection with any of the Loan Documents; (d) any requirement that the Agent, or the Bank, in the event of any default by any Borrower, first make demand upon or seek to enforce remedies against, such Borrower or any other Borrower before demanding payment under or seeking to enforce this Agreement against any other Borrower; (e) any right to notice of the disposition of any security which the Agent, or the Bank may hold from any Borrower or otherwise and any right to object to the commercial reasonableness of the disposition of any such security; and (f) all errors and omissions in connection with the Agent, or the Bank's administration of any of the Bank Obligations, any of the Loan Documents', or any other act or omission of the Agent, or the Bank which changes the scope of the Borrower's risk, except as a result of the gross negligence or willful misconduct of the Agent, or the Bank. The obligations of each Borrower hereunder shall be complete and binding forthwith upon the execution of this Agreement and subject to no condition whatsoever, precedent or otherwise, and notice of acceptance hereof or action in reliance hereon shall not be required.

9.16 Relationship of this Agreement to the Original Loan Agreement. This Agreement shall become effective on the Effective Date. On the Effective Date, the outstanding Advances shall be considered a part of the Advances under this Agreement for all purposes, as if made in accordance with and pursuant to the terms of this Agreement. On and after the Effective Date, (i) no further fees shall accrue to the Agent or Banks under the Original Loan Agreement and all fees accrued to (but excluding) the Effective Date under such agreement shall constitute accrued fees hereunder and be payable in accordance with the terms hereof and (ii) the rights and obligations of the parties hereto shall be governed solely by this Agreement, except in respect of any rights or obligations arising prior to the Effective Date and which shall survive the Effective Date, and except that each Borrower hereby reaffirms, and is hereby deemed to make as of the Effective Date under and as defined in the Original Loan Agreement, all representations and warranties made as of the Effective Date under and as defined in the Original Loan Agreement, to the extent not otherwise modified by this Agreement. All of the Advances and other Bank Obligations are a continuation of, or replace and refund, as the case may be, the "Advances" and "Bank Obligations" under and as defined in the Original Loan Agreement, and all Advances shall be entitled to, and are secured by, the same collateral with the same priority, as the "Advances" and other "Bank Obligations" under and as defined in the Original Loan Agreement. This Agreement amends and restates in full the terms and provisions of the Original Loan Agreement and is not intended to constitute a novation or satisfaction of or a renunciation or cancellation or other discharge or the indebtedness and other liabilities and obligations created under and evidenced by the Original Loan Agreement.

9.17 Unification of Certain Currencies. Notwithstanding the commencement of the third stage of European Monetary Union ("EMU") (which as of the date of this Agreement is scheduled to occur on January 1, 1999), all Advances denominated in any Permitted Currency shall continue to be so

denominated, interest rates with respect to Eurocurrency Loans denominated in any Permitted Currency shall continue to be determined by reference to such

Permitted Currency in accordance with the procedures specified in the definition of "Eurocurrency Rate", all calculations with respect to Advances outstanding in any Permitted Currency shall continue to be made in units of such currency, and the obligations of the Borrowers with respect to payments of principal and interest on Advances outstanding in any Permitted Currency shall continue to be payable in such currency, all without regard to the conversion rates or rounding rules referred to in European Council Regulation 96/0249 (CNS). Following the commencement of the third stage of EMU and prior to the first issuance of euro-bank notes by the European Central Bank pursuant to Article 105A(1) of the Treaty Establishing the European Community, as amended, (which as of the date of this Agreement is scheduled to occur on January 1, 2002) each of the Borrowers, the Banks, and the Agent agrees to negotiate in good faith an amendment to this Agreement, satisfactory in form and substance to each of the Borrowers, the Banks, and the Agent to modify this Agreement in light of EMU.

9.18 Waiver of Jury Trial. The Borrowers, the Banks and the Agent, after consulting or having had the opportunity to consult with counsel, knowingly, voluntarily and intentionally waive any right either of them may have to a trial by jury in any litigation based upon or arising out of this Agreement or any other Loan Document or any of the transactions contemplated by this Agreement or any course of conduct, dealing, statements (whether oral or written) or actions of any of them. Neither any Borrower, any Bank nor the Agent shall seek to consolidate, by counterclaim or otherwise, any such action in which a jury trial has been waived with any other action in which a jury trial cannot be or has not been waived. These provisions shall not be deemed to have been modified in any respect or relinquished by any party hereto except by a written instrument executed by such party.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first written above, but to be effective as of on the ____ day of August, 1998, which shall be the Effective Date of this Agreement, notwithstanding the day and year first above written.

WITNESSES:

JABIL CIRCUIT, INC.

By: _____

PRINT NAME: _____

Its: _____

JABIL CIRCUIT LTD.

By: _____

PRINT NAME: _____

Its: _____

JABIL CIRCUIT OF MICHIGAN, INC.

By: _____

PRINT NAME: _____

Its: _____

Address for Notices:

One First National Plaza
Mail Suite _____
Chicago, Illinois 60670

Attention:

Facsimile No.: (312) 732-_____
Telephone No.: (312) 732-_____

Commitment Amount: \$45,000,000

Initial Percentage
of Commitments: 20%

THE FIRST NATIONAL BANK OF CHICAGO,
as a Bank and as Agent

By:

Its:

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Address for Notices:

300 First Avenue South
St. Petersburg, Florida

Attention: Frank Coe,
Corporate Banking Division

Facsimile No.: (813) 892-4810
Telephone No.: (813) 892-4954

Commitment Amount: \$40,000,000

Initial Percentage
of Commitments: 17.78%

SUNTRUST BANK, TAMPA BAY

By:

Its:

Address for Notices:

500 Woodward Avenue
Detroit, Michigan 48226

Attention: Marty Ellis

Facsimile No.: (313) 222-3330
Telephone No.: (313) 222-6122

Commitment Amount: \$22,500,000

Initial Percentage
of Commitments: 10%

COMERICA BANK

By:

Its:

Address for Notices:

333 Clay Street, Suite 3400
Houston, Texas 77002

Attention: John Stacy

Facsimile No.: (713) 659-1414
Telephone No.: (713) 951-1222

Commitment Amount: \$22,500,000

Initial Percentage

BANQUE NATIONALE de PARIS

By:

Its:

of Commitments: 10%

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Address for Notices: SOUTHTRUST BANK, NATIONAL ASSOCIATION

420 North 20th Street
Birmingham, Alabama

Attention: Hal Clemmer

Facsimile No.: (205) 254-5022
Telephone No.: (205) 254-5386

Commitment Amount: \$20,000,000

Initial Percentage
of Commitments: 8.89%

By: _____

Its: _____

Address for Notices: CREDIT LYONNAIS ATLANTA AGENCY

One Peachtree Center
303 Peachtree Street, N.W., Suite 4400
Atlanta, Georgia 30308

Attention: Christina Earnshaw

Facsimile No.: (404) 584-5249
Telephone No.: (404) 584-3700

Commitment Amount: \$20,000,000

Initial Percentage
of Commitments: 8.89%

By: _____

Its: _____

Address for Notices: NATIONSBANK, N.A.

901 Main Street, 67th Floor
Dallas, Texas 75202

Attention: Timothy M. O'Connor

Facsimile No.: (214) 508-0980
Telephone No.: (214) 508-9419

Commitment Amount: \$20,000,000

Initial Percentage
of Commitments: 8.89%

By: _____

Its: _____

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Address for Notices: CREDITO ITALIANO SpA

375 Park Avenue
New York, New York 10152

Attention: Harmon Butler

Facsimile No.: (212) 546-9675

By: _____

Its: _____

Telephone No.: (212) 546-9611

Commitment Amount: \$20,000,000

Initial Percentage
of Commitments: 8.89%

By: _____
Its: _____

Address for Notices:
303 Peachtree Street NE, Suite 2900
Atlanta, Georgia 30308

Attention: James Yager

Facsimile No.: (404) 524-4006
Telephone No.: (414) 524-3966

Commitment Amount: \$15,000,000

Initial Percentage
of Commitments: 6.66%

DEUTSCHE GENOSSENSCHAFTSBANK,
Cayman Islands Branch
By: _____
Its: _____
By: _____
Its: _____

JABIL CIRCUIT, INC. SUBSIDIARIES

Jabil Circuit Limited, a United Kingdom Corporation
Jabil Circuit Sdn. Bhd., a Malaysian Corporation
Jabil Circuit of Michigan, Inc., a Michigan Corporation
Jabil Circuit Foreign Sales Corporation, a Barbados Corporation
Jabil Partners, a Scottish Partnership
Jabil Circuit Luxembourg, SARL, a Luxembourg Corporation
Jabil Circuit Srl, an Italian Corporation

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
JABIL CIRCUIT, INC:

We consent to the incorporation by reference in the registration statement (No. 33-63820) on Form S-8 of Jabil Circuit, Inc. of our report dated October 6, 1998, except as to note 10 which is as of December 7, 1998 relating to the consolidated balance sheets of Jabil Circuit, Inc. and subsidiaries as of August 31, 1997 and 1998, and the related consolidated statements of operations, stockholders' equity, and cash flows and related schedule for each of the years in the three-year period ended August 31, 1998, which report appears in the August 31, 1998 annual report on Form 10-K of Jabil Circuit, Inc.

/s/ KPMG Peat Marwick LLP

St. Petersburg, Florida
December 7, 1998

<ARTICLE> 5

<LEGEND>

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

</LEGEND>

<MULTIPLIER> 1,000

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<DEPRECIATION>		99,656
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<CURRENT-LIABILITIES>		186,719
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<COMMON>		37
<OTHER-SE>		248,329
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<SALES>		1,277,374
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<CGS>		1,115,647
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<LOSS-PROVISION>		0
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<INCOME-PRETAX>		81,980
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<INCOME-CONTINUING>		56,933
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<NET-INCOME>		56,933
<EPS-PRIMARY>		1.53
<EPS-DILUTED>		1.48